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Index to: COVENANTS & RESTRICTIONS

**DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS
FOR
THE VILLAGE GREEN AT THE VALLEY CLUB SUBDIVISION**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR THE VILLAGE GREEN AT THE VALLEY CLUB SUBDIVISION ("Declaration") is made this 6th day of April, 2006, by Valley Club Homes, LLC, an Idaho limited liability company, (referred to herein as the "Declarant").

RECITALS

This Declaration is made in contemplation and furtherance of the following facts and purposes:

The Declarant is the owner of Block 1 and Block 2 of The Valley Club West Nine PUD according to the official plat thereof recorded as Instrument No. 523431, records of Blaine County, Idaho (the "West Nine PUD Plat").

It is the intent of the Declarant to create within said Block 1 The Village Green At The Valley Club subdivision (the "Village Green Project") a quality residential development for the enjoyment and convenience of persons living therein, and to secure said objectives through this Declaration. Within the Village Green Project, the Declarant intends to create and develop a total of forty-three (43) lots each with a single-family residence constructed by the Declarant. The Declarant intends to plat Village Green Project in two phases. The first phase is comprised of the seventeen (17) lots platted as shown on plat for The Village Green At The Valley Club plat (the "Phase 1 Plat"). The second phase will be the remaining twenty-six (26) lots as generally shown as future development lots on the Phase 1 Plat. Those twenty-six lots will be platted as part of the subsequent plat for The Village Green At The Valley Club plat (the "Phase 2 Plat") to be recorded in the records of Blaine County, Idaho by the Declarant.

Also, it is the intent of the Declarant to create within Block 2 of the West Nine PUD Plat a quality residential Community Housing development ("Community Housing Project") comprised of twelve (12) Units to be constructed by the Declarant, for the enjoyment and convenience of persons living therein, and to secure said objectives through this Declaration.

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DECLARATION

Declarant hereby declares that Block 1 and Block 2 of West Nine PUD Plat, and all real property, lots, buildings, improvements and common area now or hereafter situated therein, shall all be held, sold, conveyed, encumbered, leased and used subject to the following covenants, conditions, restrictions and equitable servitudes hereinafter set forth or provided for, which shall run with the title to said real property subject to this Declaration, and each portion thereof, and be binding upon, and benefit all parties now or hereafter having or acquiring any right, title or interest therein, or to any part thereof, their heirs, devisees, successors, successors-in-title, and assigns, and shall inure to the benefit of each owner of any portion of the Property.

ARTICLE 1. - DEFINITIONS

The terms in this Declaration and the attached exhibits shall generally be given their natural, commonly accepted definitions except as otherwise specified. Capitalized terms shall be defined as set forth below.

1.1. Architectural Design Review Committee

The Architectural Design Review Committee of the Association under Article 9 of this Declaration

1.2. Area of Common Responsibility

The Area of Common Responsibility includes the Common Area, sewer system, Domestic Water System and Irrigation Water System, together with such other areas facilities or improvements, if any, as Association assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration or other applicable covenants, contract, or agreement.

1.3. Articles of Incorporation or Articles

The Articles of Incorporation of The Village Green At The Valley Club Owners Association, Inc., to be filed with the Secretary of State of the State of Idaho, and as they may be amended from time to time.

1.4. Association

The Village Green At The Valley Club Owners Association, Inc., an Idaho non-profit corporation, its successors or assigns.

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1.5. Board of Directors or Board

The body responsible for administration of the Association, selected as provided in the Articles, Bylaws and generally serving the same role as the board of directors under Idaho corporate law.

1.6. Bylaws

The Bylaws of The Village Green At The Valley Club Owners Association, Inc., and as they may be amended from time to time.

1.7. Common Area

All Common Area indicated on the Phase 2 Plat to be recorded by the Declarant and deeded by the Declarant to the Association, except those portions thereof hereafter granted to or designated by easement by the Declarant or Association for exclusive use by Owners of particular Lot as provided for in this Declaration. Also, all real property identified as Common Area on the Community Housing Plat to be recorded by the Declarant and deeded to the Association by the Declarant. All such real property shall become Common Area as upon the Declarant deeding it to the Association and shall be subject to the rights of the Declarant with regard thereto as set forth this Declaration.

1.8. Common Expenses

The actual and estimated expenses incurred, or anticipated to be incurred, by the Association, including any reasonable reserve, as the Board may find necessary and appropriate pursuant to this Declaration, the Bylaws, and the Articles of Incorporation.

1.9. Community Housing Block

Block 2 of the West Nine PUD Plat and subsequent subdivision plat thereof to create separate Lots for the twelve (12) Community Housing Units. That subsequent subdivision plat is referred to in this Declaration as the "Community Housing Plat".

1.10. Community Housing Unit

Each off the twelve (12) dwelling units to be constructed within the Community Housing Block by the Declarant.

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1.11. Common Infrastructure Improvements.

The Domestic Water System, Wastewater Disposal System, Irrigation Water System, roads, ponds and related water circulation systems, landscaping, and other common improvements (collectively "Common Infrastructure Improvements") which shall be the property of and operated, maintained, repaired and replaced by the Association.

1.12. Community-Wide Standard

The standard of conduct, maintenance, or other activity generally prevailing throughout the Property. Such standard may be set forth in this Declaration or may be more specifically determined by the Board of Directors and the Architectural Design Review Committee.

1.13. Design Guidelines

The design and construction guidelines and application and review procedures applicable to the Property promulgated and administered pursuant to Article 9.

1.14. General Assessment

Assessments levied on all Lots subject to assessment under Article 8 to fund Common Expenses, as more particularly described in Sections 8.1 and 8.3.

1.15. Golf Course

That certain real property adjacent to the Property owned by The Valley Club, Inc., its successors, successors-in-title, or assigns, and operated as a golf course and related and supporting facilities and improvements, and club house.

1.16. Lot

Shall mean and refer to each of the PUD sublots shown on the Phase 1 Plat, and each of the PUD sublots shown on the Phase 2 Plat and each of the Lots, sublots or Units to be shown on the Community Housing Plat, or any subsequent subdivision plat thereof. The term shall include within its meaning, by way of illustration but not limitation, each numbered lot shown on a subdivision plat filed in the Public Records with respect to any portion of the Block 1 or Block 2 together with any easement ("Limited Common Area Easement") within the Common Area appurtenant to such Lot for patios, decks, landscaping, accessory structures, roof overhangs, architectural appendages and

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similar improvements, if any, constructed thereon by the Declarant. In the case of a portion of the Property intended for subdivision into single-family lots as part of the Phase 2 Plat or the Community Housing Plat, but which have not been lawfully created by recordation of a subdivision plat, such property shall be deemed to be a single Lot until such time as such plats are filed of record.

1.17. Member

A Person who owns membership rights in the Association pursuant to Section 3.2.

1.18. Mortgage

A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Lot.

1.19. Mortgagee

A beneficiary or holder of a Mortgage.

1.20. Mortgagor

Any Person who gives a Mortgage.

1.21. Owner

One or more Persons who hold the record title to any Lot, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Lot is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

1.22. Person

A person, a corporation, a partnership, a limited liability company, a trustee, or any other legal entity.

1.23. Property

The real property located within Block 1 and Block 2 of the West Nine PUD Plat, the Phase 1 Plat, the Phase 2 Plat, the Community Housing Plat, and any subsequent subdivision plat thereof, including, but not limited to, any Lot, Unit, Common Area or improvement located thereon. The

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Property, as encumbered by this Declaration, is more particularly described in Exhibit "A" attached hereto and incorporated herein.

1.24. Public Records

The Blaine County, Idaho public records.

1.25. Recreation Center

That certain property and improvements thereon adjacent to the Property owned by The Valley Club, Inc., its successors, successors-in-title, or assigns, and operated as a recreational facility and related and supporting facilities, improvements and activities.

1.26. Special Assessment

Assessments levied in accordance with Section 8.4.

1.27. Specific Assessment

Assessments levied in accordance with Section 8.5.

1.28. Supplemental Declaration

An instrument filed in the Public Records pursuant to Article 7 which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described in such instrument.

1.29. Unit

A single-family dwelling or condominium unit, including appurtenances thereto such as decks, patios, and accessory buildings.

1.30 Phase 1 Plat

The official plat of The Village Green At The Valley Club: Phase 1, recorded in the Office of the Blaine County Recorder as Instrument No. 534321.

1.31. Phase 2 Plat

The official plat of The Village Green At The Valley Club: Phase 2, to be recorded by the Declarant in the Office of the Blaine County Recorder.

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1.32. West Nine PUD Plat

The official plat of The Valley Club Nine PUD West Subdivision, recorded in the Office of the Blaine County Recorder as Instrument No. 523431.

1.33. Building

Any building constructed on the Property subject to this Declaration.

1.34. Future Development Lots.

Each of the future lots to be located within Block 1, the locations of which are generally shown on the Phase 1 Plat, and all related improvements, and all of the real property within the Community Housing Block.

1.35. Wastewater Disposal System.

The private wastewater and sewer disposal system including without limitation all lines, tanks, pumps, drain fields, improvements and facilities constructed by the Declarant on the Property and the Golf Course and used to provide sewer treatment to the Village Green and each Lot and structure therein. The Sewer System shall be owned, operated, maintained, repaired and replaced by the Association.

1.36. Water System Domestic.

The Domestic Water System shall include without limitation all wells, pumps, lines, tanks, valves, fixtures, improvements and facilities used to provide domestic potable water to each Lot. The Domestic Water System is for in-house use only and not for outside irrigation purposes. The Domestic Water System will either be constructed by the Declarant on the Property or be provided by connection to and use of the existing water system owned and operated by The Valley Club Homeowners Association, Inc. ("VCHOA") under an agreement with the Declarant which agreement shall be assigned to the Association. The domestic water rights for the well shall be conveyed to the Association. The Domestic Water System to the extent that it is owned by the Association shall be operated, maintained, repaired and replaced by the Association.

1.37. Water System, Irrigation.

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The Irrigation Water System shall include without limitation all pumps, lines, tanks, improvements and facilities used to provide seasonal irrigation water to each Lot and the Common Area. **THE IRRIGATION WATER SYSTEM IS NON-POTABLE WATER FOR IRRIGATION USE ONLY.** The Irrigation Water System will be constructed by the Declarant on the Property. The irrigation surface water rights for such use, if transferred to the Declarant by The Valley Club, Inc., shall be conveyed to the Association. Such irrigation water is available only during statutory irrigation season and subject to availability depending on the priority of the water rights held by the Association. The Irrigation Water System shall be owned, operated, maintained, repaired and replaced by the Association.

ARTICLE 2. - GENERAL PROJECT DEVELOPMENT, DECLARANT'S RESERVATION OF RIGHTS, AND PROPERTY RIGHTS

2.1. Phasing of Development

Within the Village Green Project, the Declarant intends to plat forty-three lots and construct, or cause to be constructed, a single residential dwelling on each Lot and adjoining easement on adjacent portions of the Common Area. The foundation of each dwelling shall be constructed within each Lot with an easement within the Common Area appurtenant to such Lot for patios, decks, landscaping, accessory structures, roof overhangs, architectural appendages and similar improvements constructed thereon by the Declarant (referred to in this Declaration as "Limited Common Area Easements"). Each of the Lots within the Village Green Project shall be restricted exclusively to residential use. No structures of a temporary character, trailer, tent, shack, carport, garage or other similar improvement shall be used as a residence, either temporarily or permanently, on any Lot.

