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JUG MOUNTAIN RANCH

McCALL, IDAHO

AMENDED AND RESTATED
GENERAL DECLARATION
FOR
JUG MOUNTAIN RANCH

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**AMENDED AND RESTATED
GENERAL DECLARATION
FOR
JUG MOUNTAIN RANCH**

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**AMENDED AND RESTATED
GENERAL DECLARATION
FOR
JUG MOUNTAIN RANCH**

This General Declaration ("this Declaration") is made this 20th day of September, 2006, by Jug Mountain Ranch LLC, an Idaho limited liability company.

ARTICLE 1. Declaration / Purposes

1.1 General Purposes

(a) The Declarant, owns the real property hereinafter defined as Jug Mountain Ranch and intends to develop said property as a residential community and a self-contained, village-like area designed to contain facilities and provide services, including lodging, food and beverage services, shops and merchandising areas, and entertainment and recreation opportunities, for all persons residing, visiting or doing business within Jug Mountain Ranch.

(b) Jug Mountain Ranch Association, an Idaho nonprofit corporation, has been formed, to perform certain functions and to hold and manage certain property for the common benefit of some or all Owners or Lessees within Jug Mountain Ranch. This Declaration defines certain rights and obligations of Owners and Lessees within Jug Mountain Ranch with respect to the Ranch Association and with respect to Functions undertaken and Association Facilities held by the Ranch Association.

(c) By this Declaration, Declarant also intends to establish a means to provide for and maintain the area within Jug Mountain Ranch as a pleasant and desirable environment for all persons residing, visiting or doing business therein.

1.2 Declaration: To further the general purposes herein expressed, The Declarant, for itself, its successors and assigns, hereby declares that all real property hereinafter defined as Jug Mountain Ranch, including any property added to Jug Mountain Ranch as hereinafter provided, shall, at all times, be owned, held, used and occupied subject to the provisions of this Declaration and to the covenants, conditions and restrictions herein contained. Declarant, for each Unit it owns, and each Owner, by acceptance of a deed or other conveyance of title to a Unit, and each Village Lessee, by acceptance of a lease or other rental agreement to a Village Unit, HEREBY COVENANTS, PROMISES, AND AGREES to be bound by and to comply in all respects with all provisions of this Declaration, and all applicable Supplemental Declarations, the Articles and Bylaws of the Ranch Association, all applicable sub-association articles and bylaws, the Design and Development Guidelines, and all Rules and Regulations promulgated pursuant to any of the above.

1.3 Board Approval: This Amended and Restated General Declaration was approved by the Board of Directors of the Jug Mountain Ranch Association at a properly noticed meeting conducted on July 17, 2006.

ARTICLE 2. Certain Definitions

2.1 Affirmative Vote Of A Majority Of The Classes: The Affirmative Vote of a Majority of the Classes shall be achieved on any particular matter if (and only if) (a) a majority of the Class C, D and E members vote in favor of such matter; and, (b) at least 51% of the votes of the Class A Members and 51% of the votes of the Class B Members are cast in favor of such matter. For the purpose of determining the vote of a class, the votes of a majority of the members of such class present at a meeting at which a quorum is established, in person or by proxy and entitled to vote on such matter shall be deemed the vote of such class. Notwithstanding the foregoing, in the event that there are no Class B members, or no Class C, D or E member, due to the fact that they do not yet exist or upon their effective resignation, the favorable vote of such member(s) shall not be considered in determining a majority. Notwithstanding any other provision to the contrary in the Association Documents, this definition may not be amended without an Affirmative Vote Of A Majority Of The Classes as defined herein.

2.2 Articles: The Articles of Incorporation for Jug Mountain Ranch Association, Inc.

2.3 Association Documents: The various operative documents of the Jug Mountain Ranch Association, including: (a) the Articles of Incorporation for Jug Mountain Ranch Association; (b) the Bylaws for Jug Mountain Ranch Association; (c) this Declaration; (d) the Design and Development Guidelines; (e) all Rules and Regulations promulgated by the Board; (f) the Articles of Incorporation and Bylaws for any other Association which

is created within Jug Mountain Ranch; (g) all Supplemental Declarations recorded by Declarant; and, (h) all amendments and supplements to any of the aforementioned documents.

2.4 Association Facilities: All property owned or leased by the Ranch Association or otherwise held or used by the Ranch Association, or under the Ranch Association's management or control by, through or under contractual arrangements, licenses or other arrangements, including Property Furnished by Declarant, real property or interests therein, improvements on real property, and personal property and equipment.

2.5 Benefited Units: The Board shall have the discretion to designate groups of Units which have like interests or needs, which Units may already be grouped as a Neighborhood, or may be some other grouping of Units with like interests or needs, for the following purposes: construction, assessment and budgeting for Local Improvement Assessments, as defined at Section 9.3 of the Bylaws; determination, assessment and budgeting for Local Maintenance Assessments, as defined at Section 9.3 of the Bylaws; and/or, any other benefit, service or obligation related to certain Units which are not already grouped as a Neighborhood. The Board may make such designation either of their own volition or in their discretion at the request of Members.

2.6 Board: The Board of Directors for Jug Mountain Ranch Association, Inc.

2.7 Bylaws: The Bylaws for Jug Mountain Ranch Association, Inc.

2.8 Common Open Space: Open Space which is declared to be Common Open Space in a Supplemental Declaration. Common Open Space is further described at Section 5.1 as Open Space in which Members of the Association enjoy common, non-exclusive rights of use.

2.9 Conversion Date: That date upon which certificates of occupancy have been issued for 90 percent of the dwelling units authorized to be constructed in Jug Mountain Ranch under the PUD, or such earlier date as is selected by Declarant.

2.10 County: Valley County, Idaho.

2.11 CUP or Jug Mountain Ranch CUP: Valley County Conditional Use Permit No. 99-12, Jug Mountain Ranch – Phase I, Stage 1, PUD 97-1 Jug Mountain Ranch Planned Unit Development; and, Valley County Conditional Use Permit No. 01-05, Jug Mountain Ranch – Phase I, Stage 2, PUD 97-1 Jug Mountain Ranch Planned Unit Development; together with any additional Condition Use Permit granted by Valley County which applies to the Property; and, as all of said conditional use permits may be amended. The CUP shall be deemed to include and incorporate the following: the PUD; any and all applications for the above conditional use permits or the PUD; all conditions of approval of any Jug Mountain Ranch conditional use permit or the PUD imposed by Valley County; the terms of any agreements entered into by The Declarant and Valley County related to the above conditional use permits or the PUD; and, the terms and conditions of all permits or licenses issued by Valley County, the State of Idaho, the United States of America, or any department or agency thereof, related to the above conditional use permits or the PUD.

2.12 Declarant: Jug Mountain Ranch LLC, an Idaho limited liability company, and any party which (a) acquires from Declarant all or substantially all of its property at Jug Mountain Ranch and (b) is designated by a written instrument as a successor or assignee of Declarant under this Declaration. Such instrument may specify the extent and portion of the rights or interests as a Declarant which are being assigned, in which case Jug Mountain Ranch LLC shall retain all other rights as Declarant.

2.13 Declaration: This Declaration and all Amendments or Supplements hereto, hereafter recorded in the real property records of Valley County, Idaho.

2.14 Default Rate: Any delinquent assessment, charge, fine, penalty or other amount payable pursuant to the terms of the Association Documents shall bear interest at the greater of eighteen percent (18%) per annum, or six (6) points above the prime rate of Wells Fargo Bank, NA or any other national banking association with offices in Boise, Idaho.

2.15 Design and Development Guidelines: The Jug Mountain Ranch Design and Development Guidelines, as further described in Article 8 herein and as may be amended from time to time.

2.16 Design Review Committee: Design Review Committee ("DRC") shall mean the Design Review Committee established pursuant to Article 8 herein.

2.17 Exclusive Open Space: Open Space which is declared to be Exclusive Open Space in a Supplemental Declaration. Exclusive Open Space is further described at Section 5.2.

2.18 Function: Any activity, function or service required under this Declaration to be undertaken or performed by the Ranch Association as well as any activity, function or service otherwise undertaken or performed by the Ranch Association.

2.19 Golf Course: Any golf course located within Jug Mountain Ranch, as well as all ancillary facilities, including but not limited to an 18 hole golf course as well as any additional golf course, golf practice facilities including a driving range and putting green, club house, maintenance facilities, any additional related and supporting facilities, structures and improvements operated in connection with such golf course. All real property to be part of the Golf Course shall be designated as "Golf Course" on a recorded Plat, or shall be designated as such in a Supplemental Declaration.

2.20 Guest: Any customer, agent, employee, guest or invitee of an Owner, Lessee, Subowner or any Priority Member, and any person or persons, entity or entities who have any right, title or interest in a Unit which is not the fee simple title to the Unit (including a lessee or Subowner other than a Lessee) and any customer, agent, employee, guest or invitee of such person or persons, entity or entities.

2.21 Jug Mountain Ranch: All of the real property in Valley County, Idaho, within the boundaries set forth in the legal description attached hereto as **Exhibit A** as well as all real property which becomes part of Jug Mountain Ranch as provided in Article 10 herein. Any property removed from Jug Mountain Ranch as provided in Article 10 herein shall no longer be part of Jug Mountain Ranch. Any real property included in the definition of Jug Mountain Ranch pursuant to this Section which is hereafter incorporated as or becomes a part of a municipal corporation may be excluded from and be deemed outside of Jug Mountain Ranch by the action of the Board and the written consent of Declarant, upon the recording in the office of the Recorder of Valley County, Idaho, of a written instrument signed by Declarant and the Ranch Association containing a legal description of the real property to be excluded and declaring that said real property shall be deemed to be outside Jug Mountain Ranch.

2.22 Land Use Plan: The Proposed Master Land Use Plan approved as part of the PUD, as may be amended. Uses delineated on the Land Use Plan include Single Family Residential; Single Family / Townhome Residential; Multi-use / Mixed Residential; and Recreation / Open Space. Single family residential uses are also allowed in the Single Family / Townhome Residential, Multi-use / Mixed Residential areas. Townhomes are also allowed in the Multi-use / Mixed Residential areas.

2.23 Lessee: The person or persons, entity or entities who are the lessees under a ground lease of any part or all of a Unit or the lessees of any space within a building on any Unit. All such leased property is hereinafter referred to as the **Leased Premises**. The term Lessee shall include Declarant to the extent it is a Lessee as defined above, and shall include a sublessee to the extent he becomes a Lessee pursuant to Section 16.8 of this Declaration, but it shall not include the Ranch Association or any governmental entity, taxing district or utility provider.

2.24 Member: A Person entitled to membership in the Ranch Association, as described at Section 3.1 of the Bylaws.

2.25 Neighborhood: A group of Units designated as a separate Neighborhood in a Supplemental Declaration by the Declarant for purposes of electing Directors to the Ranch Association Board, and, in some instances, to interface with the Ranch Association with regard to proposed services, maintenance, improvements or other issues uniquely affecting the Neighborhood, and/or for purposes of sharing Exclusive Open Spaces and/or receiving other benefits or services and/or with separate interests or needs, as further described at Article 13 of the Bylaws. The Declarant shall assign all Units to a Neighborhood in a Supplemental Declaration, and shall have the right to add Units to each Neighborhood, and to reallocate Units within each Neighborhood pursuant a Supplemental Declaration.

2.26 Open Space: Property within the CUP, devoid of buildings or structures, except where necessary for utilities or for the provision of recreation or fish and wildlife habitat improvements, and except as otherwise permitted in Exclusive Open Spaces at Section 5.2. Open Space shall be designated as such on each Final Plat for the CUP. The "Open Space" designation, as defined herein, shall bind the use of the subject property, whether it is owned by the Ranch Association or by a private person or entity.

2.27 Owner: The person or persons, entity or entities who own of record, according to the real property records of Valley County, Idaho, fee simple title to a Unit, and any other Property within Jug Mountain Ranch, including but not limited the Golf Course. Each Owner shall also be the holder or holders of a particular Regular or

Priority Membership in the Ranch Association, as set forth below, which is appurtenant to ownership of such Unit or other real property.

2.28 Person: A natural person, a corporation, a partnership, a trustee, or any other legal entity.

2.29 Private Amenities: Certain real property and any facilities, structures and improvements located thereon which are privately owned and operated by Persons other than the Ranch Association for recreational and related purposes, on a use fee basis or otherwise, and shall include, without limitation, the Golf Course. Private Amenities are further described at Section 5.3. NO PERSON SHALL POSSESS ANY RIGHT TO ENTER ONTO OR USE PRIVATE AMENITIES BY VIRTUE OF OWNERSHIP OR OCCUPANCY OF A UNIT OR MEMBERSHIP IN THE RANCH ASSOCIATION.

2.30 Private Open Space: Open Space which is declared to be Private Open Space either in a Final Plat or in a Supplemental Declaration. Private Open Space shall be the private property of its Owner, and shall be maintained by its Owner. Access to and use of Private Open Space is strictly subject to the rules and procedures of the Owner of the Private Open Space, and no Person gains any right to enter onto such Private Open Space by virtue of membership in the Ranch Association or ownership or occupancy of a Unit.

2.31 Property: Any and all real property which is now or may hereafter be included within Jug Mountain Ranch, including public or private streets, roads and any public or private easements or rights-of-ways and including any and all improvements on any of the foregoing.

2.32 Property Furnished by Declarant: Any real property, any improvement or portion of any improvement on real property and any personal property or equipment with respect to which Declarant grants, assigns or conveys to the Ranch Association title, interests in, or rights of use, or with respect to which Declarant permits use by the Ranch Association or some or all Owners, Lessees, Guests or Subowners and any replacement of or substitute for any of the foregoing. Property Furnished by Declarant may include, but is not limited to, the access roads or roads serving Jug Mountain Ranch; open space or unimproved areas within Jug Mountain Ranch, walks, drives, malls, commons, bike paths, stairs, landscaping, trees, shrubs, ponds, seating benches, aesthetic structures, lighting, walk coverings and other open space improvements; parking areas or structures or facilities; tennis courts, game courts, other recreational facilities, conference facilities, cars and trucks or snow removal, maintenance or other equipment, and office space and office furnishings, furniture or fixtures. The Ranch Association shall be obligated to, and shall accept the title to, interests in, or rights of use with respect to any Property Furnished by Declarant which may be assigned, granted, or conveyed to the Ranch Association by Declarant, subject to such reservations, restrictions and conditions as Declarant may reasonably request.

