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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
PINERIDGE TOWNHOMES**

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PINERIDGE TOWNHOMES

This Declaration is made as of the date hereinafter set forth by the signature of the undersigned Declarant.

RECITALS

A. Declarant is the owner of certain real property ("**Property**") located on Warm Springs Road in the City of Ketchum County of Blaine, State of Idaho, which is more particularly described as Section 12, Township 4 North, Range 17 East, B.M., Block 1 Pineridge PUD, according to the Pineridge Large Block Plat recorded on March 15, 2005, as Instrument No. 517424, in the official records of Blaine County, Idaho.

B. Declarant is constructing on the Property a development project ("**Project**") consisting of thirty-two (32) residential Townhomes (as hereinafter defined) contained in seven (7) buildings. Thirteen (13) of the thirty-two (32) Townhomes shall be encumbered by a deed restriction limiting, among other things, ownership and resale of the thirteen (13) designated Townhomes ("**Deed Restricted Townhomes**"). The Deed Restricted Townhomes are referenced on the Plat Map (as hereinafter defined) as Sublots 2, 3, 6, 7, 13, 14, 16, 19, 21, 22, 25, 27, and 28. The Townhomes are joined by a common party wall on the Property so that each Townhome is located on a separate parcel of land.

C. Declarant hereby declares that all of the Property shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any rights, title or interest in the described properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I INTERPRETATION

1.1 Declarant is Original Owner. Declarant is the original Owner of the Property and all improvements located thereon and Declarant will continue to be deemed the Owner thereof except as conveyances or documents changing such Ownership regarding specifically described lots within the Property are filed of record.

1.2 Captions and Schedules. Captions given to the various Articles and Sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. Any schedules or exhibits referred to herein and attached hereto shall be deemed incorporated herein by reference as though fully set forth where such reference is made.

1.3 Definitions.

1.3.1 The "Articles" mean the Association's Articles of Incorporation and their amendments.

1.3.2 The "Association rules" mean the rules and regulations regulating the use and enjoyment of the Common Area adopted by the Board from time to time.

1.3.3 The "Association" means the Pineridge Townhomes Owners Association, Inc., an Idaho nonprofit corporation, its successors and assigns.

1.3.4 The "Board" means the board of directors of the Association.

1.3.5 The "Bylaws" mean the Association's Bylaws and their amendments.

1.3.6 The "Common Area" means the entire Property except all Lots as defined in this Declaration or as shown on the Plat Map (as hereinafter defined), including those parts that are designated as part of the common area as Limited Common Area (as hereinafter defined). The Association shall hold fee simple title to the Common Area for the benefit of the members of the Association. Each member of the Association shall own a percentage interest in the Association in accordance with Exhibit "A" attached hereto and made a part hereof; as such, Exhibit "A" shall set forth the allocation of expenses relating to the Common Area and for purposes of tax assessment under and for purposes of liability relating to the Common Area shall be expressed as a percentage of the entire ownership interest in the Association. Exhibit "A" shall also set forth each member's allocated percentage interest for voting rights.

1.3.7 "Declarant" shall mean Thunder Spring III LLC, an Idaho limited liability company, or its successors and assigns.

1.3.8 "Declaration" shall mean this Townhome Declaration and any amendments thereof.

1.3.9 "Development Rights" shall mean the right to complete the Project in its entirety, and to take any and all actions necessary to do so, including without limitation the rights and actions set forth in Section 2.6.3 hereof.

1.3.10 "Limited Common Area" shall mean those areas designated on the Plat Map for use of a certain Owner or Owners to the exclusion, limitation or restriction of others.

1.3.11 "Lot" or "Sublot" shall mean and refer to any one of the separate legally described parcels constituting a portion of the Property and depicted on the Plat Map of the Pineridge Townhomes recorded in Blaine County, Idaho.

1.3.12 "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of fee simple title to any Townhome including contract purchasers, but excluding those having such interests merely as security for the performance of an obligation.

1.3.13 "Party Wall" shall mean the wall, which is built as part of the original construction of a Townhome and placed on the dividing line between the Lots.

1.3.14 "Persons" shall include natural persons, partnerships, corporations, associations and personal representatives.

1.3.15 "Plat Map" shall mean that land survey map, preliminary and/or final, as the case may be, which depicts all or any portion of the Project, is executed by the Declarant, and is recorded in the Office of the Clerk and Recorder in Blaine County, Idaho.

1.3.16 "Property" shall mean and refer to all of the Lots and other real property described in paragraph A above.

1.3.17 "Townhome" shall mean the single family residential unit located on a Lot and separated from the adjoining Townhome unit or units by a Party Wall, and appurtenant easements.

ARTICLE II PROPERTY RIGHTS AND GENERAL RESTRICTIONS

2.1 Property Rights. All of the Property shall be held, used and enjoyed subject to the limitations and restrictions set forth in this Declaration. Ownership of each Townhome within the development shall include a Lot and a membership in the Association, and any exclusive or non-exclusive easement or easements appurtenant to such Lot over the Common Area as described in this Declaration or the deed to the Lot.

2.2 Common Area.

2.2.1 Indemnification. Each Owner shall be liable for any damage to the Common Area and/or Limited Common Area that may be sustained by reason of the negligence of that Owner, members of his family, his contract purchasers, tenants, guests, invitees or pets, but only to the extent that any such damage is not covered by insurance. Each Owner, by acceptance of his deed, agrees for himself and for the members of his family, his contract purchasers, tenants, guests, invitees and pets, to indemnify each and every other owner, and to hold each and every owner and the Association harmless from, and to defend each and every owner and the Association against, any claim of any person for personal injury or property damage occurring within the unit of that particular owner and within any exclusive easements over the Common Area and/or Limited Common Area appurtenant to the owner's Townhome, unless the injury or damage occurred by reason of the negligence of any other owner or person temporarily visiting in said Lot or portion of the Common Area and/or Limited Common Area subject to an exclusive easement appurtenant to the Townhome or is fully covered by insurance.

2.2.2 Owner's Obligation For Taxes. To the extent allowed by law, all Townhomes, including an Owner's percentage ownership interest in the Association, shall be separately assessed and taxed so that all taxes, assessments and charges which may become liens prior to first mortgages under local law shall relate only to the individual Townhomes and not to

the development as a whole. Each Owner shall be obligated to pay any taxes or assessments assessed by the county assessor of the county in which the development is located against his Townhome and against his personal property.

2.2.3 Future Construction. Nothing in this Declaration shall limit the right of Declarant, its successors and assigns, to complete construction of improvements to the Common Area, Limited Common Area and to Townhomes owned by Declarant or to alter them or to construct additional improvements as Declarant deems advisable before completion and sale of the entire development. The rights of Declarant in this Declaration may be assigned by Declarant to any successor to all or any part of any Declarant's interest in the development, as developer, by an express assignment incorporated in a recorded deed that transfers any such interest to a successor.

2.2.4 Enforcement. The failure of any owner to comply with any provision of this Declaration or the Articles or Bylaws shall give rise to a cause of action in the Association and any aggrieved owner for the recovery of damages or for injunctive relief, or both.

2.3 Easements.

2.3.1 Right to Use. Subject to the provisions of this Declaration each Owner shall have the right to use, enjoy and receive the benefit of any easements created hereunder. Every owner of a Lot shall have a non-exclusive easement of use and enjoyment in, to and throughout the Common Area and for ingress, egress and support over and through the Common Area; however, such non-exclusive easements shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to Lots over the Common Area, if any.

2.3.2 Utility Easement. There is hereby created an easement upon, across, over, through and under the Property for ingress, egress, installation, replacement, repair and maintenance of all utilities and service lines and systems including, but not limited to, water, sewers, gas, telephones, electricity, television, cable, or communication lines and systems for those utilities initially installed by the Declarant.