Within the Community Housing Block, the Declarant intends to construct, or cause to be, constructed, twelve (12) residential Community Housing Units as required by planned unit development approval of Blaine County for the West Nine PUD. The Community Housing Block shall contain no more than twelve (12) Community Housing Units. Each Lot and Unit shall be restricted exclusively to residential use. No structures of a temporary character, trailer, tent, shack, carport, garage or other similar improvement shall be used as a residence, either temporarily or permanently, on any Lot.

2.2. Common Area, and Limited Common Area Easements

The Common Area shown on the Phase 1 Plat, as may be amended by the Phase 2 Plat and subject to any Limited Common Area Easements granted by the Declarant, shall be deeded by the

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Declarant to the Association upon completion of the construction of the last residential building on any Lot shown on those plats. The Common Area to be identified on the Community Housing Plat shall be deeded by the Declarant to the Association upon completion of the construction of the last residential building shown on that plat. Notwithstanding the foregoing, the Declarant may deed any Common Area to the Association at any time. Upon conveyance by the Declarant to the Association, such Common Areas are to be held, improved, maintained, managed and used by the Association exclusively for the common benefit, use, and enjoyment of the Owners of Lots within the subdivision in which the Common Area is located, and their respective family members, guests and invitees. All roads within the Village Green Project and the Community Housing Project shall be Common Area and shall be improved by the Declarant and conveyed by the Declarant to the Association as part of the Common Area. The Association shall retain the right to maintain the landscape vegetation, irrigation systems, asphalt driveways and parking areas within Limited Common Area Easements. The Grantee of the Limited Common Area Easements shall solely be responsible for the maintenance, repair and replacement of all portions of any structure and all stone, brick or other patios and other improvements or equipment within the Limited Common Area Easement. No structure, improvement or equipment shall be installed within the Limited Common Area Easement without the approval by the Architectural Design Review Committee pursuant to Article 9 of this Declaration. Except as to the maintenance rights and obligations in favor of the Declarant and the Association, the Limited Common Area Easement for each lot shall be for the exclusive use and enjoyment of each respective Lot owner.

Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Area, except those portions of the Common Area upon which a Limited Common Area Easement or other easement has been granted, subject to:

- (a) This Declaration and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Association;
- (c) The right of the Board and the membership to adopt rules pursuant to Article 10 regulating the use and enjoyment of the Common Area, including rules limiting the number of guests who may use the Common Area;
- (d) The right of the Board to suspend the right of an Owner to use any recreational facilities within the Common Area (i) for any period during which any charge against such Owner's Lot remains delinquent, and (ii) for a period not to exceed 30 days for a single violation or for a longer period in the case of any continuing violation, of the Declaration, any applicable Supplemental Declaration, the Bylaws, Design Guidelines, or rules of the Association after notice and a hearing;

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(e) The right of the Association, acting through the Board, to mortgage, pledge, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable regulation by the Board.

The Association may, from time to time, further modify, improve or equip the Common Area for the benefit of the Owners, and make such Assessments or borrow such funds therefore as may be reasonably necessary, subject to the provisions and limitations set forth in this Declaration.

2.3. Common Infrastructure Improvements.

Upon completion of construction by the Declarant of the Domestic Water System, Wastewater Disposal System, Irrigation Water System, roads, ponds and related water circulation systems, landscaping, and other common improvements (collectively "Common Infrastructure Improvements") each shall become the property of the Association upon written notice of transfer given by Declarant to Association. Thereafter, each shall be owned, operated, maintained, repaired and replaced by the Association. The Association shall manage and control each of the Common Infrastructure Improvements and shall keep each in good, clean, and sanitary condition, order and repair pursuant to this Declaration and the Bylaws. The Board is specifically authorized, but not obligated, to retain or employ professional management to assist in carrying out the Association's responsibilities under this Declaration and Bylaws, the cost of which shall be a Common Expense.

2.4. Future Development and Reservation of Rights by Declarant.

The acceptance of any deed to any Lot, Unit, or portion of the Property by any Owner or the acceptance of a security interest therein by a holder thereof shall hereby constitute the irrevocable consent of the Owner or the holder of the security interest to the provisions of this Section 2.3, including all reservations made by Declarant herein. In addition to all other rights, reservations and privileges of the Declarant as set forth in this Declaration, the Declarant, for the benefit of the Declarant and its successors and assigns reserves and retains for itself the unilateral power and authority to exercise the following rights:

(a) all right, title and interest in and to the Block 2 of the West Nine PUD Plat for construction of the Community Housing Units,

(b) the right to amend any subdivision plat of any of the Property and to record amended subdivision plats and amendments to this Declaration to amend, adjust, increase, decrease or eliminate the location and size of any Lot, Unit, Common Area, Limited Common

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Area Easements or any other easements as well as the right to increase the number of Lots or Units, as the Declarant deems advisable in the Declarant's sole discretion.

(c) to grant Limited Common Area Easements and other easements over, under, upon and across the Property, Common Area, or any portion thereof, shown on the Phase 1 Plat and other any subdivision plat thereof;

(d) to provide grant access and/or utility easements over, under, upon and across the Property, Common Area and/or Limited Common Area, or any portion thereof;

(e) to eliminate or relocate easements shown on any subdivision plat of the Property, or amendments thereto,

Each Owner, each holder of a security interest in any Lot or Unit, and the Association each hereby irrevocably grants to the Declarant a power coupled with an interest as irrevocable attorney-in-fact to execute and to record the Phase 2 Plat, the Community Housing Plat, and any subsequent plats thereof, as well as any amendments to this Declaration, Supplemental Declarations, and all applications with governmental entities for approval thereof and all related documents in accordance with the foregoing.

2.5. Declarant's Reservation of Rights to Plat and Construct Improvements.

Nothing in this Declaration or any action taken by the Association or any Owner shall limit the right of the Declarant to record the Phase 2 Plat, the Community Housing Plat, or construct any Building or improvement on any of the Property.

2.6. Declarant's Rights Incident to Construction.

Declarant (and persons it may select) shall have the right of ingress and egress over, under, upon and across each Lot, Unit or Common Area, the right to store materials thereon, and to make use of any Lot, Unit or Common Area as may be reasonably necessary or incident to construction by the Declarant of any Buildings or improvement improvements on any of the Real Property.

The acceptance of any deed to any Lot, Unit or portion of the Property by any Owner or the acceptance of a security interest therein by a holder thereof shall hereby constitute the irrevocable waiver by the Owner or holder of the security interest of any and all claims, damages, injuries and causes of action against the Declarant arising out of or with regard to any construction activity by the Declarant or the Declarant's contractors including, without limitation noises, traffic and dust.

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2.7. Reservation of Easements.

Declarant hereby expressly reserves for the benefit of the Declarant, an easement over, under and across each of the Property for the construction of access ways, parking, utilities and other improvements deemed necessary or advisable by the Declarant with regard to construction of any building or improvement on any of the Property.

2.8. Preservation and Transfer of Declarant's Rights.

No rights granted to or reserved by the Declarant in this Declaration may be changed, altered, revoked, terminated, limited, or otherwise adversely affected by amendment of this Declaration, amendment to the Articles, Bylaws or any other document or any rule or regulation of the Association without the prior written consent of the Declarant executed by the Declarant in recordable form.

Notwithstanding anything contained herein to the contrary, it shall be permissible for the Declarant, during the period of construction and sale of Lots and Buildings by the Declarant to maintain upon such portions of the Property as the Declarant may deem necessary, such facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction or sale of said Lots and Buildings, including, without limitation, a business office, storage area, construction yard, signs, model units and sales offices. Any right or interest reserved hereby to the Declarant may be transferred or assigned by the Declarant to any person or entity.

The Declarant shall have the right, of Declarant's sole discretion, to assign or otherwise transfer any and all of the Declarant's rights under the Declaration.

2.9. Declarant's Power To Record Amended Plat(s) And Irrevocable Power of Attorney.

Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Property, and each holder of a security in any of the Property, and the Association each hereby grant a power coupled with an interest to the Declarant as irrevocable attorney-in-fact for each said Owner, said holder of a security interest and the Association to execute and record in the Public Record the Phase 2 Plat, the Community Housing Plat and such other amended plat(s) and such amendments to this Declarations and Supplemental Declarations as the Declarant, in the Declarant's sole discretion, deems appropriate with regard to the Village Green Project and the Community Housing Project, and to exercise any and all rights reserved by or granted to the Declarant by this Declaration.

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2.10. Association Membership And Voting Rights By Additional Units. Upon the Declarant advising the Association in writing of filing of the Phase 2 Plat or the Community Housing Plat, the Owners of each of the Lots within said plats, including the Declarant, shall automatically have membership in the Association and each shall have the membership classification and voting rights set forth in Sections 3.2 and 3.3 of this Declaration.

2.11. Easements Created.

Each conveyance of a Lot hereafter made, whether by the Declarant or otherwise, shall be construed to grant and reserve to the Declarant for the benefit of the Declarant an easements and equitable servitudes as shall give effect to each of the rights reserved by the Declarant in this Declaration, including without limitations those set forth in Sections 2.1 through 2.10, inclusive, of this Declaration, even though no specific reference to such easements or equitable servitudes or those sections appears in any such conveyance.

2.12. No Rights in Golf Course

Each Owner, by acceptance of a deed or recorded contract of sale to a Lot, acknowledges that ownership of a Lot does not confer upon the Owner any right, title or interest in or to the Golf Course. Access to and use of the Golf Course is strictly subject to the rules and procedures of its owner, and no Person gains any right to enter or to use the Golf Course by virtue of membership in the Association or ownership or occupancy of a Lot. Rights to use the Golf Course are granted only to such person, and on such terms and conditions, as may be determined by the owner of the Golf Course. Such owner shall the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Golf Course and to terminate use rights altogether, except as otherwise expressly agreed by the owner of the Golf Course in writing.

Without limiting the generality of the foregoing paragraph, the Golf Course is privately owned and operated and is not intended to be, Common Area of the Association. No Person shall acquire any interest in the Golf Course by virtue of taking title to a Lot. Each Owner, by acceptance of a deed or recorded contract of sale of a Lot, acknowledges:

(a) that any entry upon the Golf without permission of the owner or operator of the Golf Course may be deemed a trespass, and each Owner shall refrain from and shall cause all occupants of such Owner's Lot, their guests and invitees to refrain from, any unauthorized entry upon the Golf Course;

(b) that the proximity of the Property to Golf Course results in certain foreseeable risks, including the risk of damage or injury from errant golf balls, and that each Owner's use and enjoyment of his or her Lot and the Common Area may be limited as a result and that the Association shall not have any obligation to take steps to remove or alleviate such risks, nor shall

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they have any liability to Owner or occupant of any Lot, their guests or invitees, for the damage or injury resulting from errant golf balls being hit upon any Lot;

(c) that the Golf Course owner and its designees may add to, remove or otherwise modify the landscaping, trees, and other features of the Golf Course property, including, without limitation, changing the location, configuration, size and elevation of the bunkers, fairways, ponds, waterways, landscaping, tees and greens, and construction fences, and that the Association shall not have any liability to Owner as a result of any such modifications to the Golf Course;

(d) that there are no express or implied easements over the Golf Course for view purposes, and no guarantee or representation is made by the Association or any other Person that any view over and across the Golf Course will be preserved without impairment, and that neither the owner or operator of the Golf Course shall have any obligation to prune or thin trees or other landscaping to preserve views from the Property over the Golf Course; and

(e) that no representations or warranties which are inconsistent with this Section, either verbal or written, have been or are made by the Association or by the Declarant or by any person acting on behalf of the Association or on behalf of the Declarant.