2.33 PUD or Jug Mountain Ranch PUD: Concept approval, for PUD 97-1 Jug Mountain Ranch Planned Unit Development, as granted by the Valley County Planning and Zoning Commission and the Valley County Board of Commissioners on September 4, 1998, and as may be amended.

2.34 Residential Unit: Any Unit for which the use is restricted to single family residential or multi-family residential in a Supplemental Declaration. A Residential Unit shall not include rooms or units within a lodge or hotel.

2.35 Ranch Association: Jug Mountain Ranch Association, Inc., an Idaho nonprofit corporation, formed and incorporated to be and constituting the Ranch Association to which reference is made in this Declaration and to further the common interests of all Owners or Lessees or of particular classes of Owners or Lessees of Units within Jug Mountain Ranch.

2.36 Sewer System: The Jug Mountain Ranch central sewer system described at Section 14.1 below.

2.37 Subowner: Any person or persons, entity or entities who occupy or use a Unit or portion thereof pursuant to a license, concession agreement or other arrangement with an Owner or Lessee or who have any right, title or interest in a Unit, including a mortgagee or beneficiary, as the case may be, under a mortgage or deed of trust encumbering a Unit.

2.38 Unit: Each parcel of real property within Jug Mountain Ranch, as reflected on a recorded Final Plat for such parcel, whether improved or unimproved, which may be independently owned and conveyed and which is intended for development, use, or occupancy. The term shall refer to the land, as well as any structures and improvements thereon. Notwithstanding the foregoing, the following shall not be considered a Unit: Common Open Spaces; Exclusive Open Spaces; Private Open Spaces, exclusive of any parcel which would otherwise be associated with a Class A Residential Membership or a Class B Village Membership; the Golf Course; common property of

any Association; property dedicated to the public; or, a parcel of property owned, held or used in its entirety by the Ranch Association, or by any governmental entity, or for or in connection with the distribution of electricity, gas, water, sewer, telephone, television or other utility service or for access to any property within or without Jug Mountain Ranch. In the case of a parcel of vacant land or land on which improvements are under construction, and for which a Final Plat has been recorded with Valley County for a condominium or for multi-family housing, the parcel shall be deemed to contain the number of Units designated for such parcel on the Final Plat.

2.39 Village: That portion of Jug Mountain Ranch which is delineated in a Final Plat for the CUP, or in any Supplemental Declaration, as “the Village”.

2.40 Water System: The Jug Mountain Ranch central water system described at Section 14.2 below.

ARTICLE 3. Jug Mountain Ranch Association

3.1 Organization: The Jug Mountain Ranch Association, Inc. (the “Ranch Association”) shall be initially organized by Declarant as an Idaho, non-profit corporation. The Ranch Association is charged with the duties and vested with the powers prescribed by law and as set forth in the Ranch Association Articles of Incorporation and Bylaws, and this Declaration.

3.2 Membership: The following shall be Members of the Ranch Association: (1) each Owner of a Unit within Jug Mountain Ranch; (2) each Lessee with an interest in a Leased Premises which carries a Class B Village Membership; (3) Jug Mountain Ranch LLC (the Class C-Golf Member and the Class D-Declarant Member); and, (4) up to four Declarant-Assignees. Said Members shall be allocated among five classes of membership, as defined and described in the Bylaws, and which are made up of two classes of regular membership and three classes of priority membership. The two classes of regular membership are as follows: (1) Class A-Residential; and, (2) Class B-Village. The three classes of priority membership are as follows: (1) Class C-Golf; (2) Class D-Declarant; and, (3) Class E-Declarant-Assignee. The details with regard to the members of each Class, together with voting rights and the appointment of directors, are all defined and described in the Bylaws. Diagram 3.1 illustrates the Ranch Association membership classes, as more fully and completely described in Section 3.1 of the Bylaws.

| Jug Mountain Ranch Association | |
|---------------------------------------|--|
| Membership Classes | |
| Class | Summary of Members |
| Class A Residential | Owners of Single Family and Multi-Family Units outside the Village |
| Class B Village | Owners & Lessees of Units within the Village |
| Class C Golf | Owner of the Golf Course |
| Class D Declarant | Declarant |
| Class E Declarant-Assignee | To be Assigned by Declarant |

Diagram 3.1

3.3 Compliance with Association Documents: All members shall comply with the terms and conditions of all Association Documents, as well as all Rules and Regulations which may be enacted by the Board pursuant to the Association Documents.

ARTICLE 4. Assessments And Other Amounts

4.1 Obligation for Assessments and Other Amounts: Declarant for each Unit it owns hereby covenants; each Owner, by acceptance of a deed for his Unit, whether or not it shall be so expressed in any such deed or other conveyance; and, each Village Lessee, by acceptance of a Lease to a Village Unit, shall be conclusively deemed to have covenanted and agreed to pay to the Ranch Association the Common, Civic and Special Assessments and charges, fines, penalties or other amounts, to be levied, fixed, established and collected as set forth in this Declaration and the Articles, Bylaws and rules and regulations of the Ranch Association as from time to time are in force and effect. The Declarant’s obligations hereunder may be satisfied in the form of cash or by “in kind” contributions of services or materials, or by a combination of these.

4.2 Purpose of Assessments and Other Amounts: The assessments levied and any charge, fine, penalty or other amount collected by the Ranch Association shall be used exclusively to pay expenses that the Ranch Association may incur in performing any actions or functions permitted or required under this Declaration, or its

Articles or Bylaws as from time to time are in force and effect, including the funding of Reserve and Contingency Accounts.

4.3 Time for Payments: The amount of any assessment, charge for interest or otherwise, fine, penalty or other amount payable by any Owner or with respect to such Owner's Lessees, Subowners, Guests or Unit shall become due and payable as specified in the Articles or Bylaws. In addition, the Bylaws may authorize the Ranch Association, during the period of any delinquency, to suspend an Owner or Lessee's voting privileges or any other privileges stemming from membership in the Ranch Association.

4.4 Lien for Assessments and Other Amounts: In addition to any other remedies specified herein or in the Bylaws, or allowed by law, the Ranch Association shall have a lien against each Unit to secure payment of any assessment, charge, fine, penalty or other amount due and owing to the Ranch Association, as provided in the Bylaws.

4.5 Liability of Owners, Purchasers and Encumbrances: The amount of any assessment, charge, fine or penalty payable by any Owner or Lessee, or with respect to such Owners, Lessees, Subowners, Guests or Unit shall also be a joint and several personal obligation to the Ranch Association of such Owner and/or Lessee and such Owner's and/or Lessee's, heirs, personal representatives, successors and assigns. A party acquiring fee simple title to a Unit, or a leasehold interest in a Village Unit Lease, shall be jointly and severally liable with the former Owner or Lessee of the Unit for all such amounts which had accrued and were payable at the time of the acquisition of fee simple title to the Unit by such party, without prejudice to such party's right to recover any of said amounts from the former Owner or Lessee. Each such amount, together with interest thereon at the Default Rate and reasonable attorney's fees and costs, may be recovered by suit for a money judgment by the Ranch Association without foreclosing or waiving any lien securing the same. Notwithstanding the foregoing, the holder of a mortgage, deed of trust or other lien on a Unit shall not be liable for any such assessment, charge, fine or penalty and the lien for any such assessments, charges, fines or penalties shall be junior to any first lien on a Unit taken in good faith and for value and perfected by recording in the office of the Recorder of Valley County, Idaho, prior to the time a notice of failure to pay any such amount is recorded in said office, describing the Unit and naming the Owner of the Unit.

ARTICLE 5. Property Rights

5.1 Common Open Space: Every Owner shall have a right and nonexclusive easement of use, access, and enjoyment in and to the Common Open Space, subject to:

- (a) The Association Documents and any other applicable covenants;
- (b) Any restrictions or limitations contained in any deed conveying such property to the Ranch Association;
- (c) The right of the Board to adopt rules regulating the use and enjoyment of the Common Open Space, including rules restricting use of any recreational facilities which may be located within the Common Open Space to occupants of Units and their guests and rules limiting the number of guests who may use the Common Open Space;
- (d) The right of the Board to suspend the right of an Owner to use any Common Open Space or any recreational facilities located within the Common Open Space (i) for any period during which any charge against such Owner's Unit remains delinquent; and, (ii) for a period not to exceed thirty (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, or rules of the Ranch Association, after notice and a hearing as provided in the Bylaws;
- (e) The right of the Ranch Association, acting through the Board, to dedicate or transfer all or any part of the Common Open Space pursuant to the terms of this Declaration;
- (f) The right of the Board, or the operator of a Private Amenity, to impose membership requirements and/or charge membership, admission or other fees for the use of any recreational facility which may be situated upon the Common Open Space and to allow the use thereof by non owners;
- (g) The right of the Board to permit use of any Common Open Space, or any recreational facilities which may be situated on the Common Open Space, by persons other than Owners, their families, lessees and guests with or without payment of use fees;

(h) The right of the Ranch 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;

(i) The right of Declarant to place utilities within any Open Space, and the right to grant easements for the maintenance and repair of such utilities; and,

(j) The right of the Declarant to convert Open Space to single family residential use, provided: any such conversion will be subject to necessary approvals from Valley County, and any other required regulatory entities, will maintain the overall density limits established in the CUP, and will maintain the material balance between open space and developed property within the CUP.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, subject to reasonable Board regulation. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit, unless provided to the contrary in the Lease.

5.2 Exclusive Open Space: Certain portions of the Open Space may be designated as Exclusive Open Space and reserved for the exclusive use or primary benefit of Owners, occupants and invitees of Units within a particular Neighborhood or Neighborhoods, or other group of Benefited Units. All costs associated with maintenance, repair, replacement, and insurance of Exclusive Open Spaces shall be assessed as a Local Maintenance Assessment pursuant to the Bylaws.

Declarant may construct any improvement, utilities, or fixtures within an Exclusive Open Space that Declarant, in Declarant's discretion, determines will benefit the Owners of Units assigned the exclusive use of such Exclusive Open Space; and, may grant easements for the maintenance and repair of the same. Additionally, the Owners of Units assigned the exclusive use of such Exclusive Open Space may propose to the DRC any improvement to such Exclusive Open Space that they feel will benefit such Owners, pursuant to Section 9.3(b) of the Bylaws.

Initially, the Declarant shall designate any Exclusive Open Space as such and shall assign the exclusive use thereof in a Supplemental Declaration; provided, any such assignment shall not preclude the Declarant from later assigning use of the same Exclusive Open Space to additional Units and/or Neighborhoods, so long as the Declarant has a right to subject additional property to this Declaration pursuant to Section 10.1. Thereafter, a portion of the Open Space may be assigned as Exclusive Open Space of a particular Neighborhood and Exclusive Open Space may be reassigned by the Ranch Association with the vote of two-thirds (2/3) of the Members within the Neighborhood(s) or Benefited Units to and/or from which the Exclusive Open Spaces are to be assigned. Prior to the Conversion Date, any such assignment or reassignment shall also require the Declarant's consent.

The Ranch Association may, upon approval of a majority of the members of the Neighborhood to which certain Exclusive Open Spaces are assigned, permit Owners of Units in other Neighborhood(s) to use all or a portion of such Exclusive Open Spaces on such terms as are deemed reasonable by the Board.

5.3 Private Amenities: ACCESS TO AND USE OF THE PRIVATE AMENITIES IS STRICTLY SUBJECT TO THE RULES AND PROCEDURES OF THE RESPECTIVE OWNERS OR OPERATORS OF THE PRIVATE AMENITIES, AND NO PERSON GAINS ANY RIGHT TO ENTER OR TO USE THOSE AMENITIES BY VIRTUE OF MEMBERSHIP IN THE RANCH ASSOCIATION OR OWNERSHIP OR OCCUPANCY OF A UNIT. PRIVATE AMENITIES WITHIN JUG MOUNTAIN RANCH SHALL INCLUDE, BUT NOT BE LIMITED TO, THE GOLF COURSE.

Any private amenity may be managed or operated by a club, on such terms and conditions as are mutually agreeable to the owner of the amenity and such club. In the event that the Golf Course becomes a private club, all Owners shall be given the right to become a member of such club, at the price and terms determined by such club.

All Persons, including all Owners, are hereby advised that, no representations or warranties, either written or oral, have been or are made by the Declarant or any other Person with regard to the nature or size of improvements to, or the continuing ownership or operation of the Private Amenities, including but not limited to golf amenities, except as may be provided in the Property Report for the Jug Mountain Ranch or in a Purchase And Sale Agreement for the purchase of a Unit. No purported representation or warranty, written or oral, in conflict with this Section shall be effective without an amendment to this Declaration, or a Supplemental Declaration, executed or joined into by the Declarant and/or the owner(s) of the Private Amenity(ies) which are the subject thereof.

The ownership or operational duties as to the Private Amenities may change at any time and from time to time by virtue of, but without limitation, (a) the sale to or assumption of operations by an independent entity, (b)

creation of a non-equity club membership, whereby ownership of the Private Amenity is not vested in the club members, (c) creation of an "equity" club membership structure or similar arrangement whereby the members of a Private Amenity or an entity owned or controlled thereby become the owner(s) and/or operator(s) of the Private Amenity, or (d) the conveyance of a Private Amenity to one or more affiliates, shareholders, employees, or independent contractors of the Declarant. Any such change shall be subject to the restriction in this section above requiring that all Owners shall be given the right to become a member of any club resulting from any privatization of the Golf Course. No consent of the Ranch Association, any Neighborhood, or any Owner shall be required to effectuate such a transfer or conversion.

The Owner of the Private Amenity and its employees, agents, contractors and designees, and the persons permitted by the Owner of the Private Amenity to use the Private Amenity (regardless of whether such persons are Owners hereunder) and their guests shall at all times have a right and non-exclusive easement of access and use over all roadways located within Jug Mountain Ranch reasonably necessary to travel to and from the entrances to Jug Mountain Ranch from and to the Private Amenity, and, further, over those portions of Jug Mountain Ranch (whether Open Space or otherwise) reasonably necessary to the use, operation, maintenance, repair and replacement of the Private Amenity.