2.3.3 Easement for Owner Duties and Association Duties. There is hereby reserved to the Association, the Declarant and each Owner, or their duly authorized agents and representatives, such easements as are necessary to perform the duties and obligations of the Owners as set forth herein and of the Association as set forth herein, each as the case may be.

2.3.4 Easement for Encroachments. Each Lot is hereby declared to have an easement over all adjoining Lots for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of any building located on any Lot, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of said encroachment so long as they shall exist, and the rights and obligations of the Owner shall not be altered in any way by said encroachment, settling or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful act or acts with full knowledge of said Owner or Owners. In the event any building or improvement on a Lot is partially or totally destroyed, and then repaired or

rebuilt, the Owners agree that minor encroachments over adjoining Lots shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist. The foregoing encroachment shall not be construed to be encumbrances affecting the marketability of title to any Lot.

2.3.5 Easement Over Lots. There is hereby reserved to each Owner an easement over each Lot to the extent reasonably necessary to permit said Owner to repair, maintain and improve the improvements on said Owner's Lot; and to permit said Owner to move personal property in and out of the improvements on said Owner's Lot. Provided, each Owner shall utilize only such portion of another Lot, and only for such duration as is reasonably necessary to accomplish a permitted purpose and in a manner that will not unnecessarily disturb the peaceful enjoyment of such other Lot by the Owner thereof; and at said Owner's sole expense, repair any damage caused to such other Lot and improvements to as near the original condition as reasonably practicable.

2.3.6 Landscaping Easement. There is hereby reserved to the Association an easement over each Lot to the extent reasonably necessary to permit the Association to repair, maintain and improve all front landscaping improvements on each Owner's Lot.

2.4 Party Walls.

2.4.1 General Rules of Law to Apply. To the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to the Party Walls.

2.4.2 Cost of Repair. The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the two Owners who make use of that wall.

2.4.3 Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, any Owner who has the use of the wall may restore it, and the other Owner who makes use of the wall shall contribute one-half of the cost of restoration thereof without prejudice, however, subject to the right of any such Owner(s) to call for a larger contribution from the other Owner(s) under any rule of law regarding liability for negligent or willful acts or omissions.

2.4.4 Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful acts causes the Party Wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

2.4.5 Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Section 2.4 shall be appurtenant to the land and shall pass to such Owner's successors in title.

2.4.6 Lien. The Owner(s) incurring the costs and who have a right to contribution pursuant to this Section 2.4, shall have a lien upon the Townhome of the non-contributing Owner(s) and may prepare a written notice of lien setting forth the amount of such costs, and identifying the Townhome upon which the costs in question were incurred and the name(s) of the Owner(s) thereof. The lien for such costs shall attach upon recordation of the

notice of lien. Such lien shall be prior to any Declaration of homestead recorded after the recording of this Declaration. The lien shall continue until fully paid or otherwise satisfied. When the lien has been fully paid or satisfied, a further notice releasing the lien shall be recorded. The lien may be foreclosed in the same manner as provided in the laws of the State of Idaho for the foreclosure of lien on real property, or as otherwise provided by law. In any such foreclosure, the Owner(s) of the Townhome being foreclosed upon shall be required to pay the costs, expenses and reasonable attorney's fees in connection with the preparation and recordation of the notice of lien and in connection with the foreclosure. The costs expended for which the lien is filed shall also be the personal and individual debt of the defaulting Owner(s) and suit to recover a money judgment (together with all costs, expenses and reasonable attorney's fees) therefore may be maintained without foreclosing or waiving the lien.

2.5 General Restrictions.

2.5.1 Antennas and Line. No exterior radio, television or other telecommunication antenna, including, without limitation, any satellite dish, shall be erected or maintained in the Property, except that a satellite dish may be permitted upon proper screening with prior written approval by the Board. All power, telephone, and cable or other telecommunication lines shall be located underground, unless prior written approval is obtained from the Board or the architectural committee if one exists.

2.5.2 Insurance Rates. Nothing shall be done or kept in the Property which will increase the rate of insurance on any of the Property, nor shall anything be done or kept in the Property which would result in the cancellation of insurance of any Property or which would be in violation of any law.

2.5.3 No Further Subdividing. Neither, no Lot or Common Area, or Limited Common Area may be further subdivided, nor may any easement or other interest therein less than the whole be conveyed by the Owner thereof (excluding Grantor) without the prior written approval of the Board; provided, however, that nothing herein shall be deemed to prevent or require the approval of the Board for the transfer or sale of any Lot to more than one person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property.

2.5.4 Parking. Subject to the provision set forth below regarding unsightly articles, parking of vehicles shall be limited to interior garage space for those Townhomes that have garages, and for those Townhomes that do not have garages, parking of vehicles shall be limited to the areas demarcated on the Plat Map as Limited Common Area for a particular Sublot. All fire lanes shall remain free of all vehicles at all times. Guest parking areas shall be clearly marked and shall be limited to those areas only and to use by guests only. No parking shall be permitted at any location on the Property unless specifically designated for parking by the Association. All parking spaces shall be used for parking operable vehicles only; further, there shall be no working on vehicles in any outdoor space for periods of time in excess of four hours. No boat, trailer, recreational vehicle, camper, commercial truck (excluding a pick-up truck) or vehicle shall be parked or left within the Project. No Owner may use any parking space assigned to another. No Owner may use any parking space for storage or use any parking in any manner that obstructs or interferes with any other Owner's parking rights or that constitutes a

safety hazard. Without limiting the generality of the powers of the Association with respect to parking, the Association is specifically authorized, but not obligated, to remove any vehicle parked in any area not designated for parking, or any vehicle parked in any space that is assigned to another person or reserved for a specific use, or any vehicle parked in an obstructing or hazardous manner, in all cases at the expense of the Owner or occupant that owns such vehicle. Notwithstanding the foregoing, expenses incurred by the Association in connection with such removal (and storage, if necessary) shall be a personal obligation of such Owner, even if the expense was incurred due to the Owner's guest, tenant or invitee; further, if the Owner fails to pay such amount within seven (7) days after notice to Owner of the amount owed, then the failure to pay shall be a default by the Owner and such expenses shall automatically become a reimbursement assessment determined and levied against such Owner enforceable by the Association as provided herein.

2.5.5 Wildlife; Household Animals. The capturing, trapping or killing of any wildlife within the Property is prohibited, except in circumstances posing an imminent threat to the safety of persons. No horses, cattle, livestock, household animals (except as specifically set forth below) or other animals of any kind shall be raised, bred or kept or maintained on any Lot. Up to two adult dogs, and up to two adult cats may be kept on each Lot, provided the following: (i) that they are not kept, bred or maintained for any commercial purpose, (ii) that such animals are not allowed to run at large and dogs shall not be allowed to bark excessively at any time of the day or night, (iii) that all dogs while outside of a Townhome shall be on a leash at all times except if contained in a fenced backyard of Sublots 1, 2, 3, 4, 5, 6, 7, or 8; and (iv) Owners or caretakers of all dogs are to immediately clean up after their pets. Further, subject to the terms below, birds, other small caged animals, and other ordinary household pets may be maintained on any Lot. Any animal determined in the sole discretion of the Board to be running at large, creating a nuisance, making objectionable noise, endangering any person's health, safety, or property, or otherwise constituting an inconvenience to any Owner, shall be removed upon written request of the Board. If the owner of the animal fails to honor such request for removal within thirty (30) days after such written request, the Board shall be entitled to remove the animal, without liability therefor. The keeping of such animals as well as all other common household pets shall be further subject to such fines, rules and limitations as may be set forth in the rules promulgated by the Association.

2.5.6 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate within the Property and no odors shall be permitted to arise therefrom so as to render any such property or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. No noise, light, smell or other nuisance shall be permitted to exist or operate upon any such property so as to be offensive or detrimental to any other property in the vicinity thereof or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells, chimes or other sound devices (other than security devices used exclusively for security purposes) shall be located, used or placed on any such property without the prior written approval of the Board.