2.13. No Rights in Recreation Center.

Each Owner, by acceptance of a deed or recorded contract of sale to a Lot, acknowledges that ownership of a Lot does not confer upon the Owner any right, title or interest in or to the Recreation Center of The Valley Club. Access to and use of the Recreation Center is strictly subject to the rules and procedures of its owner, and no Person gains any right to enter or to use the Recreation Center by virtue of membership in the Association or ownership or occupancy of a Lot. Rights to use the Recreation Center is granted only to such persons, and on such terms and conditions, as may be determined by the owner of the Recreation Center. Such owner shall have the right, from time to time in its sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of the Recreation Center and to terminate use rights altogether, except as otherwise expressly agreed by the owner of the Recreation Center in writing.

Without limiting the generality of the foregoing paragraph, the Recreation Center is privately owned and operated and is not intended to be, Common Area of the Association. No Person shall acquire any interest in the Recreation Center by virtue of taking title to a Lot. Each Owner, by acceptance of a deed or recorded contract of sale to a Lot, acknowledges:

(a) that any entry upon the Recreation Center without permission of the owner or operator of the Recreation Center may be deemed a trespass, and each Owner shall refrain from, and shall

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cause all occupants of such Owner's Lot, their guests and invitees to refrain from, any unauthorized entry upon the Recreation Center;

(b) that the Recreation Center owner and its designees may add to, remove or otherwise modify buildings, parking areas, lighting, landscaping, trees, and other features of the Recreation Center property, and that Declarant and the Association shall not have any liability to Owner as a result of any such modifications to the Recreation Center;

(c) that there are no express or implied easements over the Recreation Center for view purposes, and no guarantee or representation is made by the Association or any other Person that any view over the and across the Recreation Center will be preserved without impairment, and that neither the owner or operation of the Recreation Center shall have any obligation to prune or thin trees or other landscaping to preserve views from the Property over the Golf Course; and

(e) that no representations or warranties which are inconsistent with this Section, either verbal or written, have been or are made by the Association or by the Declarant or by any person acting on behalf of the Association or on behalf of the Declarant.

2.14. Owner's Obligation to Maintain Residence

In addition to all the other obligations and duties of the Owner of each Lot, the Owner shall have the obligation maintain his or her Lot and all structures thereon as set forth in paragraph 5.2 of this Declaration.

2.15. No Partition

Except as permitted in this Declaration, there shall be no judicial partition of the Common Area. No Person shall seek any judicial partition unless the portion of the Common Area which is the subject of such partition action has been removed from the provisions of this Declaration. This Article shall not prohibit the Board from acquiring and disposing of tangible personal property nor from acquiring and disposing of real property which may or may not be subject to this Declaration.

2.16. Condemnation

If any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least 75 % of the total votes in the Association) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to written notice prior to disbursement of any award or proceeds. The award made for such taking or proceeds of such conveyance shall be payable to the Association to be disbursed as follows:

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If the taking or conveyance involves a portion of the Common Area on which improvements have been constructed, the Association shall restore or replace such improvements on the remaining land included in the Common Area to the extent available, unless within 60 days after such taking the Members representing at least 75% of the total vote of the Association shall otherwise agree. Any such construction shall be in accordance with plans approved by the Board. The provisions of Section 6.1(c) regarding funds for the repair of damage or destruction shall apply.

If the taking or conveyance does not involve any improvements on the Common Area, or if a decision is made not to repair or restore, or if net funds remain after any such restoration or replacement is complete, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board shall determine.

ARTICLE 3. - MEMBERSHIP AND VOTING RIGHTS

3.1. Function of Association

The Association shall be the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility, including without limitation the Common Area, Wastewater Disposal System, Domestic Water System and Irrigation Water System. The Association shall be the primary entity responsible for enforcement of this Declaration and such reasonable rules regulating use of the Property as the Board or the membership may adopt pursuant to Article 10. The Association shall also be responsible for administering and enforcing the architectural standards and controls set forth in this Declaration and in the Design Guidelines. The Association shall perform its functions in accordance with this Declaration, the Bylaws, the Articles and the laws of the State of Idaho.

3.2. Membership

Every Owner shall be a Member of the Association. There shall be only one membership per Lot. If a Lot is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 3.3 and in the Bylaws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, member, manager or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

3.3. Voting and Membership Classifications

(a). Membership Classifications. The membership of the Association shall be divided into the following three (3) classifications:

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i. Class A membership shall include each of the Lots or Units owned by the Declarant until sold by Declarant.

ii. Class B membership shall include each of the forty-three (43) Lots within the Village Green Block other than those owned by the Declarant.

iii. Class C membership which shall include the twelve (12) Community Housing Units within the Community Housing Block other than those owned by the Declarant.

(b). Depending upon the classification of membership set forth above, Members shall have only the obligations with regard to the Association and the Common Area as set forth herein, and those obligations and rights vary depending on such classification.

(c). Voting Rights. The total number of votes which may be cast by each Member of each classification of membership in the Association shall be as follows:

i. Class A Members shall have eleven (11) votes for each Lot or unit owned within the Village Green Block and the Community Housing Block.

ii. Class B Members shall have one (1) vote for each Lot owned.

iii. Class C Members shall have one (1) vote for each Lot or Unit owned.

When all of Lots within the Village Green Block are owned by Owners other than the Declarant, then Class A, Class B and Class C Member shall have the same number of votes per Lot, and the total number of votes which may be cast by the Members of each classification of membership in the Association shall be the same as the total number of Lots, and each membership shall be entitled to one (1) vote; provided, however, that the membership classification for each Lot owned by the Declarant at the time said Lot becomes encumbered by this Declaration, and for so long as said Lot continues thereafter to be owned by the Declarant, shall be entitled to three (3) votes, which may be cast by the Declarant.

(d). Cumulative Voting. In any election of the members of the Board of Directors, each Member entitled to vote at such election shall have the right to cumulative voting for each director to be elected, and to thereby give one candidate or divide among any number of the candidates a number of votes equal to the total number of votes to which that Member is entitled to vote for all Directors to be elected. The candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be deemed elected.

(e) The Association shall be governed by a Board of Directors and officers in accordance with its Articles of Incorporation and Bylaws. One (1) Director shall be elected exclusively by the Lots holding Class C Membership.

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(f) In any situation where there is more than one Owner of a Lot, the vote for such Lot shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Lot's vote shall be suspended if more than one Person seeks to exercise it.

ARTICLE 4. - RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

4.1. Common Area

Upon conveyance of any Common Area by the Declarant to the Association as provided for in this Declaration, the Association shall manage and control the Common Area and all improvements thereon (including, without limitation, landscaping, furnishings, equipment, and other personal property of the Association used in connection with the Common Areas), and shall keep it in good, clean, attractive, and sanitary condition, order, and repair, pursuant to this Declaration and the Bylaws and consistent with the Community-Wide Standard. The Board is specifically authorized, but not obligated, to retain or employ professional management to assist in carrying out the Association's responsibilities under this Declaration and the Bylaws, the cost of which shall be a Common Expense.

The Domestic Water System, Wastewater Disposal System, Irrigation Water System, roads, ponds and related water circulation systems, landscaping, and other common improvements (collectively "Common Infrastructure Improvements") which shall be the property of and operated, maintained, repaired and replaced by the Association. Upon completion of the Common Infrastructure Improvements (Domestic Water System, Wastewater Disposal System, roadways, Irrigation System, landscaping and similar improvements) and other improvements within Parcel D of the Phase 1 Plat and prior to conveyance of Parcel D by the Declarant to the Association, upon notice by the Declarant to the Association of the completion of any such common infrastructure improvement, said improvement shall become an Area of Common Responsibility, the Association shall manage and maintain such improvement and include the costs thereof in the Association Assessments.

4.2. Personal Property and Real Property for Common Use

The Association, through action of its Board, may acquire, hold, and dispose of tangible and intangible personal property and real property, subject to the provisions of Article 2 of this Declaration. Any person may convey to the Association improved or unimproved real estate, or interests in real estate, personal property and leasehold and other property interests. Such property shall be accepted by the Association and thereafter shall be maintained by the Association at its expense for the benefit of its Members, subject to any restrictions set forth in the deed or other instrument transferring such property to the Association.

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4.3. Enforcement

The Association may impose sanctions for violations of this Declaration, any applicable Supplemental Declaration, the Bylaws, Design Guidelines, or Association rules in accordance with procedures set forth in the Bylaws, including reasonable monetary fines and suspension of the right to vote. In addition, the Association may exercise self-help to cure violations and may suspend any services it provides to the Lot of any Owner who is more than 30 days delinquent in paying any assessment or other charge due to the Association. All remedies set forth in this Declaration and the Bylaws shall be cumulative of any remedies available at law or in equity. In any action to enforce the provisions of this Declaration, the Design Guidelines or Association rules, if the Association prevails it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Association shall not be obligated to take action to enforce any covenant, restriction or rule which the Board reasonably determines is, or is likely to be construed as, inconsistent with applicable law, or in any case in which the Board reasonably determines that the Association's position is not strong enough to justify taking enforcement action. Any such determination shall not be construed as a waiver of the right to enforce such provision under other circumstances or prevent the Association from enforcing any other covenant, restriction or rule.

The Association, by contract or other agreement, may enforce county and city ordinances, if applicable, and permit local governments to enforce their ordinances within the Property for the benefit of the Association and its Members.

4.4. Implied Rights, Board Authority

The Association may exercise any right or privilege given to it expressly by this Declaration or the Bylaws, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in this Declaration, the Bylaws, the Articles, or by law, all rights and powers of the Association may be exercised by the Board without a vote of the membership.

4.5. Indemnification

The Association shall indemnify every officer, director, and committee member, including members of the committees established under Article 9, against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to

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which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under this Section and Idaho law.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association). The Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, commitment or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

4.6. Dedication of Common Areas

The Declarant may convey portions of the Common Area or grant Limited Common Area Easements and other easements as an appurtenant to any Lot or to governmental entity, utility company or third party. Once the Declarant deeds any Common Area to the Association, the Association may dedicate portions of the Common Areas to Blaine County, Idaho, or to any other local, state, or federal governmental or quasi-governmental entity or utility company or Lot Owner.

4.7. Security

The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to make the Property safer than they otherwise might be. The Association shall not in any way be considered an insurer or guarantor of security within the Property, nor shall it be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. No representation or warranty is made that any fire protection system, burglar alarm system or other security system or measures, including any mechanism or system for limiting access to the Property, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and covenants to inform its tenants and all occupants of its Lot that the Association, its Board of Directors and committees are not insurers and that each Person

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using the Property assumes all risks of personal injury and loss or damage to property, including Lots and the contents of Lots, resulting from acts of third parties.