Rights to use the Private Amenities will be granted only to such persons, and on such terms and conditions, as may be determined by their respective owners. Such owners shall have the right, from time to time in their sole and absolute discretion and without notice, to amend or waive the terms and conditions of use of their respective Private Amenities and to terminate use rights altogether.

5.4 Unplatted Land in the PUD: Owners shall have no entitlement to use of any land that is included in the PUD, but which is not yet final platted (hereafter "Unplatted Land"). Access to and use of the Unplatted Land is completely at the discretion of Declarant, and subject to any rules and regulations Declarant may place on such use. No person gains any right to enter or use the Unplatted Land by virtue of membership in the Ranch Association or ownership or occupancy of a Unit. In the event that Declarant does permit such use, such use shall be completely at the risk of the user; and, the user shall be conclusively deemed to have waived as to the Jug Mountain Ranch LLC, together with its members, and to have agreed to hold such entity and persons harmless regarding any injuries, damages or liability of any kind whatsoever which might result from the use of such Unplatted Land. The following additional provisions shall apply to the Unplatted Lands:

(a) **Declarant Exempt from Warning.** Declarant owes no duty of care to keep the Unplatted Lands safe for entry by others for recreational purposes, or to give any warning of a dangerous condition, use, structure, or activity on such premises to persons entering for such purposes. Neither the installation of a sign or other form of warning of a dangerous condition, use, structure, or activity, nor any modification made for the purpose of improving the safety of others, nor the failure to maintain or keep in place any sign, other form of warning, or modification made to improve safety, shall create liability on the part of Declarant where there is no other basis for such liability.

(b) **Declarant Assumes No Liability.** Declarant does not, with regard to individuals who are either directly or indirectly invited or permitted to use the Unplatted Land for no charge for recreational purposes, thereby:

- (i) Extend any assurance that the Unplatted Lands are safe for any purpose; or,
- (ii) Assume responsibility for or incur liability for any injury to person or property.

(c) **Declarant Not Required to Keep Unplatted Lands Safe.** Nothing in this section shall be construed to:

- (i) Create a duty of care or ground of liability for injury to persons or property; or,
- (ii) Relieve any person using the Unplatted Land for recreational purposes from any obligation which they may have in the absence of this section to exercise care in their use of such land and in their activities thereon, or from legal consequences or failure to employ such care.

(d) **User Liable for Damages.** Any person using the Unplatted Land for recreational purposes, with or without permission, shall be liable for any damage to property, livestock or crops which they may cause while on said property.

ARTICLE 6. Certain Obligations And Rights Of Jug Mountain Ranch Association

6.1 Property Maintenance Function:

(a) Association Facilities. The Ranch Association shall provide for the care, operation, management, maintenance, repair and replacement of all Association Facilities, including but not limited to Common Open Spaces, Exclusive Open Spaces, streets and roads. Said obligation shall include, without limitation, removal of snow from and application of sand and salt to parking areas, roads, walks, drives, malls, stairs and other similar facilities as necessary for their customary use and enjoyment; maintenance and care of all open space or unimproved areas included in the Association Facilities and of plants, trees and shrubs in such open space or unimproved areas, maintenance of lighting provided for parking areas, roads, walks, drives, malls, stairs, and other similar facilities. Said obligations may also include maintenance of roads, walks, drives and loading areas which are not Association Facilities as may be necessary or desirable for access to the boundary of or full utilization of any Unit or any improvements within Jug Mountain Ranch.

(b) Association Facilities Owned in Conjunction With Declarant. Unless otherwise agreed in writing, the Ranch Association shall be obligated to and shall provide for the care, operation, management, maintenance and repair of any Association Facilities consisting of only a portion of, or defined space within, a building or other improvement owned by Declarant and shall be obligated to and shall bear and pay to Declarant a proportionate share of Declarant's costs and expenses relating to such building or improvement as a whole, including without limitation, maintenance, taxes and assessments, insurance and depreciation. The proportionate share of the Ranch Association's costs and expenses relating to such building or improvement as a whole shall be determined by Declarant based on the actual amounts of such costs and expenses relating to such building or improvement as a whole multiplied by the ratio with a numerator which is the number of square feet of floor area of such defined space within the building or improvement and a denominator which is the number of square feet of floor area of the entire building or improvement.

(c) Association Facilities Used by Declarant. If, with respect to any Association Facilities, Declarant reserves the right to use all or part of such Association Facilities for part of the time or the right to permit third parties to use all or part of such Association Facilities for part of the time and Declarant actually exercises such reserved right, Declarant shall pay to the Ranch Association the fair rental value of the use of such Association Facilities by Declarant or such third party, as determined by Declarant, based on the particular type of use, the portion of such Association Facilities used and the time or periods of such use, or based on the actual rental payments, income or fees received by Declarant from any third party for such use, whichever is greater; provided, however, the payment by Declarant shall not exceed the costs and expenses of the Ranch Association with respect to such Association Facilities including, without limitation, maintenance, taxes and assessments, insurance and depreciation. Declarant shall have the obligation, or shall impose on any such third party the obligation to restore any such Association Facilities to a clean and orderly condition after each use.

(d) Exterior Maintenance of Certain Neighborhood Improvements. The Declarant may, in a Supplemental Declaration, provide that the exterior of certain privately owned improvements be maintained by the Ranch Association. For example exterior building maintenance for certain Condominium products. The expense for such maintenance shall be assessed pursuant to the Bylaws as a Local Maintenance Assessment.

6.2 Operation Function: The Ranch Association may do all things that are not prohibited by applicable laws or ordinances which may be reasonably necessary or desirable to keep and maintain Jug Mountain Ranch as a safe, attractive and desirable community.

6.3 Public Health and Safety Function: The Ranch Association may provide public health and safety services within Jug Mountain Ranch, including but not limited to, providing health care services and facilities, security services and systems, fire protection facilities, and a fire water system which may include periodic fire prevention inspections and equipment certifications.

6.4 Parking Function: The Ranch Association may construct, purchase, lease, care for, operate, manage, maintain, repair or replace parking areas to accommodate Owners, Lessees, Guests and Subowners, including, but not limited to, signs, landscaping and other similar Facilities appurtenant to said parking areas and the removal of snow from and the cleaning of any of said parking areas. To the extent practicable, the Ranch

Association shall maintain such parking areas so as to meet any requirements imposed on the Ranch Association or on Declarant with respect to Jug Mountain Ranch by the any federal, state or local governmental agency.

6.5 Vehicular Access Limitation Function: The Ranch Association shall provide control over vehicular access to Jug Mountain Ranch in accordance with all requirements with respect to Jug Mountain Ranch imposed on the Ranch Association or on Declarant or otherwise by any other governmental entity or which it deems necessary of desirable for the health, safety or welfare of persons within Jug Mountain Ranch. Said obligation may include, without limitation, constructing, operating and maintaining access road control gates, restricting non-commercial vehicular traffic within Jug Mountain Ranch except for Owners, Lessees or Guests who have overnight accommodations at Jug Mountain Ranch and who obtain parking spaces within Jug Mountain Ranch, and restricting commercial vehicular traffic within Jug Mountain Ranch. All Owners and Lessees may be required to keep the Ranch Association completely informed of all persons who have overnight accommodations at such Owner's or Lessee's property in order to enforce its rules and regulations appropriately.

6.6 Recreation Function: The Ranch Association may provide a year-round recreational program of suitable variety and such miscellaneous equipment as may be necessary therefore, including, but not limited to, informing visitors of recreation available and stimulating their participation therein; conducting, operating, managing and maintaining programs for children, including but not limited to, daycare facilities and such miscellaneous equipment as may be appropriate for use in connection therewith; conducting, caring for, operating, managing, maintaining, repairing and replacing within Jug Mountain Ranch swimming pools, ice rinks, sauna or steam baths, golf courses, horseback riding stables, tennis courts, game courts, game areas and other recreational amenities, and such miscellaneous equipment as may be appropriate for use in connection therewith; and removing snow from and cleaning such facilities as necessary to permit their full use and enjoyment.

6.7 Utility Function: The Ranch Association shall operate, maintain, repair and replace the Water System and Sewer System, as described at Article 14, and pursuant to Rules and Regulations, or shall contract with Declarant for the same. Declarant reserves the right to contract with an independent provider to obtain this service.

6.8 Trash Collection and Disposal Function: The Ranch Association may provide for the collection, removal and disposal of all trash, garbage and other solid waste in Jug Mountain Ranch, through any program offered therefore by or through Valley County, including but not limited to, the construction, operation and maintenance of a central waste disposal facility, and the possible production and sale of any energy generated in connection therewith. The Ranch Association shall have the power to adopt, amend and enforce rules and regulations applicable within Jug Mountain Ranch to provide for the orderly collection and disposal of such trash, garbage and other solid waste.

6.9 Recycling Function: The Ranch Association may establish a recycling program and recycling center within the Jug Mountain Ranch, through or in addition to any program offered therefore by or through Valley County. In such event, all occupants of Units shall support such program by recycling, to the extent reasonably practical, all materials which the Ranch Association's recycling program or center is set up to accommodate.

6.10 Animal Control Function: The Ranch Association may provide for regulations, facilities, manpower and funds to enforce animal and reptile control and for the orderly dispensing of stray animals and reptiles; or, to exclude animals and reptiles from Jug Mountain Ranch, in which case it may provide reasonable kennel facilities for the keeping and care of Owners' Lessees' and Guests' animals.

6.11 Environmental Monitoring Function: The Ranch Association may monitor air and water quality in Jug Mountain Ranch to determine trends, to detect violations of state pollution laws and may control and enforce fireplace construction and utilization pursuant to regulations promulgated by the Ranch Association from time to time.

6.12 Exterior Maintenance for Compliance Function:

(a) If any Owner fails to maintain his Unit or improvements on such Unit or fails to perform any acts of maintenance or repair required under this Declaration or the Design and Development Guidelines, the Ranch Association may provide exterior maintenance and repair upon such Unit and improvements thereon, in response to a request from the DRC, pursuant to the provisions of Section 8.7, or, on its own volition, after 30 days prior written notice to the Owners and, if applicable, the Lessees of the Unit. In addition, the Ranch Association may, without notice, make such emergency repairs and maintenance as may in its judgment be necessary for the safety of any person or to prevent damage to any other property. The cost of such exterior maintenance and repair shall be assessed against the Owner of such Unit as a

Compliance Assessment; shall be a lien and obligation of the Owner pursuant to Section 4.4 herein; shall be a joint and several liability of the Owners of the Unit; and, shall become due and payable in all respects as set forth in Section 4.3 herein. For the purpose of performing the exterior maintenance authorized by this Section 6.12, the Ranch Association, through its duly authorized agents or employees, shall have the right, after reasonable notice to any Owner, to enter upon such Unit during reasonable hours on any day except Saturday or Sunday. The Ranch Association or its designee is hereby granted an irrevocable license over all property in Jug Mountain Ranch to inspect (in a reasonable manner) property within Jug Mountain Ranch in order to determine whether any maintenance or repair is necessary under this Section 6.12.

(b) Neither Declarant, the Ranch Association, nor any of their respective directors, officers, agents or employees shall be liable for any incidental or consequential damages for failure to inspect any Unit or improvements or portion thereof or to repair or maintain the same. Declarant, the Ranch Association or any other person, firm or corporation undertaking such repairs or maintenance shall not be liable for any personal injury or other incidental or consequential damages occasioned by any act or omission in the repair or maintenance of any Unit, improvements or portion thereof.

6.13 Other Functions: The Ranch Association may undertake and perform other Functions as it deems reasonable or necessary to carry out the provisions of this Declaration, including without limitation, providing the following services for some or all Owners or Lessees; a cooperative purchasing service, a telephone answering service, warehousing and delivery, a central laundry, property management services, employee training, a central communications operation which may include a central dispatch system, a data information center and central monitoring of fire safety and property security.

6.14 Insurance: The Ranch Association shall obtain in its name and keep in full force and effect at all times at least the following insurance coverage: (a) casualty insurance with respect to all insurable Association Facilities, insuring such Association Facilities for the full replacement value thereof, and including coverage for fire and extended coverage, vandalism and malicious mischief; and (b) broad form comprehensive liability coverage, covering both public liability and automobile liability, with limits in amounts reasonably necessary to insure against foreseeable liability. All insurance may contain such deductible provisions as good business practice may dictate. All insurance shall name Declarant as an additional insured and shall, to the extent reasonably possible, cover each Owner and Lessee without each Owner and Lessee being specifically named. The Ranch Association shall provide to Declarant, upon request, certificates evidencing such insurance and copies of the insurance policies.

6.15 Indemnification: The Ranch Association shall be obligated to and shall indemnify Declarant and hold it harmless from all liability, loss, cost, damage and expense, including attorneys' fees, arising with respect to any operations of the Ranch Association or any Association Facilities or Functions.

6.16 Right to Make Rules and Regulations: The Ranch Association shall be authorized to and shall have the power to adopt, amend and enforce rules and regulations applicable within Jug Mountain Ranch with respect to any Facility or Function, and to implement the provisions of this Declaration, the Articles or Bylaws, including but not limited to, rules and regulations to prevent or reduce fire hazard; to prevent disorder and disturbances of the peace; to regulate pedestrian and vehicular traffic; to regulate animals; to regulate the budgeting and assessment procedures according to the Association Documents; to regulate signs; to regulate use of any and all Association Facilities to assure fullest enjoyment of use by the persons entitled to enjoy and use the same; to promote the general health, safety and welfare of persons within Jug Mountain Ranch; and to protect and preserve property and property rights. All rules and regulations adopted by the Ranch Association shall be uniformly applied, except such rules may differentiate between reasonable categories of Units, Owners, Lessees, Subowners or Guests. The Ranch Association may provide for enforcement of any such rules and regulations through reasonable and uniformly applied fines and penalties, through exclusion of violators from Association Facilities or from enjoyment of any Functions, or otherwise. Each Owner, Lessee, Subowner and Guest shall be obligated to and shall comply with and abide by such rules and regulations and pay such fines or penalties upon failure to comply with or abide by such rules and regulations and such unpaid fines and penalties shall be enforceable in accordance with Section 4.4.