2.5.7 Repair of Buildings. No improvement upon any Lot within the Property shall be permitted to fall into disrepair, and each such improvement shall at all times be kept in good condition and repair as required of an Owner and the Association, respectively, hereunder.

2.5.8 Improvements and Alterations. There shall be no excavation or construction or alteration that in any way alters the exterior appearance of any improvement within the Property, nor removal of any improvement in the Property (other than repair pursuant to Section 2.7 hereof) without the prior written approval of the adjoining property owner pursuant to Article III hereof and approval of the Board.

2.5.9 No Hazardous or Offensive Activities. No activities shall be conducted on any portion of the Property and no improvements shall be constructed on any Lot which are or might be unsafe or hazardous or reasonably offensive to any person or property. Without limiting the generality of the foregoing, no firearms (which shall be defined as including, without limitation, "B-B" guns, pellet guns and other firearms of all types and sizes) shall be discharged upon any portion of the Property, and no open fires shall be lighted or permitted on any portion of the Property except in contained natural gas or propane barbecue units while attended and in use for cooking purposes or within safe and well-designed interior fireplaces.

2.5.10 Unightly Articles. No unsightly articles shall be permitted to remain so as to be visible from any roads or streets or adjoining Lots. Without limiting the generality of the foregoing, commercial vehicles, motor homes, trailers, mobile homes, trucks other than pickups, boats or other watercraft, tractors, vehicles other than automobiles, oversized, stored or inoperable vehicles, campers, snowmobiles and other recreational vehicles, snow removal equipment and garden or maintenance equipment shall be kept at all times, except when in actual use, in an enclosed structure and none of same may be used, either temporarily or otherwise, as a sleeping facility while located within the Property. Further, patios and balconies shall not be used as a storage facility for anything other than a natural gas or propane barbeque, plants, and patio furniture; therefore, without limitation, the storage of bikes, toys, camping equipment, sporting equipment, and building supplies shall be considered unsightly articles which are prohibited on the patios and balconies if they are visible from any roads, streets or other Sublots. Refuse, garbage and trash shall be kept at all times in a covered, noiseless container and any such container shall be kept within an enclosed structure or appropriately screened from view. Service areas, storage piles, compost piles and facilities for hanging, drying or airing clothing or household fabrics shall be appropriately screened from view. No lumber, grass, shrub or tree clippings or plant waste, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any Lot except within an enclosed structure or as appropriately screened from view.

2.5.11 No Logging, Mining and Drilling. No portion of the Property shall be used for the purpose of logging, mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth, except that Grantor or the Association may, by appropriate permit, grant, license or easement, allow the drilling of wells for the extraction of water.

2.5.12 General. Lots shall be used only for single-family residential purposes. Any business, trade, garage sale, moving sale, rummage sale or similar activity is prohibited; provided, however, that an Owner may conduct business activities within a residence located upon a Lot so long as such business activities (i) are not observable or detectable from the exterior of the residence, (ii) comply with all governmental rules, regulations and ordinances, (iii) do not involve regular visitation by clients, customers, suppliers or other business invitees,

(iv) do not involve any kind of door-to-door solicitations within the Property, (vi) do not constitute a nuisance, or a hazardous, illegal or offensive use, or threaten the security or safety of other persons, and (vii) otherwise are in compliance with this Declaration.

2.6 Special Declarant Rights.

Declarant hereby reserves the right, from time to time, to perform the acts and exercise the rights hereinafter specified (the "**Special Declarant Rights**"). Declarant's Special Declarant Rights include the following:

2.6.1 Completion of Improvements. The right to complete improvements indicated on the Plat Map filed with this Declaration.

2.6.2 Exercise of Development Rights. The right to exercise any Development Right reserved in Section 2.7 of this Declaration.

2.6.3 Sales Management and Marketing. The right to locate, relocate and maintain sales offices, management offices, signs advertising the Lots or Townhomes, and models within any Townhomes and in the Common Areas. Declarant shall have the right to show Lots and the Townhomes to prospective purchasers and to arrange for the use of any recreational facilities within the Common Elements by prospective purchasers.

2.6.4 Construction Easements. The right to use easements through Property for the purpose of making improvements within the Property.

2.6.5 Amendment of Declaration. The right to amend this Declaration in connection with the exercise of any Development Rights, including without limitation, the right to amend this Declaration to fulfill any requirements reasonably requested by a lender, title insurance company, fire and casualty insurer or a governmental agency.

2.6.6 Amendment of Plat Map. The right to amend the Plat Map in connection with the exercise of any Development Rights.

2.6.7 Signs. The right to maintain signs on the Property advertising the Lots and Townhomes for sale.

2.6.8 Parking/Storage. The right to use and to allow others to use all parking and storage areas in connection with its marketing efforts.

2.6.9 Declarant Control. There shall be a period of Declarant control ("**Declarant Control**") of the Association, during which the Declarant, or persons designated by the Declarant, may appoint and remove officers and members of the Board, notwithstanding any voting requirements or other procedural requirements set forth herein or in the Bylaws. The period of Declarant Control shall commence upon filing of the Articles and shall terminate on the later of the following (unless terminated earlier by Declarant): (i) sixty (60) days after conveyance of seventy-five percent (75%) of the Townhomes that may be created to Owners other than a Declarant; (ii) two (2) years after Declarant's last conveyance of a Townhome in the

ordinary course of business; or (iii) the completion of construction of the last phase of the Project, as determined by Declarant in its sole discretion.

2.7 Additional Reserved Rights.

In addition to the Special Declarant Rights set forth in Section 2.6 above, Declarant also reserves the following additional rights (the "**Additional Reserved Rights**"):

2.7.1 Dedications. The right to establish, from time to time, by dedication or otherwise, utility and other easements for purposes including but not limited to streets, paths, walkways, ski-ways, drainage, recreation areas, parking areas, driveways, ducts, shafts, flues, conduit installation areas, and to create other reservations, exceptions and exclusions for the benefit of and to serve the Owners.

2.7.2 Use Agreements. The right to enter into, establish, execute, amend, and otherwise deal with contracts and agreements for the use, lease, repair, maintenance or regulation of parking and Common Area, for the benefit of the Owners and/or the Association. The term of any such contracts or agreements shall not exceed one (1) year, although the Board may renew them from year to year.

2.7.3 Easement Rights. The rights to an easement through the Property as may be reasonably necessary for the purpose of discharging Declarant's obligations arising under this Declaration.

2.7.4 Other Rights. The right to exercise any Additional Reserved Right created by any other provision of this Declaration.

2.8 Limitations on Declarant's Special & Additional Reserved Rights.

Unless sooner terminated by an amendment to this Declaration executed by the Declarant, and except as specifically provided in Section 2.6.9 regarding Declarant Control, any Special Declarant Right or Additional Reserved Rights may be exercised by the Declarant so long as the Declarant (a) is obligated under any warranty or obligation; (b) holds a Development Right; (c) owns any Lot; or (d) holds a Security Interest in any Lot(s); provided, however, all Special Declarant Rights and Additional Reserved Rights shall terminate ten (10) years after the date of recording this Declaration.

2.9 Interference with Special Declarant Rights.

Neither the Association nor any Owners may take any action or adopt any rule and/or regulation that will interfere with or diminish any Special Declarant Rights or Additional Reserved Rights without the prior written consent of the Declarant.

2.10 Rights Transferable.

Any Special Declarant Rights or Additional Reserved Right created or reserved for the benefit of Declarant may be transferred to any person by an instrument describing the rights

transferred and recorded in the records of Blaine County Idaho. Such instrument shall be executed by the transferor Declarant and the transferee.

ARTICLE III ALTERATIONS, NUISANCES, ETC.