ARTICLE 5. - MAINTENANCE

5.1. Association's Responsibility

(a) The Association shall maintain and keep in good repair the Area of Common Responsibility, which shall include, but need not be limited to:

(i) all landscaping and other flora, domestic water system, a dry grassland management program for the purpose of controlling vegetation in those areas that cannot be irrigated by the domestic water system or water rights, signage, lighting, irrigation systems and equipment, fences, walls, and other structures and improvements, including any roads, a fire protection system available for use by the fire district, parking areas, sidewalks, paths and trails and other common improvement, situated upon the Common Area or easements;

(ii) the Wastewater Disposal System which is located partly within the Village Green Block and partly located within easements within the Golf Course (Parcel A of the Valley Club West Nine PUD Plat);

(iii) the Domestic Water System;

(iv) the Irrigation Water System;

(v) the roads, ponds and related water circulation systems, walkways, and other common infrastructures and improvements;

(vi) any ponds, streams and/or wetlands located within the Property, including, without limitation, which serve as part of the drainage and storm water retention system for the Property, including any retaining walls, bulkheads or dams (earthen or otherwise) retaining water therein;

(vii) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, or any contract or agreement for maintenance thereof entered into by the Association; and

In addition to the Common Infrastructure Improvements the Association may maintain other property which it does not own, including, without limitation, property dedicated to

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the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

(b) There are hereby reserved to the Association easements over the Property as necessary to enable the Association to fulfill such responsibilities. The Association shall maintain the facilities and improvements within the Area of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Board, to perform required maintenance or repairs, unless Members representing 60% of the votes in the Association agree in writing to discontinue such operation.

(c) Except as otherwise specifically provided herein, all costs associated with maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Lots as part of the General Assessment, without prejudice to the right of the Association to seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owner(s) thereof.

5.2. Owner's Responsibility

Each Owner shall maintain his or her Lot, all structures, parking areas, and other improvements comprising the Lot, in a manner consistent with the Community-Wide Standard and all applicable covenants, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to this Declaration, any Supplemental Declaration or other covenants applicable to such Lot. In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Lot and the Owner in accordance with Section 8.6. The Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry, except when entry is required due to an emergency situation.

5.3. Standard of Performance

Unless otherwise specifically provided herein or in other instruments creating and assigning such maintenance responsibility, responsibility for maintenance shall include responsibility for repair and replacement, as necessary. All maintenance shall be performed in a manner consistent with the Community-Wide Standard and all applicable covenants. The Association shall not be liable for any damage or injury occurring on or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

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ARTICLE 6. - INSURANCE AND CASUALTY LOSSES

6.1. Association Insurance

(a) Required Coverage. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverage as is reasonably available:

(i) Blanket property insurance covering risks of direct physical loss on a special form basis (or comparable coverage by whatever name denominated) for all insurable improvements on the Common Area and Common Infrastructure Improvements and on other portions of the Area of Common Responsibility to the extent that it has assumed responsibility for maintenance, repair and/or replacement in the event of a casualty. If such coverage is not generally available at reasonable cost, then broad form coverage may be substituted. The Association shall have the authority to and interest in insuring any property for which it has maintenance or repair responsibility, regardless of ownership. All property insurance policies obtained by the Association shall have policy limits sufficient to cover the full replacement cost of the insured improvements;

(ii) Commercial general liability insurance on the Area of Common Responsibility, insuring the Association and its Members for damage or injury caused by the negligence of the Association or any of its Members, employees, agents, or contractors while acting on its behalf. If generally available at reasonable cost, the commercial general liability coverage (including primary and any umbrella coverage) shall have a limit of at least \$1,000,000.00 per occurrence with respect to bodily injury, personal injury, and property damage; provided, should additional coverage and higher limits be available at reasonable cost which a reasonably prudent person would obtain, the Association shall obtain such additional coverage or limits;

(iii) Workers compensation insurance and employers liability insurance, if and to the extent required by law;

(iv) Directors and officers liability coverage;

(v) Fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's best business judgment but not less than an amount equal to one-sixth of the annual General Assessments on all Lots plus reserves on hand. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and

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(vi) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable, which may include, without limitation, flood insurance and building ordinance coverage.

(b) Policy Requirements. The Association shall arrange for an annual review of the sufficiency of insurance coverage by one or more qualified Persons, at least one of whom must be familiar with insurable replacement costs in the Blaine County, Idaho area.

All Association policies shall provide for a certificate of insurance to be furnished to each insured known and to the Association at the request of such Member.

The policies may contain a reasonable deductible and the amount thereof shall not be subtracted from the face amount of the policy in determining whether the policy limits satisfy the requirements of Section 6.1(a). In the event of an insured loss, the deductible shall be treated as a Common Expense; provided, if the Board reasonably determines, after notice and an opportunity to be heard, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may specifically assess the full amount of such deductible against such Owner(s) and their Lots pursuant to Section 8.6.

All insurance coverage obtained by the Board shall:

(i) be written with a company authorized to do business in the State of Idaho which satisfies the requirements of the Federal National Mortgage Association, or such other secondary mortgage market agencies or federal agencies as the Board deems appropriate;

(ii) be written in the name of the Association as trustee for the benefited parties. Policies on the Common Area shall be for the benefit of the Association and its Members;

(iii) not be brought into contribution with insurance purchased by Owners, occupants, or their Mortgagees individually;

(iv) contain an inflation guard endorsement; and

(v) include an agreed amount endorsement, if the policy contains a co-insurance clause.

In addition, the Board shall use reasonable efforts to secure insurance policies which list the Owners as additional insureds and provide:

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(i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;

(ii) a waiver of the insurer's rights to repair and reconstruct instead of paying cash;

(iii) an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure;

(iv) an endorsement excluding Owners' individual policies from consideration under any other insurance clause;

(v) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal;

(vi) a cross liability provision; and

(vii) a provision vesting in the Board exclusive authority to adjust losses; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related to the loss.

(c) **Damage and Destruction.** Immediately after damage or destruction to all or any part of the Property covered by insurance written in the name of the Association, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repair or reconstruction. Repair or reconstruction, as used in this paragraph, means repairing or restoring the property to substantially the condition in which it existed prior to the damage, allowing for changes or improvements necessitated by changes in applicable building codes.

Any damage to or destruction of the Common Area shall be repaired or reconstructed unless the Members representing at least 60 % of the total votes in the Association decide within 60 days after the loss not to repair or reconstruct.

If either the insurance proceeds or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not available to the Association within such 60-day period, then the period shall be extended until such funds or information are available. However, such extension shall not exceed 60 additional days. No Mortgagee shall have the right to participate in the

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determination of whether the damage or destruction to the Common Area shall be repaired or reconstructed.

If determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, the affected property shall be cleared of all debris and ruins and thereafter shall be maintained by the Association in a neat and attractive, landscaped condition consistent with the Community-Wide Standard.

Any insurance proceeds remaining after paying the costs of repair or reconstruction, or after such settlement as is necessary and appropriate, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of Mortgagees and may be enforced by the Mortgagee of any affected Lot.

If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board of Directors may, without a vote of the Members, levy a Special Assessment to cover the shortfall.

6.2. Owners' Insurance

By virtue of taking title to a Lot, each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full replacement cost of all insurable improvements on his or her Lot, less a reasonable deductible. Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his Lot, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article 9. Alternatively, the Owner shall clear the Lot of all debris and ruins and maintain the Lot in a neat and attractive, landscaped condition consistent with the Community-Wide Standard. The Owner shall pay any costs which are not covered by insurance proceeds.

The Association shall have no obligation to insure any Lot, Unit or other improvement situated thereon or appurtenant thereto or any contents thereof, against any casualty, loss, damage or liability. Each Owner shall be solely responsible to obtain and pay for the above property insurance, and for such liability insurance or other coverage relating to its respective Lot, Unit, and other improvement situated thereon, and any contents or personal property situated thereon, and all activities conducted or otherwise occurring thereon as the Owner deems appropriate.

ARTICLE 7. - ANNEXATION

The Association may consent to the annexation of the Village Green Block and all Lots, Buildings and Common Area therein and/or the Community Housing Block and all Lots, Buildings, Units and Common Area therein by the Valley Club Property Owners Association, Inc.,

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("VCPOA") for the purpose of having the VCPOA assume the rights, obligations and responsibilities of the Association subject to the terms and provisions of this Declaration.

Notice of consent by the Association to annexation by the VCPOA shall be given by the Board sending a copy of the Notice of Consent to Annexation to each Owner. Any such Consent shall be signed by the President and the Secretary of the Association, and by President and Secretary of the VCPOA. Such Consent to Annexation shall become effective unless disapproved at a meeting by at least 60% of the total votes in the Association. There shall be no obligation to call a meeting to consider the Consent unless the Members petition the Board as provided in the Bylaws, which petition must be presented to the Board within 30 days after mailing of said notice to the Owners.

ARTICLE 8. - ASSESSMENTS

8.1. Creation of Assessments

There are hereby created assessments for Association expenses as the Board may specifically authorize from time to time. There shall be three types of assessments: (a) General Assessments to fund Common Expenses for the general benefit of all Lots; (b) Special Assessments as described in Section 8.5; and (c) Specific Assessments as described in Section 8.6. Each Owner, by accepting a deed or entering into a recorded contract of sale for any portion of the Property, is deemed to covenant and agree to pay these assessments to the Association.

Apportionment of Assessments by Membership Classification. Annual and Special Assessments shall be apportioned among the Owners and their respective Lots according to the total number of Lots according to Membership Classification owned by each Owner. Assessments of Community Housing Units shall be calculated on a pro-rata basis based upon the value of the Community Housing Units in relationship to the value of each such Units of other Membership Classifications. For the purposes of this Section, the Community Housing Lots and Units shall be valued according to their restricted resale value. The Community Housing Units shall not be assessed for the maintenance and repair of the Village Green Common Area or for the expenses of any benefits which are not enjoyed by the Community Housing Units. To the extent possible under the Community Housing guidelines, the Community Housing Units may be assessed for a reserve account to be used for exterior maintenance.

All assessments, together with interest (at a rate not to exceed 18% or the highest rate allowed by Idaho law, if less than 18%) as computed from the date the delinquency first occurs, a late charge equal to the greater of \$10.00 or 5% of the principal amount past due, costs, and reasonable attorneys fees, shall be a charge and continuing lien upon each Lot against which the assessment is made until paid, as more particularly provided in Section 8.7. Each such assessment, together with interest, late charges, costs, and reasonable attorney's fees, also shall be the personal obligation of the Person who was the Owner of such Lot at the time the assessment arose. Upon a

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transfer of title to a Lot, the grantee shall be jointly and severally liable for any assessments and other charges due at the time of conveyance.

The Association or its designee shall, upon request, furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

Assessments shall be paid in such manner and on such dates as the Board may establish. If the Board so elects, assessments may be paid in two or more installments, and in such case, may include a time-price differential charge, in the Board's discretion. Unless the Board otherwise provides, the General Assessment shall be due and payable in advance on the first day of each fiscal year and shall be considered delinquent if not paid within the time specified by the Board. If any Owner is delinquent in paying any assessments or other charges levied on his Lot, the Board may require any unpaid installments of all outstanding assessments to be paid in full immediately. The Association shall have the right to reject partial payments of an unpaid assessment or other monetary obligation and demand the full payment thereof. The Board may further prescribe: (a) procedures for collecting General Assessments or installments thereof in advance from new Owners out of Closing transactions; and (b) different procedures for collecting assessments from Owners who have had a history of being untimely in the payment of assessments.