In the promulgation of such Rules and Regulations, the Ranch Association shall have broad discretion and shall endeavor to maintain a community standard consistent with the intents and purposes of the Association Documents, without being limited to the literal language thereof. In the event of any challenge to any such Rule or Regulation, the Rule or Regulation shall be upheld unless it is found by clear and convincing evidence to be: (i) in express violation of the Association Documents or the Jug Mountain Ranch CUP; (ii) in express violation of an applicable federal, state, county or district statute, ordinance or regulation; or, (iii) arbitrary, capricious, unreasonable and oppressive.

6.17 Right to Establish 'No-Burn' Policies: Assuming the availability of locally reliable air quality monitoring data, the Ranch Association, through its Board, may establish enforceable "no-burn" Rules for Jug Mountain Ranch. Such Rules shall be adopted by the Board and shall also require the written approval of the Class D Declarant Member. The Declarant shall have the right to unilaterally promulgate such Rules at any time prior to the Conversion Date.

6.18 Charges for Use of Association Facilities: The Ranch Association may establish charges for use of Association Facilities to assist in offsetting the costs and expenses of the Ranch Association, including depreciation and capital expenses. All charges established under this Section 6.18 shall be reasonable and shall be uniformly applied, except such charges may differentiate between reasonable categories of Units, Owners, Lessees, Subowners or Guests. Each Owner, Lessee, Subowner and Guest shall be obligated to and shall pay any such charges for use.

6.19 Charges for Functions: The Ranch Association may establish charges for providing any service as required or permitted by any Function on a regular or irregular basis to an Owner, Lessee, Subowner or Guest to assist the Ranch Association in offsetting the costs and expenses of the Ranch Association, including depreciation and capital expenses. All charges established under this Section 6.19 shall be reasonable and shall be uniformly applied, except such charges may differentiate between reasonable categories of Units, Owners, Lessees, Subowners or Guests. Each Owner, Lessee, Subowner and Guest shall be obligated to and shall pay any such charges for such services.

6.20 Taxes: The Ranch Association shall pay all ad valorem real estate taxes, special improvement and other assessments (ordinary and extraordinary), ad valorem personal property taxes, and all other taxes, duties, charges, fees and payments required to be made to any governmental or public authority which shall be imposed, assessed or levied upon, or arise in connection with any Association Facilities or Functions.

6.21 Right to Dispose of Association Facilities: Subject to the provisions of this Declaration requiring the consent of Declarant with respect to Property Furnished by Declarant, the Ranch Association shall have full power and authority to sell, lease, grant rights in, transfer, encumber, abandon or dispose of any Association Facilities.

6.24 Governmental Successor: Any Facility and any Function may be turned over to a governmental entity which is willing to accept and assume the same upon such terms and conditions as the Ranch Association shall deem to be appropriate.

6.25 Implied Rights of the Ranch Association: The Ranch Association shall have and may exercise any right or privilege given to it expressly in this Declaration or, except to the extent limited by the terms and provisions of this Declaration, given to it by law and shall have and may exercise every other right of privilege or power and authority necessary or desirable to fulfill its obligations under this Declaration, including the right to engage labor and acquire use of or purchase property, equipment or facilities; employ personnel; obtain and pay for legal, accounting and other professional services; maintain accounts and reserve accounts; enter into contracts and subcontracts; and, to perform any Function by, through or under contractual arrangements, licenses, or other arrangements with any governmental or private entity as may be necessary or desirable.

ARTICLE 7. Restrictions Applicable To Jug Mountain Ranch

7.1 Land Use Restrictions: In addition to the restrictions found in this Article 7, all of any portion of the Property to be sold or leased by Declarant may be further restricted in its use, density or design according to one or more Supplemental Declarations for Jug Mountain Ranch recorded with the Valley County Recorder, prior to the time Declarant transfers or conveys any such Property to the Ranch Association or to any third party, and by the promulgation of Rules by the Ranch Association.

7.2 Occupancy Limitations: No portion of any Property shall be used as a residence or for living or sleeping purposes other than a room designed for living or sleeping in a completed structure for which a certificate of Occupancy has been issued. No room in any structure shall be used for living or sleeping purposes by more persons than it was designed to accommodate comfortably. Except as expressly permitted in writing by the DRC, no trailers or temporary structures shall be permitted on any Property.

7.3 Maintenance of Property: All Property, including all improvements on any Property, shall be kept and maintained by the Owner thereof in a clean, safe, attractive and slightly condition and in good repair.

7.4 Trash Collection: The Board shall promulgate Rules and Regulations requiring the Owner or Lessee of each Unit to either contract directly with a trash collection company for the year-round removal of trash for the Unit, or to participate in a trash collection system developed by the Association, as provided at Section 6.8. Trash removal requirements during the period of construction of any improvements shall be governed by the Design and Development Guidelines. The Association shall participate in such collection program as may be offered by Valley County.

7.5 No Noxious or Offensive Activity: No noxious or offensive activity shall be carried on upon any Property nor shall anything be done or placed on any Property which is or may become a nuisance or cause any significant embarrassment, disturbance or annoyance to others.

7.6 No Hazardous Activities: No activities shall be conducted on any Property and no improvements constructed on any Property which are or might be unsafe or hazardous to any person or Property. Without limiting the generality of the foregoing, no firearms, bows and arrows, or paintball guns shall be discharged upon any Property, and no open fires shall be lighted or permitted on any Property except as follows: (a) in a contained barbecue unit while attended and in use for cooking purposes or within a safe and well-designed fireplace; (b) campfires at picnic fires on Property designated for such use by Declarant or by the Ranch Association; (c) controlled and attended fires authorized in writing by Declarant or the Ranch Association and required for clearing or maintenance of land; and, (d) such other exceptions or restrictions as may be implemented pursuant to the Design and Development Guidelines or other rules or regulations. Notwithstanding the foregoing, any restriction on burning put in place from time to time by any governmental agency shall be strictly adhered to; and, the Board may create such additional Rules and Regulations with regard to burning or other hazardous activities as it deems appropriate.

7.7 No Unsightliness: No unsightliness shall be permitted on any Property. Without limiting the generality of the foregoing: (a) All unsightly structures, facilities, equipment, objects and conditions shall be enclosed within an approved structure; (b) trailers, mobile homes, trucks (including pickups), boats, tractors, all vehicles (including automobiles), campers not on a truck, snow removal equipment and garden or maintenance equipment shall be kept in an enclosed structure at all times, except when in actual use; provided that such equipment may be parked on parking lots or other areas specifically designated by the DRC for such equipment, and automobiles may be parked in a driveway for not longer than a 72 hour period, and limited on-street parking may be allowed by the Board pursuant Rules and Regulations; (c) Refuse, garbage and trash shall be kept in a covered container at all times and any such container shall be kept within an enclosed structure; (d) Service areas and facilities for hanging, drying or airing clothing or fabrics shall be kept within an enclosed structure; (e) Pipes for water, gas, sewer, drainage or other purposes; wires, poles, antennas and other facilities for the transmission or reception of audio or visual signals or electricity; utility meters or other utility facilities; gas, oil, water or other tanks; and, sewage disposal systems or devices shall be kept and maintained within an enclosed structure or below the surface of the ground; and (f) No lumber, grass, shrub or tree clippings or plant waste, compost, metals, bulk materials or scrap or refuse or trash or unused items of any kind shall be kept, stored or allowed to accumulate on any Property. All enclosed structures shall comply with the rules and regulations of the DRC as in effect from time to time. The DRC shall have the power to grant a variance from the provisions of this Section 7.7 from time to time as it deems necessary or desirable.

7.8 Restriction on Recreational Vehicles: No ATV, motorcycle or other motorized recreational vehicle shall be operated within Jug Mountain Ranch except for ingress and egress, or as may be otherwise specifically permitted by Rules and Regulations of the Ranch Association. Snowmobiles are not permitted to be operated within Jug Mountain Ranch, for purposes of ingress and egress or otherwise. Golf carts may be operated and driven from a residence to the Golf Club House, subject to any Rules and Regulations adopted by the Board in this regard.

7.9 Fire Protection: The following shall be applied within the CUP with regard to fire protection and shall be enforced by the DRC: such portions of the International Urban-Wildlands Interface Fire Code as the Ranch Association determines are applicable to Jug Mountain Ranch; or, such other alternate methods or materials as may be listed by the DRC in the Design and Development Guidelines, or as may be proposed by an Owner and approved

by the DRC, to provide protection comparable to the International Urban-Wildlands Interface Fire Code. The Board shall have the authority to create a separate Fire Wise Committee to act as a subcommittee of the DRC, for the purpose of adopting and enforcing such fire protection measures.

7.10 No Wells: No water wells, other than those maintained by Declarant or Declarant's assigns, shall be permitted on any Property without the prior written approval of the Ranch Association. All Owners shall be obligated to obtain water for all purposes from the Jug Mountain Ranch central water system, unless approved otherwise in writing by the Ranch Association.

7.11 No Drainfields or Septic Tanks: No individual drainfields or septic tanks will be permitted on any Property, except as may be used by Declarant on a temporary basis pursuant to a permit from Central District Health. All Owners shall be obligated to exclusively utilize the Jug Mountain Ranch central sewer system, unless approved otherwise in writing by the Ranch Association.

7.12 Gates: The Ranch Association shall have no obligation to provide any gate within Jug Mountain Ranch, but may, in its discretion, approve the construction of gates as provided herein. Neighborhoods, groups of Neighborhoods and/or groups of Benefited Unit owners may request the installation of a gate at a location which benefits such group, pursuant to the requirements for Local Improvements in the Bylaws at Section 9.3(b). There shall be no gates for a single Unit, except as otherwise provided in the Design and Development Guidelines. The owner(s) of any Private Amenity may also request the installation of a gate, and gates may be used in conjunction with utilities, which gates may be locked in the discretion of the Board. The design and location of any gate shall be subject to the provisions of the Design and Development Guidelines, and any additional rules and regulations established in that regard. The Ranch Association shall require compliance with all emergency service providers' requirements related to gates, including but not limited to requirements related to locks and emergency access. A key or code shall be provided to the Board and to Owners of all Units and Private Amenities which must pass through any approved gate to reach such Unit or Private Amenity.

7.13 Condominium Ownership: Prior to the recording in the real property records of Valley County, Idaho of an instrument submitting any portion of the Property to condominium ownership, the Owner of such property shall submit to the Design Review Committee for its review and approval, copies of the proposed condominium declaration, articles of incorporation and bylaws of the condominium owners association. On or before 20 days after the submittal of such documents to the Design Review Committee, the Design Review Committee shall approve or disapprove the documents by written notice to such owner of such approval or disapproval. If such documents are disapproved by the Design Review Committee, the Design Review Committee shall set forth the specific reasons for such disapproval. If notice of approval or disapproval is not given by the Design Review Committee on or before such 20-day period, such documents shall be deemed to be approved. The approval or disapproval of the Design Review Committee under this Section shall be based on the purposes and provisions of the Association Documents and/or the Jug Mountain Ranch CUP.

7.14 Timeshares:

(a) Except as otherwise approved in writing by Declarant (or the Board after the Conversion Date), which approval can be withheld for any reason, no Unit or Private Amenity, whether leased or owned, shall be used:

(i) for the operation of a timesharing, fraction-sharing, interval ownership or similar program whereby the right to exclusive use of the Unit or Private Amenity rotates among participants in the program on a fixed or floating time schedule over a period of years; or,

(ii) for the operation of a reservation or time-use system among co-Owners of a Unit or Private Amenity, regardless of whether or not any co-Owner may later opt out of such system and regardless of whether the reservation or time-use system is recorded or unrecorded, fixed or floating, if one or more of the following conditions exist:

A. such system is adopted, imposed or managed by a party other than the co-Owners themselves, or,

B. the ownership interest in such Unit or Private Amenity is publicly marketed for sale subject to such system, or,

C. the co-Owners are or were required as a condition of purchase of the ownership interest in such Unit or Private Amenity to subject the interest to a pre-determined reservation or time-use system among co-Owners; or,

(iii) in the marketing, offering or selling of any club membership interest, limited liability company interest, limited partnership interest, program interest or other interest whereby the interest-holder acquires a right to participate in a reservation or time-use system among the interest-holders, or among the interest-holders and others, involving the Unit or Private Amenity, or involving the Unit or Private Amenity and other alternate or substitute properties, regardless of whether such interest is equity or non-equity, regardless of whether or not any interest-holder may later opt out of such system and regardless of whether the reservation or time-use system is recorded or unrecorded, fixed or floating (such interest referred to herein as an "Interest"), if one or more of the following conditions exist:

A. such system is adopted, imposed or managed by a party other than the Interest-holders themselves, or,

B. the Interest is publicly marketed for sale, or,

C. the Interest-holders are or were required as a condition of purchase of the Interest to be subject to a pre-determined reservation or time-use system among Interest-holders, or among Interest-holders and others;

(all of the foregoing uses, systems or programs are collectively referred to as a "Timeshare Program").

(b) Mere co-ownership of a Unit or Private Amenity, ownership of a Unit or Private Amenity by an entity, or leasing of a Unit or Private Amenity shall not create a Timeshare Program unless it meets any of the conditions described above in this Section 7.14. The definition of Timeshare Program expressly excludes (i) the voluntary inclusion of a Unit or Private Amenity in a rental pool program, whether managed by the Owner or a party other than the Owner; and, (ii) any activities, programs, or offerings of the Ranch Association.

7.15 Animals: No animals, of any kind, except for household pets, (it is specifically noted that horses, cattle, pigs, llamas, sheep, and comparable sized animals, livestock, poultry, reptiles and wild animals are not to be considered household pets) shall be raised, bred, or kept on any portion of the property. Household pets may be kept for personal or non-commercial recreational purposes only if the presence of such pets does not constitute a nuisance. Pets must be kept within the boundaries of the Unit unless accompanied by and under the positive control of the Owner. Consistent and/or chronic barking by dogs, or threatening or aggressive behavior by an animal, shall be considered a nuisance. The Board may create such additional Rules and Regulations with regard to animals as it deems appropriate, including but not limited to the number of animals that may be in a Unit at any one time, and the disallowance of pets in certain portions of Jug Mountain Ranch. No animals are allowed on the Golf Course, unless specifically authorized by the owner of the Golf Course.