3.1 Alterations. No improvements, alterations, repairs, change of paint colors, excavations, changes in grade, landscaping or other work which in any way alters the exterior of any Lot or the improvements located thereon from its natural or improved state as of completion of the construction of the original improvements shall be made or done without the prior written approval of all the Owners of the adjoining Townhomes and the Board. No building, fence, wall, residence, or other structure shall be constructed or erected, altered, or built without the prior written approval of the Owners of the adjoining Townhomes and the Board. In the event the Board and/or any Owner fails to approve, modify or disapprove in writing an application submitted within thirty (30) days after plans and specifications in writing have been submitted to such Owner, approval will be deemed denied.

3.2 Nuisances. No nuisance shall be permitted to exist or operate upon any Lot or improvement thereon so as to be detrimental to any other Lot or Property in the vicinity thereof or to its occupants.

3.3 Maintenance of Property.

3.3.1 Association Responsibilities. The Association shall control and maintain for and on behalf of each Owner from required dues and assessments paid by each Owner to the Association, the maintenance, repair and replacement of all Common Area improvements, including without limitation all landscaping and irrigation systems within the Common Area, and all landscaping easement areas on each Owner's Lot (as described above in Section 2.3.6) in a first class condition and in a good state of repair. In addition to the foregoing, the Association shall control and maintain the following: the roofs on all of the Townhomes, roof flashings, chimney caps, window flashing, underground utility lines up to a power box and/or meter, sewer lines, vents, annual testing of the flow sensor and the heating and maintenance of equipment in the riser rooms but not including the ball valve, exterior lights to the extent that such lights are controlled from a source of power located in the Common Area, stoops, porches, balconies, railings, siding, stucco, window frame and/or trim, any exterior fencing that is located on a property line, and the exterior painting (or other appropriate external care of all buildings and other improvements) of all Townhomes including all the exterior painting of all doors (including without limitation all entry, siding, sliding, and garage doors), all in a manner and with such frequency as is consistent with good property management.

3.3.2 Owner Responsibilities. Except for the performance of maintenance work to be performed by the Association as specifically set forth in the above paragraph, each Owner is responsible for all maintenance, repair and replacement of all improvements on the Owner's Lot, and shall keep all Lots owned by him/her, and all improvements therein or thereon in good order and repair and free of debris, including, but not limited to the following: plumbing,

electrical lines on each Sublot up to the meter, gas and electric meters, windows (even if broken from an outside source), weep holes, all doors (including without limitation entry, siding, sliding, storm and garage doors), door hardware such as knobs and locks, keys, garage mechanical system, window and door screens, doorbells, door siding and door pans, toilet wax seals, telephone and television lines or other lines servicing solely a Sublot, weather stripping, chimney cleaning, dryer vents and cleaning, and each Townhome's fire system from the ball valve in the riser rooms to the Townhomes, including the fire sprinkler heads. In addition to the foregoing, to the extent an Owner has a backyard such Owner maintenance shall include without limitation, the backyard irrigation system, the seeding, and mowing of all lawns, the pruning and cutting of all trees and shrubbery in such backyard; notwithstanding anything contained herein to the contrary, due to the existence of one water meter for the landscaping of the Project, and therefore no separate controls and/or water meters for the individual backyards on Sublots 1-8, the watering of such backyards shall be the responsibility of the Association.

3.4 Zoning Regulations. Zoning regulations, building regulations, environmental regulations and other similar governmental regulations applicable to the Property shall be observed. In the event of any conflict between any provision of such governmental regulations and the restrictions of this Declaration, the more restrictive provisions shall apply.

3.5 Enforcement. If the Board reasonably finds a Lot or any improvement thereon requires maintenance, repair or replacement of any component or condition for which the Owner is responsible, the Board may direct the Owner to perform the work and if the Owner fails or refuses to do so within a reasonable period of time, the Association, through its agents, employees and /or contractors, shall have the right, after reasonable notice, to go onto the Lot and maintain, repair or restore the offending condition. All costs related thereto shall be the subject of a Reimbursement Assessment (as hereinafter defined).

ARTICLE IV ASSOCIATION

4.1 Formation. The Association is a nonprofit corporation formed under the laws of Idaho. On the close and recording of the first Townhome sale to an Owner, the Association shall be charged with the duties and invested with the powers set forth in the Articles, the Bylaws and this Declaration, including, but not limited to, control and maintenance of the Common Area and ownership of any facilities on the Common Area, as completed and turned over by Declarant.

4.2 Association Action; Board, Officers & Member's Approval. Except as to matters requiring the approval of members as set forth in this Declaration, the Articles, or the Bylaws, the affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint. The Association shall be governed by a Board composed of five (5) directors, each of whom shall be elected at the first annual meeting. Not later than the termination of any Special Declarant Rights and Additional Reserved Rights, including without limitation the period of Declarant Control, the Board shall consist of at least two (2) Owners of Deed Restricted Townhomes and at least two (2) Owners of Townhomes that are not Deed Restricted. Election

or appointment of the Board and officers shall be in accordance with this Declaration or the Bylaws, and their amendments.

4.3 Powers and Duties of Association.

4.3.1 Powers. The Association shall have all the powers of a nonprofit corporation organized under the General Nonprofit Corporation Law of Idaho subject only to such limitations on the exercise of such powers as are set forth in the Articles, the Bylaws and this Declaration. It shall have the power to do any lawful thing that may be authorized, required or permitted to be done by the Association under this Declaration, the Articles and the Bylaws, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association, including, without limitation, the following:

A. Assessments. The Association shall have the power to establish, fix and levy assessments against the Owners and to enforce payment of such assessments, in accordance with the provisions of this Declaration.

B. Right of Enforcement. The Association in its own name and on its own behalf, or on behalf of any owner who consents, can commence and maintain actions for damages or to restrain and enjoin any actual or threatened breach of any provision of this Declaration or of the Articles or Bylaws, or of the Association rules or any resolutions of the Board, and to enforce by mandatory injunction, or otherwise, all of these provisions. In addition, the Association can suspend the voting rights, can suspend use privileges of the Common Area or can assess monetary penalties against any Owner or other person entitled to exercise such rights or privileges for any violation of this Declaration or the Articles, Bylaws, Association rules, or Board resolutions. However, any such suspension of use privileges cannot exceed a period of thirty (30) days for any one violation and any monetary penalty cannot exceed One Thousand Dollars (\$1,000.00) for any one violation. Each suspended or fined Owner or other person can appeal such action by filing written notice of his intention to appeal with the Board. The action imposing the fine or suspension shall then become ineffective until the fine or suspension is unanimously approved by all Board members at a regular or special meeting of the Board at which all Board members are present. The Owner or other person to be fined or suspended can appear, be represented by counsel and be heard at the meeting. Except as provided in this section, the Association does not have the power or authority to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of such owner's Townhome if the Owner does not comply with provisions of this Declaration or of the Articles or Bylaws or the Association rules, except when the loss or forfeiture is the result of a court judgment or arbitration decision or a foreclosure or sale under a power of sale based on failure of the owner to pay assessments levied by the Association.

C. Delegation of Powers; Professional Management. The Association acting by and through the Board can delegate its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("**Manager**"). Any agreement for professional management of the development shall be terminable by either party with or without cause and without payment of a termination fee on thirty (30) days' written notice. The term of any such agreement shall not exceed one (1) year, although such agreement may be renewed from year to year by the Board.

D. Association Rules and Regulations. The Board shall have the power to adopt, amend and repeal the Association rules as it deems reasonable. The Association rules shall govern the use of the Common Area by all Owners or their families, guests, invitees or by any contract purchaser, or tenant, or their respective family members, guests or invitees. However, the Association rules shall not be inconsistent with or materially alter any provisions of this Declaration, the Articles or the Bylaws. A copy of the Association rules as adopted, amended or repealed, shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the development. In case of any conflict between any of the Association rules and any other provisions of this Declaration, the Articles, or Bylaws, the conflicting Association rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or Bylaws.