No Owner may exempt himself from liability for assessments by non-use of the Common Area, abandonment of his or her Lot, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes.

8.2. Computation of General Assessment by Membership Classification

General Assessments against all Lots are hereby authorized which shall be based upon advance annual estimates of cash requirements by the Association to provide for the payment of all estimated expenses to be incurred in the ensuing twelve-month period in the conduct of the Association's affairs, excepting only expenses which have been or are expected to be incurred by the Association in the exterior maintenance of Building, which expenses shall be assessed to the Owner of said Unit pursuant to Section 8.5 of this Declaration, except for the Owners of Community Housing Units (Class C Members), which shall be assessed subject to the limitations set forth in Section 8.(b) of this Declaration. Such expenses may include, without limitation, the costs for the Association's duties set forth in Article V, including without limitation, those incurred for (a) operation, maintenance, repair and replacement of the water system, irrigation system, and sewer system, (b) taxes, insurance, legal and accounting services, (c) road and pathway maintenance,

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repair and replacement, and snow removal, (d) installation, maintenance, repair and replacement of Common Area utilities, landscaping, improvements and equipment, (e) maintenance, repair and replacement of the Community Housing Units Common Area, (f) security services, and (g) the creation of a reasonable contingency reserve, surplus and/or sinking fund for capital improvements, replacements and repair.

At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget covering the estimated Common Expenses for the coming year, including a capital contribution to establish a reserve fund in accordance with a budget separately prepared pursuant to Section 8.3.

General Assessments shall be set at a level which is reasonably expected to produce total income for the Association equal to the total budgeted expenses, including reserves.

In determining the level of assessments, the Board, in its discretion, may consider other sources of funds available to the Association. In addition, the Board may take into account the number of Lots and the membership classification of Lots subject to assessment on the first day of the fiscal year for which the budget is prepared and the number of Lots reasonably anticipated becoming subject to assessment during the fiscal year.

The Board shall send a copy of the budget and notice of the amount of the General Assessment for the following year to each Owner at least 30 days prior to the beginning of the fiscal year for which it is to be effective. Such budget and assessment shall become effective unless disapproved at a meeting by at least 60% of the total votes in the Association. There shall be no obligation to call a meeting to consider the budget unless the Members petition the Board as provided in Section 2.4 of the Bylaws, which petition must be presented to the Board within 10 days after delivery of the notice of assessments. If the Board fails for any reason to determine the budget for any year, or the budget is disapproved, then until such time as a budget is determined, the budget in effect for the immediately preceding year shall continue for the current year.

8.3. Reserve Budget and Capital Contribution

The Board shall annually prepare a reserve budget which takes into account the number and nature of the Association's replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution in an amount sufficient to permit meeting the projected needs of the Association, as shown on the budget, with respect both to amount and timing by General Assessments over the budget period.

8.4. Special Assessments

In addition to other authorized assessments, the Association may levy Special Assessments from time to time to cover unbudgeted expenses or expenses in excess of those budgeted. Any Special Assessment which would exceed \$300.00 per Lot in any one fiscal year shall require the

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affirmative vote or written consent of Members representing at least 51% of the total votes. Special Assessments shall be payable in such manner and at such times as determined by the Board, and if so determined by the Board, may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved.

8.5. Specific Assessments

(a) Except for a Community Housing Unit, notwithstanding all other assessments herein provided for, the Association shall also have the power to incur expenses for maintenance, repair and/or replacement of the exterior components and surfaces of any Building which is not to the Community-Wide Standard ("Exterior Maintenance Work"), and the Association, upon incurring such expenses, shall have the authority to levy an Exterior Maintenance Assessment against the Lot on which said Unit is situated to recover the cost of such maintenance, repair and replacement. Said Exterior Maintenance Assessment shall be payable within thirty (30) days after notice thereof has been given to the Owner of said Lot. However, prior to performing any such Exterior Unit Work, the Board must find that the Building in question is in need thereof and notify the Owner of the Unit in writing of the Exterior Maintenance Work required and giving the Owner thirty (30) days to complete same. If the Exterior Maintenance Work is not completed within said thirty (30) days, then the Board may proceed with the Exterior Maintenance Work.

(b) With regard to a Community Housing Unit, notwithstanding all other assessments herein provided for, the Association shall also have the power to incur expenses for maintenance, repair and/or replacement of the exterior components and surfaces of any Building or Unit which is not to the Community-Wide Standard (collectively "Exterior Maintenance Work"), and the Association, upon incurring such expenses, shall have the authority to levy an Exterior Maintenance Assessment against the Lot on which said Unit is situated to recover the cost of such maintenance, repair and replacement. Said Exterior Maintenance Assessment shall be payable within sixty (60) days after notice thereof has been given to the Owner of said Lot. The Board shall provide the Blaine Ketchum Housing Authority ("BKHA") with written notice thereof and BKHA, upon finding that the Exterior Unit Work is needed and the costs thereof proposed by the Board are reasonable, shall authorize the Board to proceed with the Exterior Maintenance Work and levy an Exterior Maintenance Assessment and lien on the Unit, which lien may be foreclosed or paid at resale of the Unit as determined by the BKHA.

(c) In addition to the specific assessment provided for in 8.5(a) and (b), above, the Board shall have the power to levy a Specific Assessment against any Lot or Lots for monetary fines authorized by this Declaration or the Bylaws, and for expenses of the Association incurred in providing benefits, items, or services not provided to all Lots within the Property, whether such expenses are incurred (a) upon request of the Owner of a Lot for specific items or services relating to the Lot, or (b) as a consequence of the conduct of less than all Owners, their tenants, invitees, or guests. The Association may also levy a Specific Assessment against any Lot to reimburse the

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Association for costs incurred in bringing the Lot into compliance with the provisions of the Declaration, any applicable Supplemental Declaration, the Articles, the Bylaws, Design Guidelines and rules, provided the Board gives prior notice to the Lot Owner and an opportunity for a hearing in accordance the Bylaws.

8.6. Lien for Assessments; Remedies for Nonpayment

The Association shall have a lien against each Lot to secure payment of delinquent assessments as well as interest, late charges, and costs of collection (including attorney's fees). Such lien shall be superior to all other liens, except (a) the liens of all taxes, bonds, assessments, and other levies which by law would be superior, (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value, and (c) the lien for assessments or other charges of the Association. Such lien, when delinquent, may be enforced by suit, judgment, and judicial or non-judicial foreclosure.

The Association may bid for the Lot at the foreclosure sale and acquire, hold, lease, mortgage, and convey the Lot. While a Lot is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Lot shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged against such Lot had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

The sale or transfer of any Lot shall not affect the assessment lien or relieve such Lot from the lien for any subsequent assessments. However, the sale or transfer of any Lot pursuant to foreclosure of the first Mortgage shall extinguish the lien as to any installments of such assessments due prior to such sale or transfer. A Mortgagee or other purchaser of a Lot who obtains title pursuant to foreclosure of the Mortgage shall not be personally liable for assessments on such Lot due prior to such acquisition of title. Such unpaid assessments shall be deemed to be Common Expenses collectible from Owners of all Lots subject to assessment including such acquirer, its successors and assigns.

8.7. Failure to Assess

Failure of the Board to fix assessment amounts or rates or to deliver or mail each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay General Assessments on the same basis as for the last year for which an assessment was made, if any, until a new assessment is made, at which time the Association may retroactively assess any shortfalls in collections.

8.8. Exempt Property

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The following property shall be exempt from payment of assessments:

- (a) All Common Area of the Association; and
- (b) Any property dedicated to and accepted by any governmental authority or public utility (except that utility easements across Lots shall not affect the Lot's liability for assessments).

ARTICLE 9. - ARCHITECTURAL STANDARDS

9.1. General

No structure shall be placed, erected, or installed upon any Lot, and no improvements (including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials) shall take place except in compliance with this Article and the Design Guidelines promulgated pursuant to Section 9.3.

Any Owner may remodel, paint or redecorate the interior of structures on his or her Lot without approval. However, modifications to the interior of porches, patios, and similar portions of structures on a Lot visible from outside the structure shall be subject to approval. No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications.

All dwellings constructed on any portion of the Property shall be designed by and built in accordance with the plans and specifications of a licensed architect unless otherwise approved by the Architectural Design Review Committee.

This Article shall not apply to the activities of the Association or to the structures, activities or construction by the Declarant on any Lot.

9.2. Architectural Review

Responsibility for administration of the Design Guidelines and review of all applications for construction and modifications under this Article shall be handled by the Architectural Design Review Committee described below (the "ADRC"). The members of the ADRC need not be Members of the Association or representatives of Members, and may, but need not, include architects, landscape architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Board. The Board may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred by the ADRC in having any application reviewed by architects, engineers or other professionals.

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The Declarant shall be the sole member of the ADRC so long as the Declarant owns any Lot, Parcel, or Portion of the Property. Thereafter, the ADRC shall consist of at least three, but not more than five, persons and shall have exclusive jurisdiction over all construction on any portion of the Property within the scope of Section 9.1. The Board shall appoint the members of the ADRC, who shall thereafter serve and may be removed in the Board's discretion.

9.3. Guidelines and Procedures

(a) Design Guidelines. The Design Guidelines may contain general provisions applicable to all of the Property, as well as specific provisions which vary according to land use and from one portion of the Property to another depending upon the location, unique characteristics, and intended use. The Design Guidelines are intended to provide guidance to Owners regarding matters of particular concern to the committees in considering applications hereunder. The Design Guidelines are not the exclusive basis for decisions of the committees and compliance with the Design Guidelines does not guarantee approval of any application.

The ADRC shall adopt such Design Guidelines at its initial organizational meeting. Thereafter only the Board shall have sole and full authority to amend them. Any amendments to the Design Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Design Guidelines; the Board is expressly authorized to amend the Design Guidelines to remove requirements previously imposed or otherwise to make the Design Guidelines less restrictive.

The ADRC shall make the Design Guidelines available to Owners who seek to engage in development or construction within the Property. Such Design Guidelines may be recorded in the Public Records, in which event the recorded version, as it may unilaterally be amended by the Board from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

Notwithstanding the above, the Board may, by resolution, exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

All structures and improvements constructed upon a Lot shall be constructed in strict compliance with the Design Guidelines in effect at the time the plans for such improvements are submitted to and approved by the ADRC, unless the Board has granted a variance in writing pursuant to Section 9.5. So long as the ADRC or the Board, as the case may be, has acted in good faith, its findings and conclusions with respect to appropriateness of, applicability of or compliance with the Design Guidelines and this Declaration shall be final.

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(b) Procedures. No activities within the scope of Section 9.1 shall commence on any portion of the Property until an application for approval of the proposed work has been submitted to and approved by the ADRC and a construction agreement between the Association and the Owner of the proposed work, in such form as may be required by the Board, has been fully executed. Such application shall be in the form required by the ADRC and shall include plans and specifications ("Plans") showing the site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout and screening thereof, and other features of proposed construction, as applicable. The ADRC may require the submission of such additional information as it deems necessary to consider any application.