7.16 Signage: All signage, including but not limited to "for sale" signs, and signs placed on property during construction, shall be subject to the terms and conditions of the Design and Development Guidelines.

7.17 Rental of Residential Units: Vacation and long term rental of Residential Units is permissible, subject to Rules and Regulations that may be promulgated by the Board, which may restrict and even eliminate such rental in the Board's sole discretion.

7.18 Additional Restrictions: Upon such conditions as are deemed necessary by the DRC to maintain compliance with the intents and purposes of the Association Documents, the Jug Mountain Ranch CUP, additional restrictions on the use of Property within Jug Mountain Ranch shall be provided in Supplemental Declarations, the Design and Development Guidelines and/or Rules and Regulations promulgated by the Board.

7.19 Compliance With Law: No Property shall be used, occupied, altered, charged, improved or repaired except in compliance with all present and future laws, rules, requirements, orders, directions, ordinances and regulations of the United States of America, State of Idaho, County of Valley, and all other municipal,

governmental or lawful authority whatsoever, affecting Jug Mountain Ranch or the improvements thereon or any part thereof.

7.20 General Use Guidelines And Restrictions: The following guidelines and restrictions are applicable to all Property within Jug Mountain Ranch:

- All terms and conditions of the Jug Mountain Ranch CUP;
- All terms and conditions of the Association Documents;
- All Notes contained on any final plat, and all terms and conditions of Supplemental Declarations imposed pursuant to final plat approval (these restrictions apply only to that portion of the CUP to which each final plat applies);
- All terms and conditions imposed by any state or federal agency, including but not limited to the Army Corps of Engineers, the Idaho Department of Water Resources, and the Idaho Department of Environmental Quality.

ARTICLE 8. Design Review

8.1 Purpose: In order to preserve the natural beauty of Jug Mountain Ranch and its setting, to maintain Jug Mountain Ranch as a pleasant and desirable environment, to establish and preserve a harmonious design for the community, and to protect and promote the value of property, exterior design, landscaping and use of all new development and additions, changes or alterations to existing use, landscaping and exterior design and development shall be subject to design review.

8.2 Objectives: Design review shall be directed towards attaining the following objectives for Jug Mountain Ranch:

- (1) Preventing excessive or unsightly grading, indiscriminate earthmoving or clearing of property, removal of trees and vegetation which could cause disruption of natural watercourses or scar natural landforms;
- (2) Ensuring that the location and configuration of structures are visually harmonious with the terrain and vegetation of the Unit and with surrounding Units and structures;
- (3) Ensuring that the architectural design of structures and their materials and colors are visually harmonious with Jug Mountain Ranch's over-all appearance, history and cultural heritage, with surrounding development, with natural landforms and native vegetation, and with development plans, zoning requirements and other restrictions officially approved by Declarant, the Ranch Association or any government or public authority, if any, for the areas in which the structures are proposed to be located;
- (4) Ensuring that plans for the landscaping of open spaces provide visually pleasing settings for structures on such Units and on adjoining and nearby Units and blend harmoniously with the natural landscape;
- (5) Ensuring that any development, structure, building or landscaping complies with the provisions of this Declaration, including but not limited to, those provisions set forth in Article 7, and all applicable provisions of the other Association Documents; and,
- (6) Ensuring that building design and construction techniques respond to energy consumption and environmental quality considerations such as heat loss, air emissions, and run-off water quality.

8.3 Design Review Committee:

(a) The Ranch Association shall establish the Design Review Committee ("DRC") which shall consist of three to five members appointed by the Board. The members need not be Owners or Lessees of Units. The regular term of office for each member shall be one year, coinciding with the fiscal year of the Ranch Association or such other annual time period as the Board may determine. Any such member may be removed with or without cause by the Board at any time by written notice to such appointee. A successor or successors appointed to fill such vacancy shall serve the remainder of the term of the former member.

(b) The DRC shall operate in accordance with its own rules of procedure. Said rules shall be filed with the Ranch Association and maintained in the records of the Ranch Association and shall be available to members of the Ranch Association.

(c) The DRC is hereby authorized to retain the services of one or more consulting architects, landscape architects, urban designers, engineers, building contractors, consultants, inspectors and such other staff or consultants who shall be reasonably necessary to advise and assist the DRC in performing the design review functions prescribed in this Article 8. Such consultants may be retained to advise the DRC on a single project, on a number of projects, or on a continuing basis.

8.4 DRC Approval and Control:

(a) Neither the Ranch Association nor any Owner, Lessee, Subowner or any agent or contractor of the foregoing, but excluding the Declarant, shall perform any of the following without prior approval by the DRC of the plans and specifications for the project and the construction procedures to be used to insure compliance with Article 7: grading, clearing, or other ground disturbance; landscaping; construction of a building, fence, deck, patio, or other structure; erection of a sign; installation of exterior lighting; cutting, grubbing or removal of trees or vegetation; modification, change or alteration of the exterior of any existing structure, including staining or painting if a color materially different from the existing color; paving; the construction or exterior alteration of any improvements to any Unit or other property or building or structure thereon; or the change of the use of any Unit or other property or building or structure thereon. Alterations or remodeling which are completely within a building or structure and which do not change the exterior appearance and are not visible from the outside of the structure may be undertaken without DRC approval, provided such alterations or remodeling do not change the use of, or the number of dwelling units (as such term is defined in the CUP), or amount of commercial space in, the building or structure. All actions taken by the DRC shall be in accordance with Design and Development Guidelines established by the DRC which shall be published as set forth in Section 8.5 and shall be in accordance with the purposes and intents of the Association Documents. Such Design and Development Guidelines may be amended from time to time pursuant to Section 8.6 below. In the case of any challenge to a decision of the DRC, the decision shall be upheld unless the Board finds by clear and convincing evidence the decision to be: (i) in express violation of the Association Documents or the Jug Mountain Ranch CUP; (ii) in express violation of an applicable federal, state, county or district statute, ordinance or regulation; or, (iii) arbitrary, capricious, unreasonable and oppressive. The DRC or its designated representative may inspect any approved project to the extent required to insure that the Construction or work on such project complies with any and all approved plans and construction procedures as well as any conditions of approval proposed by the DRC. The DRC or its designated representatives may enter upon any Property at any reasonable time or times to inspect the progress, work status, or completion of any project. In addition to the remedies described in Section 18.4, the DRC may withdraw approval of any project thereby stopping all activity at such project, as provided in the Design and Development Guidelines.

(b) Any material to be submitted or notice to be given to the DRC shall be submitted at the offices of the DRC in Jug Mountain Ranch, unless the DRC's address is changed by notice to the members of the Ranch Association.

(c) All actions requiring approval of the Ranch Association pursuant to the provisions of Articles 7 or 8 shall be deemed approved if such approval is obtained in writing from the DRC.

8.5 Design And Development Guidelines: The DRC, the Declarant, and/or the Ranch Association (as provided below) shall promulgate and publish rules and regulations that shall state the general design theme of all projects in Jug Mountain Ranch, specific design requirements, and the general construction procedures that will or will not be allowed in Jug Mountain Ranch. The DRC, the Declarant, and/or the Ranch Association (as provided below) shall also promulgate and publish rules and regulations that shall set forth the procedures to be followed and material which must be provided by any member of the Ranch Association or such member's authorized agents in order to obtain review of proposed construction by the DRC. The Design and Development Guidelines may contain general provisions applicable to all of Jug Mountain Ranch, as well as specific provisions which vary from one portion of the Jug Mountain Ranch to another depending upon the location, unique characteristics, and intended use.

8.6 Amendment of Design And Development Guidelines: The Design and Development Guidelines may be amended as follows: the DRC may propose amendments to the Board, or the Board may adopt amendments

of their own volition; and, until such time as the Declarant is no longer a member of any Class of the Jug Mountain Ranch Association, the amendment must be approved in writing by the Declarant.

Any amendments to the Design and Development Guidelines shall apply to construction and modification of structures and improvements commenced after the date of such amendment only and shall not apply to require modifications to or removal of Structures previously approved once the approved construction or modification has commenced; provided, the construction or modification has proceeded in accordance with the plans and specification therefore, as approved.

The DRC shall make the Design and Development Guidelines available to Owners and Builders who seek to engage in development or construction within Jug Mountain Ranch, and all such Persons shall conduct their activities in accordance with such Design and Development Guidelines. THE BURDEN SHALL BE ON THE OWNER AND THE BUILDER TO ENSURE THAT THEY HAVE THE MOST CURRENT DESIGN AND DEVELOPMENT GUIDELINES.

8.7 Exterior Maintenance: Pursuant to the provisions of Section 6.12, the DRC may, by vote of a majority of the members present at any meeting, after 30 days notice to the Owner and, if applicable, the Lessee of the Unit, request that the Ranch Association provide exterior maintenance and repair upon any Unit.

8.8 Review Fee: The DRC may set a review fee schedule sufficient to cover all or part of the cost of DRC time, consultant's fees, and incidental expenses. Applicants for design review may be required to deposit with the DRC a fee which the DRC deems sufficient to cover the costs of design review from which the actual costs shall be deducted when determined and the balance returned to the applicant following completion of the design review procedure.

8.9 Enforcement of Restrictions: The Board shall be responsible for the enforcement of the restrictions set forth in Article 7 of this Declaration, the Design and Development Guidelines and restrictions set forth in any Supplemental Declaration recorded in the records of the County; and, in the event that the DRC is unable through the process and procedures provided in the Design and Development Guidelines to secure compliance, then the DRC shall refer the matter to the Board. This provision shall not limit the right of Declarant or the Ranch Association to act under Section 18.4. Subsequent to the completion of construction or action subject to review under Section 8.4, the Ranch Association shall have primary responsibility to enforce such restrictions.

8.10 Lapse of Design Review Approval: Approval of the design of a project shall lapse and become void eighteen months following the date of final approval of the project, unless prior to the expiration of one year, a building permit is issued and construction is commenced and diligently pursued toward completion. An Owner may request an extension prior to expiration of the eighteen month period by filing a written request therefore with the DRC, which request shall be reasonably granted; however, the DRC may grant such an extension subject to reasonable restrictions or conditions.

8.11 Assignment of Function: Any function to be performed by the DRC pursuant to Article 7 or Article 8 may be assigned to the Ranch Association in whole or in part at any time or from time to time at the sole discretion of the Ranch Association.

8.12 Liability: Neither Declarant, the Ranch Association nor the DRC nor any of their respective officers, directors, employees or agents shall be responsible or liable to any person for any defects in any plans or specifications submitted, revised or approved under this Article 8 nor for any defects in construction performed pursuant to such plans and specifications. Approval of plans and specifications under this Article 8 shall not relieve the Owner or Lessee of strict compliance with applicable governmental laws or regulations.

ARTICLE 9. Easements

9.1 Easements Of Encroachment: There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between each Unit and adjacent Open Space and between adjacent Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, an Owner, occupant, or the Ranch Association.

9.2 Easements For Utilities, Etc.: There are hereby reserved unto Declarant, so long as the Declarant owns any property subject to this Declaration, the Ranch Association, and the designees of each (which may include, without limitation, the County and any utility) access and maintenance easements upon, across, over, and under all of Jug Mountain Ranch to the extent reasonably necessary for the purpose of constructing, replacing, repairing, and maintaining: cable television systems, master television antenna systems, security and similar systems, communications systems, roads, walkways, bicycle pathways, underground parking facilities, trails, ponds, wetlands, drainage systems, surface water management facilities, street lights, signage, and all utilities, including, but not limited to, water, sewers, meter boxes, telephone, and electricity, and for the purpose of installing any of the foregoing on property which it owns or within easements designated for such purposes on recorded plats of Jug Mountain Ranch. This easement shall not entitle the holders to construct or install any of the foregoing systems, facilities, or utilities over, under or through any existing dwelling on a Unit, and any damage to a Unit resulting from the exercise of this easement shall promptly be repaired by, and at the expense of, the Person exercising the easement. The exercise of this easement shall not unreasonably interfere with the use of any Unit and, except in an emergency, entry onto any Unit shall be made only after reasonable notice to the Owner or occupant.

9.3 Easements For Collection Of Storm Water Runoff And Flood Water: The Declarant reserves for itself, and its successors, assigns, and designees the nonexclusive right and easement, but not the obligation, to enter upon any property to (a) install, keep, maintain, and replace irrigation ditches, equipment or systems; (b) construct, maintain, and repair any structure designed to divert, collect or retain water; and (c) remove trash and other debris. The Declarant's rights and easements provided in this Section shall be transferred to the Ranch Association at such time as the Declarant shall cease to own any property subject to the Declaration, or such earlier time as Declarant may elect, in its sole discretion, to transfer such rights by a written instrument. The Declarant, the Ranch Association, and their designees shall have an access easement over and across any of Jug Mountain Ranch abutting or containing any portion of any water course, stream, wetlands or area covered by a conservation easement, to the extent reasonably necessary to exercise their rights under this Section.

9.4 Easements To Serve Additional Property: The Declarant hereby reserves for itself and its duly authorized agents, representatives, employees, successors, assigns, licensees, and mortgagees, an easement over any Open Spaces or any roads, streets or drives depicted on any Plat of any portion of the Property, for the purposes of access to adjoining property which may now or later be owned by Declarant. This easement includes, but is not limited to, a right of ingress and egress over the Open Space for construction of roads and for connecting and installing utilities on such property. Declarant agrees that it and its successors or assigns shall be responsible for any damage caused to the Open Space as a result of vehicular traffic connected with development of such property. Declarant further agrees that if the easement is exercised for permanent access to such property and such property or any portion thereof is not made subject to this Declaration, the Declarant, its successors or assigns shall enter into a reasonable agreement with the Ranch Association to share the cost of maintenance of any access roadway serving such property.

9.5 Easements Of Golf Course:

(a) Golf Balls. Every Unit and all Open Spaces adjoining the Golf Course are burdened with an easement permitting golf balls unintentionally to come upon such Open Space, Units or common property and for golfers at reasonable times and in a reasonable manner to come upon the Open Space, or a Unit to retrieve errant golf balls; provided, however, if any Unit is fenced or walled, the golfer shall seek the Owner's permission before entry. All Owners, by acceptance and delivery of a deed to a Unit, assume all risks associated with errant golf balls, and all Owners agree and covenant not to make any claim or institute any action whatsoever against the Declarant, the Owner of the Golf Course, the Ranch Association, the Golf Course designer or Builder, or an individual golfer, arising or resulting from any errant golf balls, any damages that may be caused thereby, or for negligent design of the Golf Course or siting of the Unit.