4.3.2 Duties of the Association. In addition to the powers delegated to it by its Articles or the Bylaws, and without limiting their generality, the Association, acting by and through the Board, or persons or entities described in Section 4.3.1.C above, has the obligation to conduct all business affairs of common interest to all Owners and to perform each of the following duties:

A. Operation and Maintenance of Common Area and Roofs, Exterior Paint, and Front Landscaping and Other Items. To operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the Common Area, and all its facilities, improvements, and landscaping including any private driveways and private streets, and any other property acquired by the Association, including personal property, in a first-class condition and in a good state of repair; in addition to the foregoing, as more specifically set forth in Section 3.3.1, the Association is to maintain the front landscaping on all Lots in the Project, the roofs and the exterior paint as well as other items set forth in Section 3.3.1. In this connection, the Association may enter into contracts for services or materials for the benefit of the Association or the Common Area, including contracts with Declarant. The term of any such service contract shall not exceed one (1) year and shall be terminable by either party with or without cause and without payment of a termination fee upon thirty (30) days' written notice.

B. Taxes and Assessments. To pay all real and personal property taxes and assessments and all other taxes levied against the Common Area, personal property owned by the Association or against the Association. Such taxes and assessments may be contested or compromised by the Association, provided that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

C. Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the Common Area and for Townhomes when the Townhomes are not separately billed. The term of any contract to supply any of the listed services shall not exceed one (1) year or, if the supplier is a regulated public utility, the shortest term not to exceed one (1) year for which the supplier will contract at the applicable regulated rate.

D. Insurance. To obtain, from reputable insurance companies, and maintain the insurance described in Article VIII.

E. Enforcement of Restrictions and Rules. To perform such other acts, whether or not expressly authorized by this Declaration, that may be reasonably necessary to enforce any of the provisions of this Declaration, the Articles and Bylaws, and the Association's rules and Board resolutions.

4.3.3 Limitations on Authority of Board. Except with the vote or written assent of members of the Association holding sixty-seven percent (67%) of the voting rights of the members, and as otherwise set forth in these Declarations, the Board shall not take any of the following actions:

A. Sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or

B. Pay compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business. However, the Board may cause a member of the Board or an officer to be reimbursed for expenses incurred in carrying on the business of the Association.

4.4 Personal Liability. No member of the Board, or of any committee of the Association, or any officer of the Association, or Declarant, or any agent of Declarant, shall be personally liable to any owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct; and in such circumstance such person shall be indemnified by the Association to the fullest extent permissible under the laws of the State of Idaho.

ARTICLE V MEMBERSHIP AND VOTING RIGHTS

5.1 Membership.

5.1.1 Qualifications. Each Owner of a Townhome, including Declarant, shall be a member of the Association to the extent of their percentage ownership interest as set forth in Exhibit "A". If title to a Sublot is held by more than one person or entity, the membership related to that Sublot shall be shared by all such persons or entities in the same proportionate interest and by the same type of tenancy in which title to the Sublot is held. Further, such persons and/or entity shall appoint and authorize one person or alternate persons to represent the Owners of the Townhome. Such representative shall be a natural person who is an Owner, or a designated board member or officer of a corporate Owner, or a general partner of a partnership Owner, or a comparable representative of any other entity, and such representative shall have the power to cast votes on behalf of the Owners as a member of the Association in accordance with the voting provision set forth below, and serve on the Board if elected, subject to the provisions of and in accordance with the procedures more fully described in the Bylaws. Ownership of a Townhome or interest in it shall be the sole qualification for membership in the Association.

Each Owner shall remain a member of the Association until his ownership or ownership interest in all Townhomes in the development ceases at which time his membership in the Association shall automatically cease. Persons or entities that hold an interest in a Townhome merely as security for performance of an obligation are not to be regarded as members.

5.1.2. Members' Rights and Duties. Each member shall have the rights, duties and obligations set forth in this Declaration, the Articles, the Bylaws and the Association's rules, as the same may from time to time be amended.

5.1.3 Transfer of Membership. The Association membership of each person or entity who owns, or owns an interest in, one or more Townhomes shall be appurtenant to each such Townhome, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except on a transfer of title to each such Townhome or interest in it and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Townhome or interest in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new owner.

5.2 Voting.

5.2.1 Number of Votes. The vote allocated to each Townhome is as set forth in Exhibit "A" and is based upon the value of all Townhomes, including the Deed Restricted Townhomes, by dividing the amount of square footage for each Townhome, including interior garage space, by the total square footage of all Townhomes then within the Project for which a final Plat Map has been recorded.

5.2.2 Joint Owner Votes. The voting rights for each Townhome, as set forth in Exhibit "A", may not be cast on a fractional basis. If the joint owners of a Townhome are unable to agree among themselves as to how their voting rights shall be cast, they shall forfeit the vote on the matter in question. If any owner exercises the voting rights of a particular Townhome, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other owners of the same Townhome. If more than one (1) person or entity exercises the voting rights for a particular Townhome, their votes shall not be counted and shall be deemed void.

ARTICLE VI ASSESSMENTS

6.1 Agreement to Pay. The Declarant, for each Townhome owned by it in the development that is expressly made subject to assessment as set forth in this Declaration, covenant and agree, and each purchaser of a Townhome owned, to pay to the Association regular assessments and special assessments, reimbursement assessments, and such assessments to be established, made and collected as provided in this Declaration.

6.2 Personal Obligations. Each assessment or installment, together with any late charge, interest, collection costs and reasonable attorneys' fees, shall be the personal obligation of the person or entity who was an Owner at the time such assessment, or installment became due and payable. If more than one person or entity was the Owner of a Townhome, the personal

obligation to pay such assessment, or installment respecting such Townhome shall be both joint and several. The personal obligation for delinquent assessments, or delinquent installments and other such sums, shall not pass to an Owner's successors in interest unless expressly assumed by them. No Owner may exempt himself from payment of assessments, or installments, by waiver of the use or enjoyment of all or any portion of the Common Area or by waiver of the use or enjoyment of, or by abandonment of, his Townhome.

6.3 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the members of the Association, the improvement, replacement, repair, operation and maintenance of the Common Area and the performance of the duties of the Association as set forth in this Declaration.

6.4 Assessments.

6.4.1. Regular Assessments.

A. Not more than ninety (90) days nor less than thirty (30) days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of establishing the regular annual assessment for the forthcoming fiscal year. At such meeting the Board shall review written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, without a vote of the members of the Association, shall establish the regular assessment for the forthcoming fiscal year; provided, however, that the Board may not establish a regular assessment for any fiscal year of the Association which is more than one hundred twelve percent (112%) of the regular assessment of the prior fiscal year of the Association (except the first such fiscal year of the Association if it should be less than twelve (12) months) without the approval by vote or written consent of members holding fifty-one percent (51%) of the allocated percentage voting interest set forth in Exhibit "A".

B. Unless the Association or its assessment income shall be exempt from federal or state income taxes, to the extent possible, all reserves shall be accounted for and handled as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in such other manner authorized by law or regulations of the Internal Revenue Service as will prevent such funds from being taxed as income of the Association.

6.4.2. Special Assessments. If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements on the Common Area, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the Board, it shall become a special assessment. The Board may, in its discretion, pro rate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each Townhome. Unless exempt from federal or state income taxation, all proceeds from any special assessment shall be segregated and deposited into a special account and shall be used solely for the purpose or purposes for which it was levied or it shall be

otherwise handled and used in a manner authorized by law or regulations of the Internal Revenue Service to avoid, if possible, its taxation as income of the Association.