In reviewing each submission, the ADRC may consider (but shall not be restricted to consideration of) the quality of workmanship and design, harmony of external design with existing structures, and location in relation to surrounding structures, topography, and finish grade elevation, among other things. Decisions of the ADRC may be based on purely aesthetic considerations. Each Owner acknowledges that opinions on aesthetic matters are subjective and may vary as ADRC members change over time.

In the event that the ADRC fails to approve or to disapprove in writing any application within 30 days after submission of all information and materials reasonably requested, the applicant may notify the ADRC by certified mail, return receipt requested, at the address for such notices set forth in the current edition of the Design Guidelines, stating that no response has been received and that unless a written response is given at the address set forth in such notice within 15 days of the committee's receipt of the Owner's notice, as evidenced by the return receipt, the application shall be deemed approved. A response shall be deemed given when deposited in the U.S. Mail, certified mail, return receipt requested, properly addressed to the applicant at the address stated in such applicant's notice, or upon receipt if given by any other means. However, no approval, whether expressly granted or deemed granted pursuant to the foregoing, shall be inconsistent with the Design Guidelines unless a variance has been granted in writing by the Board pursuant to Section 9.5.

If construction does not commence on a project for which approval has been granted within 12 months of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Owner to re-submit the Plans for reconsideration. All work shall be completed within one year of commencement or such other period as the ADRC may specify in the notice of approval, unless completion within such time is delayed due to causes beyond the reasonable control of the Owner, as determined in the sole discretion of the ADRC.

9.4. No Waiver of Future Approvals

Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

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9.5. Variance

The Board may authorize variances from compliance with any of the Design Guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted resolutions. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) prevent the Board from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

9.6. Limitation of Liability

The standards and procedures established by this Article are intended to enhance the overall aesthetics of the Property and shall not create any duty to any Person. The ADRC shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring the appropriateness of soils, drainage and general site work. Neither the Association, the Board, nor any committee or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot. In all matters, the committees and their members shall be defended and indemnified by the Association as provided in Section 4.6.

9.7. Enforcement

Any structure or improvement placed or made in violation of this Article or the Design Guidelines shall be deemed to be nonconforming, except to the extent that a variance has been granted pursuant to Section 9.5. Upon written request from the Board, Owners shall, at their own cost and expense, remove such structure or improvement and restore the property to substantially the same condition as existed prior to the nonconforming work. Should an Owner fail to remove and restore as required, the Board or its designees shall have the right to enter the property, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with interest at the maximum rate then allowed by law, may be assessed against the benefited Lot and collected as a Specific Assessment.

Unless otherwise specified in writing by the ADRC, all approvals granted hereunder shall be deemed conditioned upon completion of all elements of the approved work and all work previously approved with respect to the same Lot, unless approval to modify any application has been obtained. In the event that any Person fails to commence and diligently pursue to completion all approved work, the Association shall be authorized, after notice to the Owner of the Lot and an

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opportunity to be heard, to enter upon the Lot and remove or complete any incomplete work and to assess all costs incurred against the Lot and the Owner thereof as a Specific Assessment.

Any contractor, subcontractor, agent, employee, or other invitee of an Owner who fails to comply with the terms and provisions of this Article and the Design Guidelines may be excluded by the Board from the Property, subject to the notice and hearing procedures contained in the Bylaws. In such event, none of the Association, its officers, or directors shall be held liable to any Person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Article and the decisions of the ADRC.

ARTICLE 10. - USE RESTRICTIONS AND RULES

10.1. Plan of Development; Applicability; Effect

This Declaration establishes a general plan of development for the Property in order to enhance all Owners' quality of life and collective interests, the aesthetics and environment within the Property, and the vitality of and sense of community within the Property, all subject to the Board's and the Members' ability to respond to changes in circumstances, conditions, needs, and desires within the master planned community and to regulate and control the Area of Common Responsibility. The Property are subject to the land development, architectural, and design provisions set forth in Article 9, the other provisions of this Declaration governing individual conduct and uses of or actions upon the Property, and the guidelines, rules and restrictions promulgated pursuant to this Declaration, all of which establish affirmative and negative covenants, easements, and restrictions on the land subject to this Declaration.

All provisions of this Declaration and any Association rules shall apply to all Owners (except the Declarant), occupants, tenants, guests and invitees of any Lot. Any lease on any Lot shall provide that the lessee and all occupants of the leased Lot shall be bound by the terms of this Declaration, the Bylaws, and the rules of the Association.

This Article shall not apply to the activities of the Association or to the structures, activities or construction by the Declarant on any Lot.

10.2. Authority to Promulgate Use Restrictions and Rules

Initial use restrictions applicable to all of the Property are attached as Exhibit "B" to this Declaration. Subject to the terms of this Article, such initial use restrictions may be modified in whole or in part, repealed or expanded as follows:

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(a) Subject to the Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may adopt rules which modify, cancel, limit, create exceptions to, or expand the initial use restrictions set forth on Exhibit "B." The Board shall send notice by mail to all Owners concerning any such proposed action at least five business days prior to the Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Board meeting prior to such action being taken.

Such action shall become effective unless disapproved at a meeting by Members representing at least 51% of the total votes. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon petition of the Members as required for special meetings in the Bylaws.

(b) Alternatively, the Members, at a meeting duly called for such purpose as provided in the Bylaws, may adopt rules which modify, cancel, limit, create exceptions to, or expand the use restrictions and rules previously adopted by a vote of Members representing at least 51% of the total votes in the Association.

(c) At least 30 days prior to the effective date of any action taken under subsections (a) or (b) of this Section, the Board shall send a copy of the rule to each Owner. The Association shall provide, without cost, a copy of the use restrictions and rules then in effect (hereafter the "Use Restrictions and Rules") to any requesting Member or Mortgagee.

(d) Nothing in this Article shall authorize the Board or the Members to modify, repeal or expand the Design Guidelines. In the event of any inconsistency between the Design Guidelines and the Use Restrictions and Rules, the Design Guidelines shall control.

10.3. Owners' Acknowledgement

All Owners and occupants of Lots are given notice that use of their Lots is limited by the Use Restrictions and Rules as they may be amended, expanded and otherwise modified hereunder. Each Owner, by acceptance of a deed or entering into and recording a contract of sale, acknowledges and agrees that the use and enjoyment and marketability of his or her Lot can be affected and that the Use Restrictions and Rules may change from time to time.

10.4. Rights of Owners

Except as may be specifically set forth in this Declaration (either initially or by amendment) or in Exhibit "B," neither the Board nor the Members may adopt any rule in violation of the following provisions:

(a) Equal Treatment. Similarly situated Owners and occupants shall be treated similarly.

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(b) Speech. The rights of Owners and occupants to display political signs and symbols in or on their Lots shall not be abridged, except that the Association may adopt time, place, and manner restrictions (including design criteria) for the purpose of minimizing damage and disturbance to other Owners and occupants of Lots.

(c) Religious and Holiday Displays. The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Lots of the kinds normally displayed in residences located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt reasonable time, place, and manner restrictions for the purpose of minimizing damage and disturbance to other Owners and occupants.

(d) Household Composition. No rule shall interfere with the freedom of occupants of Lots to determine the composition of their households, except that the Association shall have the power to require that all occupants be members of a single housekeeping unit and to limit the total number of occupants permitted in each Lot on the basis of the size and facilities of the Lot and its fair use of the Common Area.

(e) Activities Within Dwellings. No rule shall interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Lots, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance.

(f) Allocation of Burdens and Benefits. No rule shall alter the allocation of financial burdens among the various Lots or rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Areas available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who abuse the Common Area, violate rules or this Declaration, or fail to pay assessments. This provision does not affect the right to increase the amount of assessments as provided in Article 8.

(g) Alienation. No rule shall prohibit leasing or transfer of any Lot, or require consent of the Association or Board for leasing or transfer of any Lot; provided, the Association or the Board may require a minimum lease term of up to 12 months.

(h) Abridging Existing Rights. If any rule would otherwise require Owners or occupants of Lots to dispose of personal property which they maintained in or on the Lot prior to the effective date of such rule, or to vacate a Lot in which they resided prior to the effective date of such rule, and such property was maintained or such occupancy was in compliance with this Declaration and all rules previously in force, such rule shall not apply to any such Owners without their written consent unless the rule was in effect at the time such Owners or occupants acquired their interest in the Lot.

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The limitations in this Section 10.4 shall apply to rules only; they shall not apply to amendments to this Declaration adopted in accordance with Section 14.2.

ARTICLE 11. - EASEMENTS

11.1. Easements of Encroachment

There shall be appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Lot and any adjacent Common Area and between adjacent Lots due to the placement structures or portions thereof by the Declarant, or due to settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions).

11.2. Easements for Utilities, Etc.

(a) There are hereby reserved to the Declarant and to the Association, and its designees (which may include, without limitation, any governmental or quasi-governmental entity and any utility company) perpetual non-exclusive easements upon, across, over, and under all of the Property (but not through a structure) to the extent reasonably necessary for the purpose of monitoring, replacing, repairing, maintaining and operating cable television systems, master television antenna systems, and other devices for sending or receiving data and/or other electronic signals; security and similar systems; roads, walkways, pathways and trails; wetlands and drainage systems; street lights and signage; and all utilities, including, but not limited to, water, sewers, telephone, gas, and electricity, and utility meters; and for the purpose of installing any of the foregoing on property which the Association owns or within easements designated for such purposes on recorded plats of the Property. The Association, electric company, and natural gas supplier have been granted easements across the Property for ingress, egress, installation, reading, replacing, repairing, and maintaining utility lines, meters and boxes as applicable.

(b) Any damage to a Lot resulting from the exercise of the easements described in subsection (a) of this Section shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of these easements shall not extend to permitting entry into the structures on any Lot, nor shall it unreasonably interfere with the use of any Lot and, except in an emergency, entry onto any Lot shall be made only after reasonable notice to the Owner or occupant.

11.3. Right of Entry

The Association shall have the right, but not the obligation, to enter upon any Lot for emergency, security, and safety reasons, to perform maintenance pursuant to Article 5 hereof, and to

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inspect for the purpose of ensuring compliance with this Declaration, any Supplemental Declaration, Bylaws, Design Guidelines and rules. Such right may be exercised by any member of the Board, the Association's officers, agents, employees, and managers, members of the ADRC pursuant to Article 9, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner. This right of entry shall include the right of the Association to enter upon any Lot to do any Exterior Maintenance Work pursuant to Section 8.5 of this Declaration or to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after requested by the Board, but shall not authorize entry into any single family detached dwelling without permission of the Owner, except by emergency personnel acting in their official capacities.

11.4. Easements for Golf Course

(a) Every Lot and the Common Area are burdened with an easement permitting golf balls unintentionally to come upon such Common Area or Lots and for golfers at reasonable times and in a reasonable manner to come upon the Common Area or the exterior portions of a Lot to retrieve errant golf balls; provided, however, to the extent that any Lot is fenced or walled, the golfer shall seek the Owner's permission before entry. The existence of this easement shall not relieve golfers of liability for damage caused by errant golf balls. Under no circumstances shall any of the following Persons be held liable for any damage or injury resulting from errant golf balls or the exercise of this easement: the Association or its Members (in their capacity as such); Valley Club Homes, LLC, The Valley Club, Inc. or their successors, successors-in-title to the golf course, or assigns; any builder or contractor (in their capacities as such); any officer, director or partner of any of the foregoing, or any officer or director of any partner.