(b) Golf Ball Retrieval. The owner of the Golf Course, its respective successors and assigns, shall have a perpetual, exclusive easement of access within Jug Mountain Ranch for the purpose of retrieving golf balls from bodies of water within the Open Spaces lying reasonably within range of golf balls hit from the Golf Course; and, a perpetual, nonexclusive easement of access within Jug Mountain Ranch for the purpose of retrieving golf balls from other Open Spaces.

(c) Water Overspray. Open Spaces and Units immediately adjacent to the Golf Course are hereby burdened with a non-exclusive easement in favor of the Golf Course for overspray of water, including grey water, from any irrigation system serving the Golf Course. Under no circumstances shall the Ranch 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) **Rights of Access and Parking.** The owner, lessee and/or manager of the Golf Course and its employees, agents, contractors and designees, and the persons permitted by the owner of the Golf Course to use the Golf Course (regardless of whether such persons are Owners hereunder) and their guests shall at all times have a right and non-exclusive easement of access and use over all roadways, whether by automobile, golf cart or other means, located within Jug Mountain Ranch reasonably necessary to travel to and from the entrances to Jug Mountain Ranch from and to the Golf Course, respectively, and, further, over those portions of Jug Mountain Ranch (whether Open Space or otherwise) reasonably necessary to the use, operation, maintenance, repair and replacement of the Golf Course. Without limiting the generality of the foregoing, persons who are permitted use of the Golf Course and permitted members of the public shall have the right to park their vehicles along the roadways located within Jug Mountain Ranch at reasonable times before, during, and after golf tournaments and other similar functions held by or at the Golf Course, if adequate parking in Jug Mountain Ranch parking facilities is not available.

(e) **Maintenance.** A non-exclusive easement is hereby reserved to the owner of the Golf Course, its successors and assigns, its employees, invitees and agents upon, over, in and across such roadways and Open Spaces as necessary for the transport and storage of equipment, chemicals and other items and to do all other things reasonably necessary for the operation of the Golf Course.

(f) **Operation.** The owner of the Golf Course, its respective successors and assigns, shall have the right to operate a golf course. The operation and maintenance of the Golf Course, as the same may be expanded in the future, may cause impacts from light, noise, irrigation, maintenance, use of fertilizers, herbicides and/or pesticides, or otherwise. All Owners shall purchase their Unit with this knowledge, and shall be deemed to have accepted, approved, and waived any and all claims regarding such noise and light impacts upon their purchase of a Unit. An easement for all such impacts from the Golf Course shall be deemed incorporated in each deed or other instrument by which any right, title or interest in any real property within Jug Mountain Ranch is granted, devised or conveyed, whether or not set forth or referred to in such deed or other instrument.

(g) **Irrigation Easement.** Declarant reserves an easement in all roads, Utility Easements, Common Open Space and the Golf Course to install, maintain, repair and replace irrigation facilities for the benefit of the Golf Course, and to grant easements for the maintenance, repair and replacement of such facilities.

9.6 Easements Of Village: The owners and lessees of Units in the Village, their respective successors and assigns, shall have the right to operate their businesses according to the Association Documents and any additional declarations or regulations applicable to such Unit. The operation of such businesses, however, may cause impacts on adjoining and neighboring Units, including but not limited to light, noise and traffic impacts. All Owners shall purchase their Unit with this knowledge, and shall be deemed to have accepted, approved, and waived any and all claims regarding such impacts upon their purchase of a Unit. An easement for all noise, light, traffic and other impacts from the Village shall be deemed incorporated in each deed or other instrument by which any right, title or interest in any real property within Jug Mountain Ranch is granted, devised or conveyed, whether or not set forth or referred to in such deed or other instrument.

9.7 Easements For Cross-Drainage: Every Unit and the Open Space shall be burdened with easements for natural drainage of storm water runoff from other portions of Jug Mountain Ranch; provided, no Person shall alter the natural drainage on any Unit so as to materially increase the drainage of storm water onto adjacent portions of Jug Mountain Ranch without the consent of the Owner of the affected property and Declarant, for so long as Declarant owns property in the CUP, and, thereafter, from the Board. Notwithstanding the foregoing, Declarant shall have the right to modify drainage patterns.

9.8 Easements For Maintenance, Emergency, And Enforcement: Declarant grants to the Ranch Association easements over Jug Mountain Ranch as necessary to enable the Ranch Association to fulfill its maintenance responsibilities under Article 6. The Ranch Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforce the Association Documents, after prior written notice to the Owner(s) and, as applicable, the Lessee(s) of the Unit. Such right may be exercised by any member of the Board and its duly authorized agents and assignees, and all emergency personnel in the performance of their duties. Except in an emergency situation, entry shall only be during reasonable hours and after reasonable notice to the Owner. This right of entry shall include the right of the Ranch Association to enter upon any Unit 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.

9.9 Conservation Easements: Declarant shall have the right to grant conservation easements to a conservation trust or similar nonprofit entity over and across Open Spaces and Open Space for so long as Declarant is a Class F Member.

9.10 Compliance With Wetlands Permit: All Owners purchase their Units with the knowledge that the CUP contains jurisdictional wetlands, which are governed by the terms of Jug Mountain Ranch's Wetlands Permit(s), and the terms and conditions associated therewith. By purchasing their Units, Owners agree to comply with and be bound by the terms and conditions of the Permits.

9.11 View Impairment: Neither the Declarant or the Ranch Association guarantees nor represents that any view over and across any Open Space or any Unit from adjacent Units will be preserved without impairment. Neither the Declarant, the Ranch Association, nor the Owner of a Unit shall have an obligation to prune or thin trees or other landscaping. In addition, the Declarant, the Ranch Association, or an Owner may add trees and other landscaping, and construct improvements, all subject to the Design and Development Guidelines and the approval of the DRC. Any such improvements may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

ARTICLE 10. Annexation And Withdrawal Of Property

10.1 Annexation Without Approval Of Membership: Declarant may unilaterally annex to Jug Mountain Ranch and, thereby, subject the following to the provisions of this Declaration: any other real property which is owned by Declarant or in which Declarant has an equitable interest and which adjoins or is within 2 miles of Jug Mountain Ranch. Declarant may transfer or assign this right to annex property, provided that the assignee is the owner of property adjacent to Jug Mountain Ranch, and provided that such transfer is memorialized in a written, recorded instrument executed by Declarant. Nothing in this Declaration shall be construed to require the Declarant or any successor to annex or develop any additional property in any manner whatsoever.

Such annexation shall be accomplished by recording a Supplemental Declaration with the Office of Recorder of the County, describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Such Supplemental Declaration shall not require the consent of any Member other than the Class D Declarant. Any such annexation shall be effective upon the recording of such Supplemental Declaration unless otherwise provided therein.

10.2 Annexation With Approval Of Membership: The Ranch Association may subject any real property other than that provided for at Section 10.1 to the provisions of this Declaration with the consent of the owner of such property and the Affirmative Vote of a Majority of the Classes.

Such annexation shall be accomplished by recording a Supplemental Declaration with the Office of Recorder of the County, describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Ranch Association, and by the owner of the annexed property. Any such annexation shall be effective upon recording unless otherwise provided therein.

10.3 Withdrawal: The Declarant reserves the right to amend this Declaration, until the Conversion Date, without prior notice and without the consent of any Person, for the purpose of removing property then owned by the Declarant, from the coverage of this Declaration, to the extent originally included in error or as a result of any changes in the Declarant's plans for Jug Mountain Ranch, provided such withdrawal is not materially contrary to the overall, uniform scheme of development for Jug Mountain Ranch, or the terms of the CUP.

10.4 Additional Covenants And Easements: Declarant may unilaterally subject any portion of the property subject to this Declaration initially or by Supplemental Declaration to additional covenants and easements. Such additional covenants and easements shall be set forth in a Supplemental Declaration recorded either concurrent with or after the annexation of the subject property; and, shall require the written consent of 2/3 of the Owner(s) of such property, if owned by other than the Declarant or the Ranch Association, provided: such additional covenants shall not be materially inconsistent with or establish lesser standards than this Declaration, or any Supplemental Declaration covering such property or any Design and Development Guidelines or procedures which apply to such property.

10.5 Amendment: This Article shall not be amended without the prior written consent of Declarant prior to the Conversion Date.

ARTICLE 11. Declarant's Development Rights, Special Rights And Reservations

11.1 Declarant's Rights And Reservations: In addition to those easements and rights reserved by Declarant in Article 9 above, and as otherwise provided in this Declaration, Declarant shall have, retain and reserve certain rights as hereinafter set forth with respect to the Ranch Association and Jug Mountain Ranch. The rights and reservations reserved above and hereinafter set forth shall be deemed accepted and reserved in each conveyance of any Unit or other property within Jug Mountain Ranch by Declarant, whether or not specifically stated therein, and in each deed or other instrument by which any property within Jug Mountain Ranch is conveyed by Declarant. The rights, reservations and easements reserved above and hereinafter set forth shall be prior and superior to any other provisions of the Ranch Association Documents and may not, without Declarant's written consent, be modified, amended or rescinded or affected by any amendment of the Association Documents. Declarant's consent to any one such amendment shall not be construed as a consent to any other amendment.

11.2 Declarant's Future Development Rights: Declarant, and Declarant's assigns, shall have the following development rights, which rights shall not require the consent of Owners before Declarant's exercise of such rights:

(a) Declarant may further develop Jug Mountain Ranch; and, may further divide any Unit or adjust lot lines between Units prior to sale of such Unit(s), subject to approval from the County. As noted elsewhere herein, such development and subdivision may deviate from the CUP and the PUD, including but not limited to increasing the number of Units approved in the PUD, provided that such deviation is approved by Valley County and any other regulatory entity with jurisdiction.

(b) Until the Conversion Date, the Declarant may designate and transfer ownership of sites within Jug Mountain Ranch for fire, police, utility facilities, public schools and parks, and other public facilities. The sites may include Open Spaces.

(c) Declarant or Declarant's assigns may add or annex any real property pursuant to the terms of Article 10. Such annexation(s) and associated Supplemental Declaration(s) may alter the rights and responsibilities of the Ranch Association and Owners in the following ways:

(i) Additional owners may be added to the Ranch Association, thereby diluting the relative effect of an Owner's vote;

(ii) Additional Open Spaces and amenities may be created and may be either conveyed, leased or made available to the Ranch Association, in which case the Ranch Association may incur expenses related to upkeep, improvement and/or maintenance;

(iii) Additional users may be added to the Water System and to the Sewer System, in which case the Ranch Association may incur additional expenses related thereto; and,

(iv) The Ranch Association may incur other expenses as a result of such annexation.

(d) Until the Conversion Date, Declarant, or Declarant's designee or permittee shall have the right to store construction materials and maintain construction offices within Open Spaces; and, shall have the right to locate and operate sales offices within Open Spaces and on unsold properties.

(e) Until the Conversion Date, Declarant shall have the right to extend roads and rights of way through Jug Mountain Ranch to other property, as provided at Section 9.4.

(f) Until the Conversion Date, Declarant or Declarant's designee shall have the right to install utilities and utility related equipment and fixtures within any Open Space, and to grant easements for the maintenance and repair of the same.

(g) Until the Conversion Date, Declarant or Declarant's designee shall have the right to grant a right of use of the Water System and/or the Sewer System to owners of property outside the Property ("Outside User"), subject to the following conditions:

(i) Either Declarant or the Outside User shall be obligated to pay for any and all costs of installation and use by the Outside User; and,

(ii) Such use of the Water System and/or Sewer System shall not in any way hinder the use of the Water System and Sewer System by Members, or reduce the capacity beyond that necessary to service Members; and,

(iii) The Outside User shall be obligated to pay monthly usage charges, and shall be subject to the same Rules and Regulations for the Water System and Sewer System that Members are subject to; and,

(iv) Declarant shall record a notice with the Valley County, Idaho Recorder confirming the legal description of the property that has been granted use of the Water System and/or Sewer System, and exactly what use has been granted; and,

(v) Declarant shall have the right to charge the Outside User a fee in addition to that charged by the Association for use of the Water System and Sewer System.

11.3 Successor Declarant: For purposes of the rights, reservations and easements reserved and created in favor of Declarant herein, Declarant shall have the option of notifying the Ranch Association in writing of an assignee or successor who will hold and exercise Declarant's aforesaid rights and whom the Ranch Association shall notify as required by this Declaration, the successor or assignee must own at least one Unit in Jug Mountain Ranch. The special rights and obligations of the Declarant set forth in this Declaration or the Bylaws may be transferred to other Persons in whole or in part, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained in this Declaration or the Bylaws. Absent such transfer, Jug Mountain Ranch LLC shall retain the Declarant rights described herein until the Conversion Date.

In the event that Jug Mountain Ranch LLC is dissolved prior to the Conversion Date, and fails to notify the Ranch Association of a successor for these purposes, then the person(s) holding a majority interest in Jug Mountain Ranch LLC at the time of its dissolution shall be deemed the successor to Declarant for these purposes.

11.4 Future Development: Each purchaser of a Unit in Jug Mountain Ranch and their heirs and assigns, acknowledges that, as provided in Section 11.2, Declarant or Declarant's successors intend to fully develop Jug Mountain Ranch, and may develop real property which adjoins Jug Mountain Ranch. Such development may involve any uses or densities allowed by the CUP, as modified. All Owners consent to such future development and waive any claim that such development is incompatible with or otherwise diminishes the value of Jug Mountain Ranch or any Unit therein, or that any views enjoyed by any Unit are a property right thereof.

11.5 Exemption Of Declarant: Nothing contained herein shall limit the right of Declarant to excavate, grade and construct improvements to and on any portion of Jug Mountain Ranch owned by Declarant, in furtherance of the terms of the CUP and other applicable Permits. Declarant need not seek or obtain Board or DRC approval of any such improvements constructed or placed by Declarant on any portion of Jug Mountain Ranch owned by Declarant or an affiliate of Declarant. The rights of Declarant hereunder may be assigned by Declarant to any successor in interest in connection with Declarant's interest in any portion of Jug Mountain Ranch by an express written assignment.