6.4.3 Limitation Respecting Special Assessments

A. Subject to the limitations set forth below in subparagraph B. regarding improvements above and beyond a repair and/or replacement, any special assessment in excess of five percent (5%) of the budgeted gross expense of the Association for the fiscal year in which a special assessment for repair and replacement is levied shall require approval by vote or written consent of fifty-one percent (51%) of the Owners, according to their allocated percentage voting interest set forth in Exhibit "A", except in case of a special assessment and/or reimbursement assessment (as more fully described below) against an Owner as a remedy utilized by the Board to reimburse the Association for costs incurred in bringing the member or his Townhome into compliance with the provisions of this Declaration.

B. Notwithstanding the foregoing, except with the vote or written assent of members of the Association holding sixty-seven percent (67%) of the voting rights of the members according to the allocated percentage voting interest set forth in Exhibit "A", the Board shall not incur aggregate expenditures for capital improvements for an improvement that is above and beyond a repair and/or replacement in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; further provided, to the extent that a capital improvement is for an improvement that is above and beyond a repair or replacement, and is voted by the Association to be incurred, the Owner's of the Deed Restricted Townhomes shall not be obligated to pay more than each Deed Restricted Townhome Owner's percentage share as set forth in Exhibit "A" of a five percent (5%) increase of the budgeted gross expenses of the Association for that fiscal year, and all other Owner's shall share the responsibility for the payment of the balance of such approved expenditure.

6.4.4. Reimbursement Assessments. The Association may by written notice levy a reimbursement assessment whereby there is a charge against any Owner and the Owner's Lot. It may be levied by the Board where there is a violation of this Declaration, the Articles, or Bylaws, or other misconduct by any Owner, or the lessees, guests, agents, employees, or invitees of an Owner, or condition created or caused by an Owner or Owner's predecessor in interest, which has required or will require the Association to spend money (including attorneys fees or other costs), resulted in the imposition of a fine or penalty against the Association. A reimbursement assessment shall be due and payable to the Association when levied or such later time as may be set. A reimbursement assessment may be collected in the same manner as regular assessments.

6.5 Rate of Assessment. Regular and special assessments shall be apportioned among the Owners and fixed on a pro rata basis for each Sublot. Such assessments shall be determined based upon the value of all Townhomes, including the Deed Restricted Townhomes, by dividing the amount by the square footage for each Townhome by the total square footage of all Townhomes, including garage space, then within the development, as set forth in Exhibit "A".

6.6 Assessment Period. The annual regular assessment period shall commence on January 1 of each year and shall terminate on December 31 of such year, and regular assessments

shall be payable in equal monthly installments unless the Board adopts some other basis for collection. However, the initial regular assessment period shall commence on the first day of the calendar month following the date on which the sale of the first Townhome to a purchaser is closed and recorded and shall terminate on December 31 of the year in which the initial sale is closed and recorded. All special assessments shall be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments unless the Board adopts some other basis for collection.

6.7 Notice and Assessment Installment Due Dates. A single thirty (30) day prior written notice of each annual regular assessment, each special assessment and any reimbursement assessment shall be given to any owner of every Townhome subject to assessment in which the due dates for the payments of installments shall be specified. The due dates for the payment of installments normally shall be the first of the month following the date of such notice, unless otherwise established by the Board. Each installment of regular assessments and special assessments, and reimbursement assessments to the extent applicable, shall become delinquent if not paid within fifteen (15) days after its due date. There shall accrue with each delinquent installment a late charge equal to the greater of Twenty Dollars (\$20.00) or ten percent (10%) of the unpaid amount together with interest at the maximum rate per annum allowed by law calculated from the due date to and including the date full payment is received by the Association.

6.8 Estoppel Certificate. The Board or Manager, on not less than twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request a statement in writing stating whether or not to the knowledge of the Association, a particular owner is in default as to his Townhome under the provisions of this Declaration and further stating the dates to which installments of assessments, regular or special or reimbursement, have been paid as to such Townhome. Any such certificate may be relied on by any prospective purchaser or mortgagee of the Townhome, but reliance on such certificate may not extend to any default not involving the payment of assessments of which the signer had no actual knowledge.

ARTICLE VII COLLECTION OF ASSESSMENTS: LIENS

7.1 Right to Enforce. The right to collect and enforce assessments is vested in the Board acting for and on behalf of the Association. The Board or its authorized representative, including any manager, can enforce the obligations of the owners to pay assessments provided for in this Declaration by commencement and maintenance of a suit at law or in equity, or the Board may foreclose by judicial proceedings or through the exercise of the power of sale pursuant to Section 7.3 to enforce the lien rights created. Suit to recover a money judgment for unpaid assessments together with all other amounts described in Article VI shall be maintainable without foreclosing or waiving the lien rights.

7.2 Creation of Lien. If there is a delinquency in the payment of any assessment, or installment on a Townhome, as described in Article VI, any amounts that are delinquent, together with the late charge described in that section, interest at the maximum rate per annum allowed by law, and all costs that are incurred by the Board or its authorized representative in the collection of the amounts, including reasonable attorney's fees, shall be a lien against such

Townhome upon the recordation in the office of the County Recorder in which the development is located of a notice of assessment as provided in Idaho Code § 55-1508. The notice of assessment shall not be recorded unless and until the Board or its authorized representative has delivered to the delinquent owner or owners, not less than fifteen (15) days before the recordation of the notice of assessment, a written notice of default and a demand for payment, and unless such delinquency has not been cured within said fifteen (15) day period. The lien shall expire and be void unless, within one (1) year after recordation of the notice of assessment, the Board or its authorized representative records a notice of default as provided hereinafter or institutes judicial foreclosure proceedings with respect to such lien.

7.3 Notice of Default; Foreclosure. Not more than one (1) year nor less than fifteen (15) days after the recording of the notice of assessment, the Board or its authorized representative can record a notice of default and can cause the Townhome with respect to which a notice of default has been recorded to be sold in the same manner as a sale is conducted under a power of sale in a deed of trust, or in any other manner permitted by law, or through judicial foreclosure. However, as a condition precedent to the holding of any such sale appropriate publication shall be made. In connection with any sale, the Board is authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in Idaho as trustee for purposes of conducting the sale. If a delinquency is cured before sale, or before completing a judicial foreclosure, the Board or its authorized representative shall cause to be recorded in the office of the county recorder of the county in which the development is located a certificate setting forth the satisfaction of such claim and release of such lien upon payment of actual expenses incurred, including reasonable attorney's fees by any delinquent owner. During the pendency of any foreclosure proceeding, whether judicial or by power of sale, the owner shall be required to pay to the Association reasonable rent for the Townhome and the Association shall be entitled to the appointment of a receiver to collect the rent. On becoming delinquent in the payment of any assessments, or installments each delinquent owner shall be deemed to have absolutely assigned all rent, issues and profits of his Townhome to the Association and shall further be deemed to have consented to the appointment of a receiver (which appointment may, at the election of the Association, be enforced by the Association through specific performance). The Association, acting on behalf of the owners, shall have the power to bid upon the Townhome at foreclosure sale and to acquire, hold, lease, mortgage and convey the Townhome.

7.4 Waiver of Exemptions. Each owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Section 7.4, the benefit of any homestead or exemption laws of Idaho in effect at the time any assessment, or installment, becomes delinquent or any lien is imposed.

ARTICLE VIII INSURANCE

8.1 Coverage. The Association, for and on behalf of all Owners, shall obtain and maintain insurance coverage as set forth in this Article.

8.1.1 Fire and Casualty Insurance. The Association shall obtain and maintain a master or blanket policy of fire and casualty insurance on the Project, including the Townhomes

and the Common Area, for the full insurable value. The insurance shall be kept in full force and effect at all times and the full replacement value of the insured property shall be redetermined on an annual basis. Such insurance shall include fire and extended coverage, vandalism and malicious mischief, war risk insurance if available and deemed appropriate by the Association, and such other risks and hazards against which the Association shall deem it necessary or appropriate to provide insurance protection.