(b) The owner of the Golf Course, its agents, successors and assigns, shall at all times have a right and non-exclusive easement of access and use over those portions of the Common Area reasonably necessary to the operation, maintenance, repair and replacement of the Golf Course.

(c) Any portion of the Property immediately adjacent to the Golf Course is hereby burdened with a non-exclusive easement in favor of the Golf Course for overspray of water from the irrigation system serving the Golf Course. Under no circumstances shall the Association or the owner of the Golf Course be held liable for any damage or injury resulting from such overspray or the exercise of this easement.

(d) The owner of the Golf Course, its successors and assigns, shall have a perpetual, exclusive easement of access over the Property for the purpose of retrieving golf balls from bodies of water within the Common Area lying reasonably within range of golf balls hit from the Golf Course.

11.5. Easements for Construction by Declarant

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Declarant shall have a non-exclusive easement for itself, its agents, employees, contractors, licensees, and assignees over all portions of the Property to undertake and carry out the construction of the Village Green Project as set forth in Article 2.

ARTICLE 12. - MORTGAGEE PROVISIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Lots in the Property.

12.1. Notices of Action

An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Lot to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Property or which affects any Lot on which there is a first Mortgage held, insured, or guaranteed by such Eligible Holder;

(b) Any delinquency in the payment of assessments or charges owed by a Lot subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Declaration or Bylaws relating to such Lot or the Owner or Occupant which is not cured within 60 days; or

(c) Any lapse, cancellation, or material modification of any insurance policy maintained by the Association.

12.2. No Priority

No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Lot in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

12.3. Notice to Association

Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Lot.

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ARTICLE 13. - DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

13.1. Agreement to Avoid Costs of Litigation and to Limit Right to Litigate Disputes

The Association, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties") agree to encourage the amicable resolution of disputes involving the Property in order to avoid the emotional and financial costs of litigation. Accordingly, each Bound Party covenants and agrees that all claims, grievances or disputes between such Bound Party and any other Bound Party involving the Property, including, without limitation, claims, grievances or disputes arising out of or relating to the interpretation, application or enforcement of this Declaration, the Bylaws, the Association rules, or the Articles (collectively "Claim"), except for those Claims authorized in Section 13.2, shall be resolved using the procedures set forth in Section 13.3 in lieu of filing suit in any court or initiating proceedings before any administrative tribunal seeking redress or resolution of such Claim.

13.2. Exempt Claims

The following Claims ("Exempt Claims") shall be exempt from the provisions of Section 13.3:

(a) any suit by the Association against any Bound Party to enforce the provisions of Article 8 ("Assessments");

(b) any suit by the Association to obtain a temporary restraining order (or equivalent emergency equitable relief) and such other ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Article 9 ("Architectural Standards") and Article 10 ("Use Restrictions and Rules");

(c) any suit between Owners seeking redress on the basis of a Claim which would constitute a cause of action under federal law or the laws of the State of Idaho in the absence of a claim based on the Declaration, Bylaws, Articles or rules of the Association, if the amount in controversy exceeds \$5,000.00;

(d) any suit arising out of any written contract between Owners which would constitute a cause of action under the laws of the State of Idaho in the absence of the Declaration, Bylaws, and Articles of the Association; and

(e) any suit in which all parties are not Bound Parties.

Any Bound Party having an Exempt Claim may submit it to the alternative dispute resolution procedures set forth in Section 13.3, but there shall be no obligation to do so. The

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submission of an Exempt Claim involving the Association to the alternative dispute resolution procedures of Section 13.3 shall require the approval of the Association.

13.3. Mandatory Procedures for All Other Claims

All Claims other than Exempt Claims shall be resolved using the following procedures:

(a) Notice. Any Bound Party having a Claim ("Claimant") against any other Bound Party ("Respondent"), other than an Exempt Claim, shall notify each Respondent in writing of the Claim (the "Notice"), stating plainly and concisely:

- (i) the nature of the Claim, including date, time, location, persons involved, and Respondent's role in the Claim;
- (ii) the basis of the Claim (i.e., the provisions of this Declaration, the Bylaws, the Articles or rules or other authority out of which the Claim arises);
- (iii) what Claimant wants Respondent to do or not do to resolve the Claim; and
- (iv) that Claimant wishes to resolve the Claim by mutual agreement with Respondent and is willing to meet in person with Respondent at a mutually agreeable time and place to discuss in good faith ways to resolve the claim.

(b) Negotiation.

- (i) Each Claimant and Respondent (the "Parties") shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation.
- (ii) Upon receipt of a written request from any Party, accompanied by a copy of the Notice, the Board may appoint a representative to assist the Parties in resolving the dispute by negotiation, if in its discretion it believes its efforts will be beneficial to the Parties and to the welfare of the community.

(c) Mediation.

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- (i) If the Parties do not resolve the Claim through negotiation within 30 days of the date of the Notice (or within such other period as may be agreed upon by the Parties) ("Termination of Negotiations"), Claimant shall have 30 additional days within which to submit the Claim to mediation under the auspices of any dispute resolution center or other such independent agency providing similar services in the State of Idaho upon which the Parties may mutually agree.
- (ii) If Claimant does not submit the Claim to mediation within 30 days after Termination of Negotiations, Claimant shall be deemed to have waived the Claim, and Respondent shall be released and discharged from any and all liability to Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.
- (iii) If the Parties do not settle the Claim within 30 days after submission of the matter to the mediation process, or within such time as determined reasonable or appropriate by the mediator, the mediator shall issue a notice of termination of the mediation proceedings ("Termination of Mediation"). The Termination of Mediation notice shall set forth when and where the Parties met, that the Parties are at an impasse, and the date that mediation was terminated.
- (iv) Each Party shall, within five days of the Termination of Mediation, make a written offer of settlement in an effort to resolve the Claim. The Claimant shall make a final written settlement demand ("Settlement Demand") to the Respondent. The Respondent shall make a final written settlement offer ("Settlement Offer") to the Claimant. If the Claimant fails to make a Settlement Demand, Claimant's original Notice shall constitute the Settlement Demand. If the Respondent fails to make a Settlement Offer, Respondent shall be deemed to have made a "zero" or "take nothing" Settlement Offer.

(d) Final and Binding Arbitration.

- (i) If the Parties do not agree in writing to accept either the Settlement Demand, the Settlement Offer, or otherwise resolve the Claim within 15 days of the Termination of Mediation, the Claimant shall have 15 additional days to

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submit the Claim to arbitration in accordance with the Rules of Arbitration contained in Exhibit "C" or the Claim shall be deemed abandoned, and Respondent shall be released and discharged from any and all liability to Claimant arising out of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to Persons not a Party to the foregoing proceedings.

- (ii) This subsection (d) is an agreement of the Bound Parties to arbitrate all Claims except Exempt Claims and is specifically enforceable under the applicable arbitration laws of the State of Idaho. The arbitration award (the "Award") shall be final and binding, and judgment may be entered upon it in any court of competent jurisdiction to the fullest extent permitted under the laws of the State of Idaho.

13.4. Allocation of Costs of Resolving Claims.

(a) Each Party shall bear its own costs incurred prior to and during the proceedings described in Section 13.3 (a), (b) and (c), including the fees of its attorney or other representative. Each Party shall share equally all charges rendered by the mediator(s) pursuant to Section 13.3(c).

(b) Each Party shall bear its own costs (including the fees of its attorney or other representative) incurred after the Termination of Mediation under Section 13.3(c) and shall share equally in the costs of conducting the arbitration proceeding (collectively, "Post Mediation Costs"), except as otherwise provided in subsection 13.4(c).

(c) Any Award which is equal to or more favorable to Claimant than Claimant's Settlement Demand shall add such Claimant's Post Mediation Costs to the Award, such Costs to be borne equally by all Respondents. Any Award which is equal to or less favorable to Claimant than Respondent's Settlement Offer to that Claimant shall also award to such Respondent its Post Mediation Costs, such Costs to be borne by all such Claimants.

13.5. Enforcement of Resolution

After resolution of any Claim through negotiation, mediation, or arbitration in accordance with Section 13.3, if any Party fails to abide by the terms of the agreement or Award, then any other Party may file suit or initiate administrative proceedings to enforce such agreement or Award without the need to again comply with the procedures set forth in Section 13.3. In such event, the Party taking action to enforce the agreement or Award shall be entitled to recover from the non-complying Party (or if more than one non-complying Party, from all such Parties pro rata) all costs incurred in enforcing such agreement or Award, including, without limitation, attorneys fees and court costs.

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ARTICLE 14. - GENERAL PROVISIONS

14.1. Duration.

(a) Unless terminated as provided in Section 14.1(b), this Declaration shall have perpetual duration. If Idaho law hereafter limits the period during which covenants may run with the land, then to the extent consistent with such law, this Declaration shall automatically be extended at the expiration of such period for successive periods of 20 years each, unless terminated as provided herein. Notwithstanding the above, if any of the covenants, conditions, restrictions, or other provisions of this Declaration shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

(b) Unless otherwise provided by Idaho law, in which case such law shall control, this Declaration may not be terminated within the first 20 years after the date of recording without the consent of all Lot Owners and the adoption of a substitute mechanism and/or organization for the operation, maintenance, repair and replacement of the Area Common Responsibility together with the implementation and payment thereof ("Substitute Organizational Agreement"). Thereafter, it may be terminated only by an instrument signed by Owners of at least 60 % of the total Lots within the Property and a Substitute Organizational Agreement. Which instrument is recorded in the Public Records. Nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

14.2. Amendment

Except as otherwise specifically provided elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Owners of not less than 60% of the total number votes of the Lots within the Property; with such votes for the Lots being allocated in accordance with Section 3.3 of this Declaration.. In addition, amendments regarding the assessments paid by or benefits enjoyed by a Membership Class must be approved by more than 75% of the Lots within that Membership Class. Any such revocation or amendment duly adopted shall be binding upon every Owner and Lot, whether the burdens thereon are increased or decreased by any such amendment or revocation, and whether or not the Owner consents thereto.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in

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any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon recording in the Public Records, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

14.3. Severability

Invalidation of any provision of this Declaration, in whole or in part, or any application of a provision of this Declaration by judgment or court order shall in no way affect other provisions or application.

14.4. Litigation

Except as provided below, no judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of 60% of the Members. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens); (b) the imposition and collection of assessments as provided in Article 8; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. This Section shall not be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above. This Section shall apply in addition to the provisions of Article 13, if applicable.

14.5. Cumulative Effect; Conflict

The provisions of this Declaration shall be cumulative with the provisions of any applicable Supplemental Declaration. Nothing in this Section shall preclude any Supplemental Declaration or other recorded declaration, covenants and restrictions applicable to any portion of the Property from containing additional restrictions or provisions which are more restrictive than the provisions of this Declaration, and the Association shall have the standing and authority to enforce the same.

14.6. Compliance

Every Owner and occupant of any Lot shall comply with this Declaration, any applicable Supplemental Declaration, the Bylaws, and the Use Restrictions and Rules promulgated pursuant to Article 10. Subject to the terms of Article 13, failure to comply shall be grounds for an action by the

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Association or, in a proper case, by any aggrieved Lot Owner(s) to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, in addition to those enforcement powers granted to the Association in Section 4.3.