11.6 Exclusive Rights To Use Name Of Development: No person shall use the name "Jug Mountain Ranch" or any derivative of such name or in logo or depiction in any printed or promotional material without Declarant's prior written consent. However, Owners may use the name "Jug Mountain Ranch" in printed or promotional matter where such term is used solely to specify that the particular property is located within Jug Mountain Ranch and the Ranch Association shall be entitled to use the words "Jug Mountain Ranch" in its name.

11.7 Declarant's Approval: None of the rights, reservations, or easements granted to or reserved by Declarant herein may ever be modified or amended without the prior written consent of Declarant or Declarant's successor, which consent may be withheld by Declarant for any reason whatsoever. Additionally, until the Conversion Date, the Ranch Association shall not, without first obtaining the prior written consent of the Declarant, which consent shall not be unreasonably withheld: make any amendment or repeal of any other provision of this Declaration (i.e. a provision not involving any of the rights, reservations or easements granted to or reserved by Declarant); make any amendment to any other Association Documents; make any amendment to the Development and Design Guidelines; make any new declaration or guidelines or similar instrument; or promulgate, change or repeal any rules of the Ranch Association. Any attempt to do so without such consent shall result in such instrument being void and of no force and effect unless subsequently approved in writing by the Declarant. Declarant may extinguish any of the aforesaid rights by giving written notice thereof to the Ranch Association.

11.8 Rights To Storm Water Runoff And Water Conservation And Reclamation Programs: The Declarant hereby reserves for itself and its designees all rights to ground water, surface water, and storm water runoff within Jug Mountain Ranch and each Owner agrees, by acceptance of a deed to a Unit, that the Declarant shall retain all such rights, except as otherwise provided in this Section 11.8. No Person other than the Declarant and its designees shall claim, capture or collect rainwater, ground water, surface water or storm water runoff within Jug Mountain Ranch without prior written permission of the Declarant or its designee. The Declarant or its designee may establish programs for reclamation of storm water runoff and wastewater for appropriate uses within or outside Jug Mountain Ranch and may require Owners and occupants of Units to participate in such programs to the extent reasonably practical. No owner or occupant of a Unit shall have any right to be compensated for water claimed or reclaimed from Units. The Board shall also have the right to establish restrictions on or prohibit outside use of potable water within Jug Mountain Ranch.

ARTICLE 12. Golf Course

12.1 Ownership And Operation Of the Golf Course: Declarant has constructed certain golf amenities, as part of Declarant's contractual commitments to Purchasers of Jug Mountain Ranch Units. All Persons, including all Owners, are hereby advised that no representations or warranties have been or are made by the Declarant or any other Person with regard to the perpetual existence, ownership or operation of the Golf Course; and, no purported representation or warranty in such regard, either written or oral, shall ever be effective without an amendment to this Declaration executed or joined into by the Declarant. All or part of the Golf Course is or will be Private Open Space. The Golf Course is not Common Open Space. The Golf Course is private property owned and operated by the Declarant or its assigns and administered according to policies, rules and regulations adopted by the Declarant or its assigns from time to time. Additional facilities which are part of the Golf Course may be owned by Declarant, or some other Person. These facilities shall be developed and provided at the discretion of the Declarant. The Declarant shall have the exclusive right to determine from time to time, in its sole discretion and without notice or approval of any change, how and by whom these facilities shall be used, if at all. By way of example, but not limitation, the Declarant or its assigns, shall have the sole right to approve Golf Course users and determine eligibility for Golf Course use, to reserve use rights, to terminate any or all Golf Course use rights, to change, eliminate or cease operation of any or all of the facilities, to transfer any or all of the Golf Course or the operation thereof to anyone (including without limitation a member-owned or equity club) and on any terms, to limit the availability of such use privileges, and to require the payment of a purchase price, membership contribution, initiation fee, membership deposit, dues, use charges and other charges for use privileges. Subject to requirement that all Owners shall have the opportunity to join any club that may be created.

12.2 Right To Use: Ownership of a Unit or any other portion of Jug Mountain Ranch or membership in the Ranch Association does not give any vested right or easement, prescriptive or otherwise, to use the Golf Course, and does not grant any ownership or membership interest therein. Rights to use the Golf Course will be granted only to such persons, and on such terms and conditions, as may be determined from time to time by the owner of the Golf Course or its assigns.

12.3 View Impairment: Neither the Declarant, the Ranch Association nor the owner or operator of the Golf Course guarantees or represents that any view over and across the Golf Course from adjacent Units will be preserved without impairment. The owner of the Golf Course shall have no obligation to prune or thin trees or other landscaping, and shall have the right, in its sole and absolute discretion, to add trees and other landscaping to the Golf Course from time to time. In addition, the owner of the Golf Course may, in its sole and absolute discretion, change the location, configuration, size and elevation of the tees, bunkers, fairways and greens on the Golf Course from time to time. Any such additions or changes to the Golf Course may diminish or obstruct any view from the Units and any express or implied easements for view purposes or for the passage of light and air are hereby expressly disclaimed.

12.4 Assumption of Risk and Indemnification. Each Owner by its purchase of a Unit in the vicinity of the Golf Course hereby expressly assumes and accepts the impacts of the Golf Course on such Owner's quiet enjoyment of his Unit, and the further risk of property damage or personal injury resulting from the maintenance and operation of the Golf Course, including, without limitation: (a) noise from maintenance equipment, it being specifically understood that such maintenance typically takes place around sunrise or sunset, (b) noise caused by golfers, (c) use of pesticides, herbicides and fertilizers, (d) view restrictions caused by maturation of trees and shrubbery, (e) reduction in privacy caused by golf traffic on the golf course or the removal or pruning of shrubbery or trees on the golf course, (f) design of the golf course, (g) errant golf balls, and/or (h) golf irrigation overspray. Each Owner further agrees that neither Declarant, the Ranch Association, nor any of Declarant's affiliates or agents

nor any other entity owning or managing the golf course shall be liable to any Owner or any other person claiming any loss of damage, including, without limitation, indirect, special or consequential loss or damage arising from personal injury, destruction of property, trespass, loss of enjoyment or any other alleged wrong or entitlement to remedy based upon, due to, arising from or otherwise related to the proximity of an Owner's Unit to the Golf Course, including, without limitation, any claim arising in whole or in part from the negligence of Declarant, the Ranch Association or any other entity owning or managing the golf course. Each Owner hereby agrees to indemnify and hold harmless Declarant, the Ranch Association, and any other entity owning or managing the golf course against any and all claims by an Owner's visitors, tenants and others upon such Owner's Unit.

12.5 Jurisdiction And Cooperation: It is Declarant's intention that the Ranch Association and the owner of the Golf Course shall cooperate to the maximum extent possible in the operation of Jug Mountain Ranch and the Golf Course. The Ranch Association shall have no power to promulgate Rules and Regulations affecting activities on or use of the Golf Course without the prior written consent of the owner of the Golf Course.

12.6 Limitations On Amendments: In recognition of the fact that the provisions of this Article are for the benefit of owner of the Golf Course, no amendment to this Article, and no amendment in derogation of any rights reserved or granted to the owner of the Golf Course by other provisions of this Declaration, may be made without the written approval of the owner of the Golf Course. The foregoing shall not apply, however, to amendments made by the Declarant.

ARTICLE 13. Roads

All streets, roads and drives within the CUP shall be private unless dedicated to the County or other governmental entity, in whole or in part, by a written declaration by Declarant and accepted by the County or other governmental entity. Neither Valley County nor any other governmental entity shall have responsibility for the maintenance, repair or upkeep of any of such roads unless, and to the extent, such responsibility is accepted in writing in whole or in part by the County or other governmental entity. Declarant shall complete the construction of such roads to the standards depicted in the documents submitted to and approved by Valley County. The said roads shall be transferred by Declarant to the Ranch Association after completion. Thereafter, the Ranch Association shall be solely responsible for the maintenance, repair and upkeep of such roads, which shall be part of its Property Maintenance Function. All such roads shall be dedicated to the use of the Ranch Association, the Owners, their guests and invitees. Declarant shall reserve rights in such roads, as part of the conveyance, and as necessary to implement the CUP, and as are provided for hereinabove.

ARTICLE 14. Sewer and Water

14.1 Central Sewer System: Jug Mountain Ranch will be serviced by a central sewer system, as described in documents submitted to and approved by Valley County and the Idaho Department of Health and Welfare, Division of Environmental Quality ("DEQ"). Declarant shall complete the sewer system and will obtain all necessary permits therefore, pursuant to the aforesaid documents and applicable State law and regulations. The system shall be constructed in phases. The Association shall be responsible for the cost of operation, maintenance, repair and replacement of the system, as completed. Ownership of the system shall be transferred from Declarant to the Association no later than the Conversion Date.

14.2 Central Water System:

(a) Jug Mountain Ranch will be serviced by a central water system, as described in documents submitted to and approved by Valley County, the Idaho Department of Health and Welfare, Division of Environmental Quality ("DEQ"). Declarant shall complete the water system and will obtain all necessary permits therefore, pursuant to the aforesaid documents and applicable State law and regulations. The system shall be constructed in phases. The Association shall be responsible for the cost of operation, maintenance, repair and replacement of the system, as completed. Ownership of the system shall be transferred from Declarant to the Association no later than the Conversion Date.

(b) Declarant holds Idaho Department of Water Resources Water Right No. 65-13930, which is intended to provide the potable water for the central water system. Declarant shall transfer the said water right to the Association when ownership of the Water System is transferred from Declarant to the Association. At such time, the Association is advised to contact the Idaho Department of Water Resources, Western Regional Office, to apply for an Assignment of Permit. Transfer of all or part of said water right shall not prohibit Declarant from adding additional users to the system as Jug Mountain Ranch is developed. Declarant shall maintain all right, title and interest in and to any and all other water rights

associated with the Jug Mountain Ranch Property, unless transferred in writing by Declarant, including but not limited to all surface water rights, and those intended to provide irrigation water for the Golf Course.

(c) Additional Rules and Regulations shall be promulgated which further regulate the use of the Water System by members, and the transfer of the Water System to the Association, and which detail maintenance, repair and replacement requirements.

ARTICLE 15. Neighboring Public Property

A significant amount of the real property which surrounds Jug Mountain Ranch is public property. The State of Idaho owns real property which is located East of Jug Mountain Ranch. All Owners shall take title to their property with the knowledge that such property is public property, and waive any claims against Declarant with regard to the State's regulation of such property, and any uses occurring on such property, including but not limited to use by trucks, vehicles, snowmobiles, ATVs and motorcycles.

ARTICLE 16. Certain Rights Of Declarant, Owners And Lessees

16.1 Reserved Rights with Respect to Property Furnished by Declarant: Whether or not expressed at the time, all Property Furnished by Declarant shall be deemed accepted by the Ranch Association and shall at all times remain subject to: existing or future easements for utilities, including gas, electricity, water, sewer, telephone, television or other utility services, and for intercommunication, alarm or other similar systems; existing easements for parking purposes; existing easements for the Golf Course; existing easements for ingress, egress and access for the benefit of other property in the vicinity of Jug Mountain Ranch, and easements as provided in Section 16.3.

16.2 No Sale or Abandonment of Property Furnished by Declarant: No Property Furnished by Declarant may be sold, conveyed, encumbered, leased, transferred, abandoned or otherwise disposed of without the prior written consent of Declarant. No improvements which may be included in Property Furnished by Declarant may be destroyed, permitted to deteriorate or waste, or disposed of by the Ranch Association without the prior written consent of Declarant.

16.3 Easements of Owners with Respect to Association Facilities: Each Owner, Owner's Lessees, Subowners and Guests shall have a non-exclusive easement over, upon, across and with respect to any Association Facilities as appropriate and necessary for: access, ingress and egress to the Unit of such Owner, Lessee, Subowner or Guest; encroachment by improvements caused by the settling, rising or shifting of earth; and horizontal and lateral support of improvements; subject, however, in the case of easements for access, ingress and egress, to such reasonable and uniformly applied rules and regulations as the Ranch Association may impose to assure reasonable use and enjoyment of Association Facilities by all persons entitled to such use and enjoyment.

16.4 Owner's Enjoyment of Functions and Association Facilities: Each Owner, Lessee, Subowner and Guest shall be entitled to use and enjoy any Association Facilities suitable for general use or the services provided by any Functions, subject to such reasonable rules and regulations which the Ranch Association may adopt and subject to such reasonable and uniformly applied charges which the Ranch Association may impose to offset costs and expenses, depreciation and capital expenses, subject to the provisions of this Declaration and subject to the following specific limitations. Such rules and regulations and charges may differentiate between different categories of Owners, Lessees, Subowners or Guests as established by the Board from time to time; however, the rules, regulations and charges must be uniformly applied within such categories. There shall be no obstruction of any Association Facilities nor shall anything be stored in or on any part of any Association Facilities without the prior written consent of the Ranch Association. Nothing shall be altered on, constructed in or removed from any Association Facilities except with the prior written consent of the Ranch Association. Nothing shall be done or kept on or in any Association Facilities which would result in the cancellation of the insurance or any part thereof which the Ranch Association is required to maintain pursuant hereto or increase the rate of the insurance or any part thereof over what the Ranch Association, but for such activity, would pay, without the prior written consent of the Ranch Association. Nothing shall be done or kept on or in such Association Facilities which would be in violation of any statute, rule, ordinance, regulation, permit or other requirement of any governmental body. No damage to, or waste of Association Facilities shall be committed, and each Owner shall indemnify and hold the Ranch Association and the other Owners harmless against all loss resulting from any such damage or waste caused by such Owner or such Owner's Lessees, Subowners or Guests. No noxious, destructive or offensive activity shall be carried on with respect to any Association Facilities nor shall anything be done therein or thereon which may be or become a nuisance to any other Owner or to any Lessee, Subowner or Guest.