8.1.2 Liability Insurance. The Association shall maintain commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the Project, insuring the Board, the Association, the Manager, and their respective employees, agents and all persons acting as agents. The Declarant shall be included as an additional insured in such Declarant's capacity as an Owner and member of the Board. Owners, and to the extent required, Owners' mortgagees, shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the Common Area, or membership in the Association. Fidelity Insurance. The Association shall maintain fidelity insurance on all persons who control or disburse funds of the Association. Coverage shall be in an amount as reasonably determined by the Board and based upon the then current budget of the Association. Any person employed as an independent contractor by the Association to control or disburse funds, including the Manager, must obtain and maintain fidelity insurance in like amount for the benefit of the Association unless the Association names such person as an insured employee in the policy of fidelity insurance specified herein.

8.1.3 Other Insurance. The Board may also procure insurance against such additional risks of a type normally carried with respect to the properties of comparable character and use that the Board deems reasonable and necessary in order to protect the Project, the Association and the Owners, including without limitation director's and officer's liability insurance.

8.1.4 Coverage Not Available. In the event any insurance policy, or endorsement thereof, required by this Article is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement, as may be available which provides, as nearly as possible, the coverage described above. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

8.1.5 Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

8.2 Insurance by Owners. An Owner may carry whatever personal liability and property damage liability insurance with respect to his/her Townhome and Sublot that he/she desires; provided, however, no Owner can separately insure the Townhome and Sublot, or any part of it against loss by fire or other casualty covered by the Association's insurance carried under Article 8.1.1. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Article 8.1.1 that results from the existence of such other insurance will be chargeable to the Owner who acquired such other insurance, and the Owner will be liable to the Association to the extent of the diminution. An Owner can insure

his/her personal property against loss. Further, any improvements made by an Owner within his/her Townhome may be separately insured by the Owner, but the insurance is to be limited to the type and nature of coverage commonly known as "tenant's improvements." All insurance that is individually carried by an Owner shall contain a waiver of subrogation rights by the insured as to other Owners, the Association, and any institutional first mortgagee of a Townhome.

8.3 Casualty damage and Reconstruction.

8.3.1 Affects Title. Title to each Townhouse and Sublot is hereby made subject to the terms and conditions hereof, which bind the Declarant and all subsequent Owners, whether or not it be so expressed in the deed by which any Owner acquires his/her Townhouse and Sublot.

8.3.2 Association as Agent. All of the Owners irrevocably constitute and appoint the Association their true and lawful attorney-in-fact in their name, place and stead, for the purpose of dealing with the Project upon its damage or destruction as hereinafter provided. Acceptance by any Owner of a deed from the Declarant or from any other Owner shall constitute such appointment. Each Owner acknowledges and agrees this appointment of the Association, set forth herein, is coupled with an interest in the Project on the part of the Association.

8.3.3 General Authority of the Association. As attorney-in-fact, the Association shall have full and complete authorization, right and power to make, execute and deliver any contract, deed or other instrument with respect to the interest of an Owner which may be necessary or appropriate to exercise the powers herein granted. Repair and reconstruction of the improvements as used in this Declaration mean restoring the Project to substantially the same condition in which it existed prior to damage, with each Townhome, Sublot and the Common Area having substantially the same vertical and horizontal boundaries as before. The proceeds of any insurance collected shall be available to the Association for the purpose of repair or reconstruction unless the Owners unanimously agree not to rebuild in accordance with the provisions set forth hereinafter.

8.3.4 Repair and Reconstruction. As soon as practicable after an event causing damage to, or destruction of, any part of the Project, the Association shall obtain estimates that it deems reliable and complete of the costs of repair or reconstruction of that part of the Project damaged or destroyed. As soon as practicable after receiving these estimates, the Association shall diligently pursue to completion and repair or reconstruction of that part of the Project damaged or destroyed. The Association may take all necessary or appropriate action to effect repair or reconstruction, as attorney-in-fact for the Owners, and no other action by any Owner shall be necessary in connection therewith. Such repair or reconstruction shall be in accordance with the original plans and specifications of the Project, or may be in accordance with any other plans and specifications the Association may approve; provided that in such latter event the number of cubic feet and the number of square feet of any Townhome may not vary by more than five percent (5%) from the number of cubic feet and the number of square feet for such Townhome as originally constructed pursuant to such original plans and specifications, and the location of the building shall be substantially the same as prior to damage or destruction.

8.3.5 Funds for Reconstruction. All insurance proceeds shall be available to the Association for the purpose of repair or reconstruction. If the proceeds of the insurance are insufficient to pay the estimated or actual cost of such repair or reconstruction, the Association, pursuant to Article VI hereof, may levy in advance a special assessment sufficient to provide the funds to pay such estimate or actual costs of repair or reconstruction. Such assessment shall be allocated and collected as provided in that Article. Further levies may be made in like manner if the amounts collected prove insufficient to complete the repair or reconstruction.

8.3.6 Disbursement of Funds for Repair or Reconstruction. The insurance proceeds held by the Association and the amount received from the assessments provided for in Article VI constitute a fund for the payment of costs of repair and reconstruction after casualty. It shall be deemed that the first money disbursed in payment for costs of repair or reconstruction shall be made from insurance proceeds, if there is a balance after payment of all costs of such repair or reconstruction, such balance shall be distributed to the Owners in proportion to the contributions by each Owner pursuant to the assessments by the Association under Article VI of this Declaration.

8.3.7 Decision Not to Rebuild. If the Owners unanimously agree not to rebuild, as provided herein, the Project shall be sold and the proceeds distributed. In the event a sale occurs as set forth herein and the agreement of sale does not, by its terms, apportion the sales proceeds among the Owners and their respective mortgagees, the Board shall select an independent M.A.I. appraiser who shall determine the relative fair market values of each Townhouse and Sublot affected by the sale. The proceeds shall then be apportioned among the Owners and the respective mortgagees/beneficiaries according to such relative values.

ARTICLE IX GENERAL PROVISIONS

9.1 Duration. The covenants and restrictions of this Declaration shall run with the land and bind the land for a term commencing on the date hereof and ending on December 31, 2050, unless amended as herein provided. After December 31, 2050, this Declaration shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by at least seventy-five percent (75%) of the Owners, according to their allocated percentage interest for voting rights set forth in Exhibit "A", and such written instrument is recorded with the Blaine County Recorder.

9.2 Amendment. Subject to the other provisions of this Declaration, this Declaration may be amended by the Declarant prior to the sale of the first Lot or Townhome. Thereafter, amendments to membership and voting rights set forth in Article V and assessments as set forth in Section 6.4.3(B.) of Article VI shall require the affirmative vote or written consent of not less than seventy-five percent (75%) of the Owners according to their percentage interest for voting rights as set forth in Exhibit "A" attached hereto; any other amendments shall require the affirmative vote or written consent of not less than sixty-seven percent (67%) of the Owners, according to Exhibit "A". Any amendment that requires the vote or consent of the Owners shall be effective when an instrument containing the notarized signatures of such Owners is recorded with the Blaine County Recorder.

9.3 Enforcement. Each Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens or charges now or hereafter imposed by the provisions of this Declaration. Failure to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The prevailing party in any such proceeding shall be entitled to recover costs of suit, including reasonable attorney fees.

9.4 Severability. The invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

9.5 Notices for All Purposes. Any notice permitted or required to be delivered under the provisions of this Declaration may be delivered either personally or by mail. If delivery is made by mail, any such notice shall be deemed to have been delivered forty-eight (48) hours after a copy has been deposited in the United States mail, postage prepaid, for first-class mail, addressed to the person entitled to such notice at the most recent address given by such person in writing, for the purpose of service of such notice. All notices to Declarant shall be delivered to Declarant at the following address:

Thunder Spring III, LLC
c/o Wareham Development Company, Inc.
1120 Nye Street, Suite 400
San Rafael, CA 94901

Mailing addresses may be changed from time to time by a notice in writing.