14.7. Notice of Sale or Transfer of Title.

Any Owner desiring to sell or otherwise transfer title to his or her Lot shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Owner of the Lot, including assessment obligations, until the date upon which such notice is received by the Board, notwithstanding the transfer of title.

14.8. Exhibits.

Exhibits "A," "B" and "C" are attached to this Declaration are incorporated by this reference and amendment of such exhibits shall be governed by the provisions of Section 14.2.

IN WITNESS WHEREOF, the Declarant has executed this Declaration this 6th day of April, 2006.

DECLARANT,

VALLEY CLUB HOMES, LLC, an Idaho limited liability company,

By: Sun Valley Development, LLC, an Idaho limited liability company,

By: 

Henry W. Dean, Managing Member

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STATE OF IDAHO)

) ss.

County of Blaine)

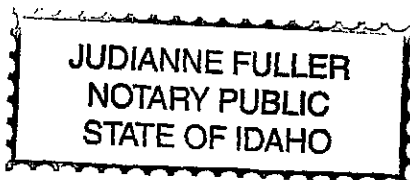
On this 6th day of April, 2006, before me, a Notary Public, in and for said County and State, personally appeared HENRY W. DEAN, known or identified to me on the basis on satisfactory evidence, to be the Managing Member of SUN VALLEY DEVELOPMENT, LLC, an Idaho limited liability company, Manger of VALLEY CLUB HOMES, LLC, an Idaho limited liability company, and acknowledged that he executed the same as the free act and deed of such entity.

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

Judianne Fuller
NOTARY PUBLIC FOR IDAHO

Residing at: Ketchum, Idaho

My commission expires: 3-16-2010



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EXHIBIT A

LEGAL DESCRIPTION

Block 1 (including Lots 1 through 43 of The Village Green At The Valley Club Project) and Block 2 (including the twelve Community Housing Units of the Community Housing Project) of The Valley Club West Nine PUD according to the official act thereof recorded Instrument No. 523431, records of Blaine County, Idaho, and all subsequent subdivision plats thereof.

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EXHIBIT B

Initial Use Restrictions and Rules

Except as otherwise set forth in this Declaration, the following restrictions shall apply to all of the Property until such time as they are amended, modified, repealed or limited by rules of the Association adopted pursuant to Article 10 of the Declaration.

1. General. The Property shall be used only for residential purposes consistent with this Declaration and any Supplemental Declaration.
2. Restricted Activities. The following activities are prohibited within the Property unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:
 - (i) Posting of signs of any kind except those required by law, including posters, circulars and billboards;
 - (ii) Parking of commercial vehicles, recreational vehicles, mobile homes, boats or other watercraft, or other oversized vehicles, stored vehicles or inoperable vehicles in places other than enclosed garages;
 - (iii) Subdivision of a Lot into two or more Lots after a subdivision plat including such Lot has been approved and filed with the appropriate governmental authority or changing the boundary lines of any Lot;
 - (iv) Active use of lakes, ponds, streams, or other bodies of water within the Property or within any Golf Course, except that the owner of the Golf Course, and its agents, successors and assigns, shall have the exclusive right and easement to retrieve golf balls from bodies of water within the Common Areas which are within range of golf balls hit from the Golf Course. The Association shall not be responsible for any loss, damage, or injury to any person or property arising out of the authorized or unauthorized use of lakes, ponds, streams or other bodies of water within or adjacent to the Property;
 - (v) Operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Lot rotates among participants in the program on a fixed or floating time schedule over a period of years;
 - (vi) Occupancy of a Lot by more than a single family. For purposes of this restriction, a single family shall be defined as any number of persons related by

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blood, adoption, or marriage living with not more than one person who is not so related as a single household unit, or no more than three persons who are not so related living together as a single household unit, and the household employees of either such household unit;

(vii) Capturing, trapping or killing wildlife within the Property, except in circumstances posing an imminent threat to the safety of persons using the Property, and raising, breeding or keeping of animals, livestock, or poultry of any kind, except that a reasonable number of dogs, cats, or other usual and common household pets may be permitted in a Lot provided they are not kept, bred, or maintained for any commercial purpose and not allowed outside the Unit except when leashed or otherwise under someone's direct personal control. However, those pets which are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, endanger the health or safety of, or constitute a nuisance or inconvenience to the occupants of other Lots shall be removed upon request of the Board. If the pet owner fails to honor such request, the Board may remove the pet. No outdoor dog kennels or other animal shelters or pens are permitted, and no dogs shall be kept outside on a leash or other restraint. All pet food shall be stored and pets shall be fed in a manner that does not attract "nuisance" wildlife (e.g. skunks, raccoons, magpies, red fox, etc.). Owners shall comply with all Plat Notes set forth on any subdivision plat of the Property regarding wildlife and pets.

Feeding of game species or predatory wildlife is prohibited. ANY FORM OF WILDLIFE HARASSMENT IS PROHIBITED.;

(viii) Activities which materially disturb or destroy the vegetation, wildlife, or air quality within the Property or which use excessive amounts of water or which result in unreasonable levels of sound or light pollution;

(ix) Any construction, erection, or placement of ornamentation or other objects or equipment, permanently or temporarily, on the outside portions of the Lot, whether such portion is improved or unimproved;

(x) The discharge of firearms within the Property is prohibited. The term firearms includes BB guns, pellet guns, and other firearms of all types, regardless of size. Notwithstanding anything to the contrary contained herein, or in the Bylaws, the Association shall not be obligated to take action to enforce this provision; and

(xi) Any business, trade, garage sale, moving sale, rummage sale, or similar activity, except that an Owner or occupant residing in a Lot may conduct business

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activities within the Lot so long as: (A) the existence or operation of the business activity is not apparent or detectable by sight, sound, or smell from outside the Lot; (B) the business activity conforms to all zoning requirements for the Property; (C) the business activity does not involve regular visitation of the Lot by clients, customers, suppliers, or other business invitees or door-to-door solicitation of residents of the Property; and (D) the business activity is consistent with the residential character of the Property and does not constitute a nuisance, or a hazardous or offensive use, or threaten the security or safety of other residents of the Property, as may be determined in the sole discretion of the Board.

The leasing of a Lot shall not be considered a business or trade within the meaning of this subsection. Leasing, for purposes of this Declaration, is defined as regular, exclusive occupancy of a Lot by any person other than the Owner, for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument. Lots may be leased only in their entirety. No fraction or portion may be leased. No structure on a Lot other than the primary residential dwelling shall be leased or otherwise occupied for residential purposes. There shall be no subleasing of Lots or assignment of leases unless prior written approval is obtained from the Board. All leases shall be in writing.

(xii) Clotheslines. No outside clotheslines shall be permitted, and all garbage cans, equipment, maintenance tools, and similar items shall be kept screened or enclosed to conceal them from the view of neighboring Units.

(xiii) Exterior Antennas and dishes. No exterior television, telecommunication or radio antennas, discs, dishes or similar communication installations shall be placed on any Lot without prior written approval from the Architectural Design Committee.

(xiv) Nuisances. No rubbish, waste or debris of any kind shall be placed or permitted to accumulate upon any Lot, and no odor 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 Lot. No noise, including but not limited to, noise created by people. Animals, equipment and/or machinery, shall be permitted to exist or operate upon any Lot or Common Area to be offensive or detrimental to any other Lot, or its occupants.

(xv) Hazardous Activities. No activities shall be conducted, and no improvements shall be constructed, within the Subdivision on any Lot or Common Area which are or might be unsafe or hazardous to any person or property.

(xvi) Unsightly Articles. No unsightly articles shall be permitted to remain on any Lot unless completely stored within a unit, including, without limitation, trailers, campers, motor homes, boats, tractors, snowmobiles, and snow removal and maintenance equipment.

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(xvii). Exterior Appearance. Every Owner of a Unit subject to this Declaration shall at all times keep the exterior thereof, including appurtenant decks, sidewalks, driveways and patios clean and free of debris and unsightly personal property.

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EXHIBIT C

Rules of Arbitration

1. Claimant shall submit a Claim to arbitration under these Rules by giving written notice to all other Parties stating plainly and concisely the nature of the Claim, the remedy sought and Claimant's desire to submit the Claim to arbitration ("Arbitration Notice").

2. Each Party shall select an arbitrator ("Party Appointed Arbitrator"). The Party Appointed Arbitrators shall, by agreement, select one or two neutral arbitrators ("Neutral(s)") so that the total arbitration panel ("Panel") has an odd number of arbitrators. If any Party fails to appoint a Party Appointed Arbitrator within 20 days from the date of the Arbitration Notice, the remaining arbitrators shall conduct the proceedings, selecting a Neutral in place of any missing Party Appointed Arbitrator. The Neutral arbitrator(s) shall select a chairperson ("Chair").

3. If the Panel is not selected under Rule 2 within 45 days from the date of the Arbitration Notice, Claimant may notify the Idaho chapter of The Community Associations Institute, which shall appoint one Neutral ("Appointed Neutral"), notifying the Appointed Neutral and all Parties in writing of such appointment. The Appointed Neutral shall thereafter be the sole arbitrator ("Arbitrator"), and any Party Appointed Arbitrators or their designees shall have no further duties involving the arbitration proceedings.

4. No person may serve as a Neutral in any arbitration under these Rules in which that person has any financial or personal interest in the result of the arbitration. Any person designated as a Neutral shall immediately disclose in writing to all Parties any circumstance likely to affect impartiality, including any bias or financial or personal interest in the outcome of the arbitration ("Bias Disclosure"). If any Party objects to the service of any Neutral after receipt of that Neutral's Bias Disclosure, such Neutral shall be replaced in the same manner in which that Neutral was selected.

5. The Arbitrator or Chair, as the case may be ("Arbitrator") shall fix the date, time and place for the hearing. The place of the hearing shall be within the Property unless otherwise agreed by the Parties.

6. Any Party may be represented by an attorney or other authorized representative throughout the arbitration proceedings.

7. All persons who, in the judgment of the Arbitrator, have a direct interest in the arbitration are entitled to attend hearings.

8. There shall be no stenographic record of the proceedings.

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9. The hearing shall be conducted in whatever manner will, in the Arbitrator's judgment, most fairly and expeditiously permit the full presentation of the evidence and arguments of the Parties.

10. The Parties may offer such evidence as is relevant and material to the Claim, and shall produce such additional evidence as the Arbitrator may deem necessary to an understanding and determination of the Claim. The Arbitrator shall be the sole judge of the relevance and materiality of any evidence offered, and conformity to the legal rules of evidence shall not be necessary. The Arbitrator shall be authorized, but not required, to administer oaths to witnesses.

11. The Arbitrator shall declare the hearings closed when satisfied the record is complete.

12. There will be no post hearing briefs unless specifically requested by the Arbitrator.

13. The Award shall be rendered immediately following the close of the hearing, if possible, and no later than 14 days from the close of the hearing, unless otherwise agreed by the Parties. The Award shall be in writing, shall be signed by the Arbitrator and acknowledged before a notary public. If the Arbitrator believes an opinion is necessary, it shall be in summary form.

14. If there is more than one arbitrator, all decisions of the Panel and the Award shall be by majority vote.

15. Each Party agrees to accept as legal delivery of the Award the deposit of a true copy in the mail addressed to that Party or its attorney at the address communicated to the Arbitrator at the hearing.

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