9.6 Arbitration. Any disagreement between or among any Owner or Owners and/or the Declarant with respect to the interpretation or application of this Declaration or the obligations arising thereunder shall be resolved through direct negotiation if possible. In the event that the disagreement can not be resolved through direct negotiation the parties shall resolve the disagreement by arbitration. Such arbitration shall be conducted, upon request of the Owner or Declarant desiring arbitration, before a single arbitrator (unless the parties to such arbitration agree to more than one arbitrator) designated by the American Arbitration Association and in accordance with the rules of such Association. The arbitrator designated and acting under this Declaration shall make his or her decision in strict conformity with such rules and shall have no power to depart from or change any of the provisions thereof. In accordance with such rules, the arbitrators shall determine the controversy in accordance with the laws of the State of Idaho as applied to the facts found by them. The expense or arbitration proceedings conducted hereunder shall be borne equally by the parties to such arbitration. All arbitration proceedings hereunder shall be conducted in the City of Ketchum, Idaho. Judgment upon the award rendered may be entered in any court having jurisdiction thereof.

DATED THIS 29th day of November 2005.

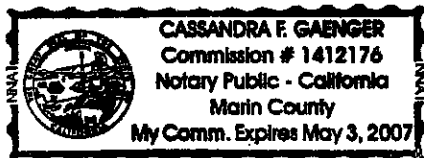
THUNDER SPRING III LLC.

By [Signature]
Richard K. Robbins, Managing Member

STATE OF California)
)ss
County of Marin)

On this 29th day of November 2005, before me, Cassandra F. Gaenger a notary public in and for said State, personally appeared Richard K. Robbins, known or identified to me to be the managing member of Thunder Spring III LLC, an Idaho limited liability company, who executed on behalf Thunder Spring III LLC the instrument, and acknowledged to me that he executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate first above written.



Cassandra F. Gaenger
Notary Public
Residing at: 219 Forbes Ave., San Rafael, CA
My Commission Expires: 5/3/07

EXHIBIT A

ALLOCATED OWNERSHIP INTEREST
EFFECTIVE UPON RECORDATION OF THE FINAL PLAT FOR PHASE 1 OF
PINERIDGE TOWNHOMES

Sublot Number	Living Space Square Footage	Garage Space Square Footage	Total Square Footage	Allocated Percentage Interest for Voting Rights	Allocated Percentage Interest of HOA Dues/Assessments
1	1,320.0	231.0	1,551.0	13.58%	13.58%
2-DR ¹	1,256.0	000.0	1,256.0	11.00	11.00
3-DR	1,256.0	000.0	1,256.0	11.00	11.00
4	1,429.0	218.0	1,647.0	14.42	14.42
5	1,429.0	218.0	1,647.0	14.42	14.42
6-DR	1,256.0	000.0	1,256.0	11.00	11.00
7-DR	1,256.0	000.0	1,256.0	11.00	11.00
8	1,320.0	231.0	1,551.0	13.58	13.58
Total:	10,522.0	898.0	11,420.0	100%	100%

ALLOCATED OWNERSHIP INTEREST
EFFECTIVE UPON RECORDATION OF THE FINAL PLAT FOR PHASE 2 OF
PINERIDGE TOWNHOMES

Sublot Number	Living Space Square Footage	Garage Space Square Footage	Total Square Footage	Allocated Percentage Interest for Voting Rights	Allocated Percentage Interest of HOA Dues/Assessments
1	1,320.0	231.0	1,551.0	3.94%	3.94%
2-DR	1,256.0	000.0	1,256.0	3.19	3.19
3-DR	1,256.0	000.0	1,256.0	3.19	3.19
4	1,429.0	218.0	1,647.0	4.18	4.18
5	1,429.0	218.0	1,647.0	4.18	4.18
6-DR	1,256.0	000.0	1,256.0	3.19	3.19
7-DR	1,256.0	000.0	1,256.0	3.19	3.19
8	1,320.0	231.0	1,551.0	3.94	3.94
9	1,752.0	472.0	2,224.0	5.65	5.65
10	1,592.0	584.0	2,176.0	5.53	5.53

¹ "DR" represents a Deed Restricted Townhome.

11	1,598.0	584.0	2,182.0	5.54	5.54
12	1,770.0	472.0	2,242.0	5.70	5.70
13-DR	733.0	000.0	733.0	1.86	1.86
14-DR	700.0	000.0	700.0	1.78	1.78
15	1,543.0	584.0	2,127.0	5.40	5.40
16-DR	1,440.5	566.0	2,006.5	5.10	5.10
17	1,521.0	584.0	2,105.0	5.35	5.35
18	1,784.0	472.0	2,256.0	5.73	5.73
19-DR	1,217.0	000.0	1,217.0	3.09	3.09
20	1,765.0	472.0	2,237.0	5.68	5.68
21-DR	1,798.0	472.0	2,270.0	5.77	5.77
22-DR	1,217.0	000.0	1,217.0	3.09	3.09
23	1,782.0	472.0	2,254.0	5.73	5.73
Total:	32,734.5	6,632	39,366.5	100%	100%

ALLOCATED OWNERSHIP INTEREST
EFFECTIVE UPON RECORDATION OF THE FINAL PLAT FOR PHASE 3 OF
PINERIDGE TOWNHOMES

Sublot Number	Living Space Square Footage	Garage Space Square Footage	Total Square Footage	Allocated Percentage Interest for Voting Rights	Allocated Percentage Interest of HOA Dues/Assessments
1	1,320.0	231.0	1,551.0	2.78%	2.78%
2-DR	1,256.0	000.0	1,256.0	2.25	2.25
3-DR	1,256.0	000.0	1,256.0	2.25	2.25
4	1,429.0	218.0	1,647.0	2.95	2.95
5	1,429.0	218.0	1,647.0	2.95	2.95
6-DR	1,256.0	000.0	1,256.0	2.25	2.25
7-DR	1,256.0	000.0	1,256.0	2.25	2.25
8	1,320.0	231.0	1,551.0	2.78	2.78
9	1,752.0	472.0	2,224.0	3.98	3.98
10	1,592.0	584.0	2,176.0	3.90	3.90
11	1,598.0	584.0	2,182.0	3.91	3.91
12	1,770.0	472.0	2,242.0	4.01	4.01
13-DR	733.0	000.0	733.0	1.31	1.31
14-DR	700.0	000.0	700.0	1.25	1.25
15	1,543.0	584.0	2,127.0	3.81	3.81
16-DR	1,440.5	566.0	2,006.5	3.59	3.59
17	1,521.0	584.0	2,105.0	3.77	3.77

18	1,784.0	472.0	2,256.0	4.04	4.04
19-DR	1,217.0	000.0	1,217.0	2.18	2.18
20	1,765.0	472.0	2,237.0	4.00	4.00
21-DR	1,798.0	472.0	2,270.0	4.05	4.05
22-DR	1,217.0	000.0	1,217.0	2.18	2.18
23	1,782.0	472.0	2,254.0	4.03	4.03
24	1,521.0	584.0	2,105.0	3.77	3.77
25-DR	1,440.5	566.0	2,006.5	3.59	3.59
26	1,543.0	584.0	2,127.0	3.81	3.81
27-DR	733.0	000.0	733.0	1.31	1.31
28-DR	700.0	000.0	700.0	1.25	1.25
29	1,770.0	472.0	2,242.0	4.01	4.01
30	1,598.0	584.0	2,182.0	3.91	3.91
31	1,592.0	584.0	2,176.0	3.90	3.90
32	1,752.0	472.0	2,224.0	3.98	3.98
Total:	45,384.0	10,478.0	55,862.0	100.0%	100.0%