16.5 Owner's Rights and Obligations Appurtenant: All rights, easements and obligations of an Owner under this Declaration and all rights of an Owner with respect to membership in the Ranch Association under this Declaration are hereby declared to be and shall be appurtenant to the title to the Unit owned by such Owner and may not, except as provided in Section 16.6 herein and Section 3.1 of the Bylaws, be transferred, conveyed, devised, bequeathed, encumbered or otherwise disposed of separate or apart from fee simple title to such Owner's Unit. Every transfer, conveyance, grant, devise, bequest, encumbrance or other disposition of a Unit shall be deemed to constitute a conveyance, grant, devise, bequest, encumbrance or transfer or disposition of such rights and obligations.

16.6 Assignment of Rights or Obligations to a Subowner: An Owner may assign or delegate to a Subowner all (but not less than all) of his rights under this Declaration as an owner or as a member of the Ranch Association and may enter into an arrangement with such Subowner under which the subowner shall agree to assume all of such Owner's obligations hereunder as an Owner or member of the Ranch Association. The Ranch Association shall recognize any such assignment or delegation of rights or arrangements for assumption of obligations, provided that, to be effective with respect to the Ranch Association, Declarant or any other Owner, the assignment or delegation of rights or arrangement for assumption of obligations shall be in writing, shall be in terms deemed satisfactorily specific by the Ranch Association, and a copy thereof shall be filed with and approved by the Ranch Association. Notwithstanding the foregoing, no Owner shall be permitted to relieve himself of the ultimate responsibility for fulfillment of all obligations hereunder of an Owner arising during the period he is an Owner.

16.7 Lessee's Rights and Obligations Appurtenant: All rights, easements and obligations of a Lessee under this Declaration and all rights of a Lessee with respect to a membership in the Ranch Association under this Declaration are hereby declared to be and shall be appurtenant to the lease to the Leased Premises leased by such Lessee, and may not, except as provided in Section 16.8, be transferred, conveyed, devised, bequeathed, encumbered or otherwise disposed of separately or apart from the lease to the Leased Premises. Every transfer, conveyance, grant, devise, bequest, encumbrance or other disposition of a Leased Premises shall be deemed to constitute a conveyance, grant, devise, bequest, encumbrance or transfer or disposition of such rights and obligations.

16.8 Transfer of Rights or Obligations to a Sublessee: A Lessee, upon subleasing his entire Leased Premises, shall automatically be deemed to have given up all of his rights and obligations as a Lessee and as a member of the Ranch Association during the term of such sublease, and the sublessee shall automatically be deemed a Lessee and a member of the Ranch Association upon commencing to own and operate a business on the Leased Premises. If a Lessee subleases only a portion of his Leased Premises, the Lessee shall automatically be deemed to have given up all rights and obligations as a Lessee and as a member of the Ranch Association as to such subleased portion and such sublessee shall automatically be deemed a Lessee and a member of the Ranch Association upon commencing to own and operate a business upon his subleased portion of the Leased Premises. Such sublessor shall maintain his rights and obligations as a Lessee and as a member of the Ranch Association with respect to any retained portion of the Leased Premises. Notwithstanding the foregoing, no sublessor shall be permitted to relieve himself of the ultimate responsibility for fulfillment of all obligations hereunder as a Lessee arising during the period he is a Lessee.

ARTICLE 17. Dispute Resolution and Limitation on Litigation

17.1 Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Ranch Association and its officers, directors, all Classes of Members, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving Jug Mountain Ranch without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees not to file suit in any court with respect to a Claim described in subsection (b) unless and until it has first submitted such Claim to the alternative dispute resolution procedures set forth in Section 17.2 in a good faith effort to resolve such Claim.

(b) As used in this Article, the term "Claim" shall refer to any claim, tort claim, grievance or dispute arising out of or relating to:

- (i) the interpretation, application or enforcement of the Association Documents;
- (ii) the rights, obligations, and duties of any Bound Party under the Association Documents; or,
- (iii) the decisions of the DRC;

(c) The following shall not be considered "Claims" unless all parties to the matter otherwise agree to submit the matter to the procedures set forth in Section 17.2:

- (i) any suit by the Association to collect Assessments or other amounts due from any Owner;
- (ii) any suit by the Association to obtain a temporary restraining order and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Ranch Association's ability to enforce the provisions of Design and Development Guidelines, or any of the Association Documents;
- (iii) any suit between Owners, which does not include Declarant or the Ranch Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Association Documents;
- (iv) any suit in which any indispensable party is not a Bound Party;
- (v) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 17.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period as may reasonably be necessary to comply with this Article; and,
- (vi) any suit by the Association to enjoin a continuing violation of or to enforce the provisions of the Design and Development Guidelines or any other Association Document.

17.2 Dispute Resolution Procedures:

(a) Notice. The Bound Party asserting a Claim ("Claimant") against another Bound Party ("Respondent") shall give written notice to each Respondent and to the Board stating plainly and concisely:

- (i) the nature of the Claim, including the person involved and the Respondent's role in the Claim;
- (ii) the legal basis of the Claim (i.e. the specific authority out of which the Claim arises);
- (iii) the Claimant's proposed resolution or remedy; and,
- (iv) the Claimant's desire to meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim through negotiation within 30 days after the date of the Notice (or within such other time period as the parties may mutually agree upon), the Claimant shall have 45 additional days to submit the Claim to mediation with an entity designated by the Ranch Association (if the Ranch Association is not a party to the Claim) or to a mutually acceptable individual providing dispute resolution services in Idaho.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant (but not third parties) on account of such Claim.

If the Parties do not settle the Claim in mediation, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit.

Each party shall bear its own costs of the mediation, including attorney's fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, the any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set for this in this Section. In such event the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover for the non-complying party (or if more than one non-complying party, from all such parties) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys' fees and court costs.

ARTICLE 18. Miscellaneous

18.1 Duration of Declaration: This Declaration shall run with and bind all property within Jug Mountain Ranch, and shall inure to the benefit of and shall be enforceable by the Ranch Association or any Owner, their respective legal representatives, heirs, successors, and assigns, for a term of 50 years from the date this Declaration is recorded. After such time, this Declaration shall be automatically extended for successive periods of 10 years, unless an instrument in writing, signed by the Declarant, the Golf Priority Member, any Declarant-Assignee Priority Member and the Ranch Association, upon the affirmative vote of said Class C, D and E Members, and 90% of the Class A Members and 90% of the Class B Members, is recorded, agreeing to terminate this Declaration, in which case this Declaration shall be terminated as specified therein.

18.2 Amendment:

(a) **By the Board:** Except as limited or committed to action by the members, either by the Articles, the Bylaws, or this Declaration, the Board shall have the power to amend the Declaration at any regular meeting of the Board or at any special meeting called for that purpose at which a quorum is represented. However, if the members shall amend any portion of the Declaration, the directors shall not thereafter amend the same in such manner as to defeat or impair the object of the members in taking such action. Any amendment to the Declaration approved by the Board shall have no material adverse effect upon any right of any Owner or member.

(b) **By Owners:** This Declaration may also be amended upon the Affirmative Vote of a Majority of the Classes, by the recording of a written instrument or instruments specifying the amendment or the repeal.

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.

(c) **Validity and Effective Date of Amendments:** Amendments to this Declaration shall become effective upon recordation in the land records of Valley County, Idaho, unless a later effective date is specified therein. 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.

If an Owner consents to any amendment to any of the Association Documents, it will be conclusively presumed that such Owner has the authority so to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment. No amendment shall be contrary to the terms or conditions of any valid County, State, or Federal Permit applicable to the CUP; nor, shall any Amendment divest any Owner of any material and substantial vested property rights.

No amendment may remove, revoke, or modify any right or privilege of the Declarant without the written consent of the Declarant or the assignee of such right or privilege.

18.3 Effect of Provisions of Declaration: Each provision of this Declaration and the Bylaws, and an agreement, promise, covenant and undertaking to comply with each provision of this Declaration and the Bylaws, and any necessary exception or reservation or grant of title, estate, right or interest to effectuate any provision of this Declaration and the Bylaws: (a) shall be deemed incorporated in each deed or other instrument by which any right, title or interest in any real property within Jug Mountain Ranch is granted, devised or conveyed, whether or not set forth or referred to in such deed or other instrument; (b) shall, by virtue of acceptance of any right, title or interest in any real property within Jug Mountain Ranch by an Owner or the Ranch Association, be deemed accepted, ratified, adopted and declared as a personal covenant of such Owner or the Ranch Association, as the case may be, (c) shall, as a personal covenant, be binding on such Owner or the Ranch Association and such Owner's or the Ranch Association's respective heirs, personal representatives, successors and assigns; (d) shall, as a personal covenant of

an Owner, be deemed a personal covenant to, with and for the benefit of Declarant and to, with and for the benefit of the Ranch Association but not to, with or for the benefit of any other Owner; shall, if a personal covenant of the Ranch Association, be deemed a personal covenant to, with and for the benefit of Declarant and to, with and for the benefit of each Owner; (f) shall be deemed a real covenant by Declarant, for itself, its successors and assigns, and also an equitable servitude, running, in each case, as a burden with and upon the title to each parcel of real property within Jug Mountain Ranch; (g) shall, as a real covenant and also as an equitable servitude, be deemed a covenant and servitude for the benefit of any real property now or hereafter owned by Declarant within Jug Mountain Ranch and for the benefit of any and all other real property within Jug Mountain Ranch; and (h) shall be deemed a covenant, obligation and restriction secured by a lien, binding, burdening and encumbering the title to each parcel of real property within Jug Mountain Ranch which lien with respect to any Unit shall be deemed a lien in favor of Declarant and the Ranch Association, jointly and severally, and, with respect to any real property owned by the Ranch Association, shall be deemed a lien in favor of Declarant.

18.4 Enforcement and Remedies:

(a) **In General:** Each provision of this Declaration with respect to the Ranch Association or property of the Ranch Association shall be enforceable by Declarant, or by any Owner who has made written demand on the Ranch Association to enforce such provision and 30 days have lapsed without appropriate action having been taken, by a proceeding for a prohibitive or mandatory injunction. In addition to any other remedy available at law or in any of the Association Documents, each provision of this Declaration with respect to an Owner or property of an Owner shall be enforceable by Declarant or the Ranch Association by a proceeding for a prohibitive or mandatory injunction and/or by a suit or action to recover damages, and/or, in the discretion of the Ranch Association, for so long as any Owner fails to comply with any such provisions, by exclusion of such Owner and such Owner's Lessees, Subowners and Guests from use of any Facility and from enjoyment of any Function. If court proceedings are instituted in connection with the rights of enforcement and remedies provided in this Declaration, the prevailing party shall be entitled to recover its costs and expenses in connection therewith, including reasonable attorneys' fees and injunction bond premiums.

(b) **Fines:** In addition to the provisions of Section 18.4(a), the Board shall be entitled to impose fines and penalties for violations of this Declaration in amounts to be provided in the Design and Development Guidelines and/or Rules and Regulations. Fines and penalties may be assessed only against a Member of the Ranch Association, and only if the violator is the Member or a member of the Member's family or a guest, invitee, lessee, contractor, subcontractor, employee or agent of the Member. Fines and penalties may be increased in the case of a continuing violation, where the Member has failed to abate the violation within the time allowed therefore by the Board in written notice to the Member. In the case of a single incident, the fine or penalty may not be assessed unless the Member has received at least one prior written notice from the Board that the violation may subject the Member to fine(s). Fines and penalties imposed pursuant to this Section may be collected as an assessment as provided in the Bylaws and this Declaration. Non-payment of assessments shall not subject a Member to fines; rather, the remedy therefore shall be as provided in the Bylaws and as may otherwise be provided in this Declaration.

18.5 Protection of Encumbrancer: No violation or breach of, or failure to comply with, any provision of this Declaration and no action to enforce any such provision shall affect, defeat, render invalid or impair the lien of any mortgage, deed of trust or other lien on any property taken in good faith and for value and perfected by recording in the office of the Recorder of Valley County, Idaho, prior to the time of recording in said office of an instrument describing such property and listing the name or names of the Owner or Owners of fee simple title to the property and giving notice of such violation, breach or failure to comply, nor shall such violation, breach, failure to comply or action to enforce affect, defeat, render invalid or impair the title or interest of the holder of any such mortgage, deed of trust, or other lien or title or interest acquired by any purchaser upon foreclosure of any such mortgage, deed of trust or other lien or result in any liability, personal or otherwise, of any such holder or purchaser. Any such purchaser upon foreclosure shall, however, take subject to this Declaration with the exception that violations or breaches of, or failures to comply with, any provisions of this Declaration which occurred prior to the vesting of fee simple title in such purchaser shall not be deemed breaches or violations hereof or failures to comply herewith with respect to such purchaser, his heirs, personal representatives, successors or assigns.

18.6 Perpetuities: The covenants, conditions, restrictions, and other provisions of this Declaration and any other Association Document shall continue in full force and effect until the death of the last survivor of the now

living grandchildren of Robert F. Kennedy, the former Attorney General of the United States of America, plus twenty-one years, unless this Declaration is sooner terminated pursuant to Section 18.1 above.

18.7 Limited Liability: Neither Declarant, the Ranch Association, the DRC, the Board nor any member, agent or employee of any of the same shall be liable to any party for any action or for any failure to act with respect to any matter if the action taken or failure to act was in good faith and without malice.

18.8 Use of Trademark: Each Owner by acceptance of a deed for his Unit, whether or not it shall be so expressed in any such deed or other conveyance, shall be deemed to acknowledge that "Jug Mountain Ranch" is a service mark and trademark of Jug Mountain Ranch LLC or its licensees and to covenant that he shall not use the term "Jug Mountain Ranch" without the prior written permission of the Declarant or its licensees.

18.9 Successors and Assigns: Except as otherwise provided herein, this Declaration shall be binding upon and shall inure to the benefit of Declarant, the Ranch Association, and each Owner and their respective heirs, personal representatives, successors and assigns.

18.10 Severability: Invalidity or unenforceability of any provision of this Declaration in whole or in part shall not affect the validity or enforceability of any other provision or any valid and enforceable part of a provision of this Declaration.

18.11 Captions: The captions and headings in this instrument are for convenience only and shall not be considered in construing any provisions of this Declaration.

18.12 Construction: When necessary for proper construction, the masculine of any word used in this Declaration shall include the feminine or neuter gender, and the singular the plural, and vice versa.

18.13 No Waiver: Failure to enforce any provisions of the Association Documents shall not operate as a waiver of any such provision or of any other provision of the Association Documents.

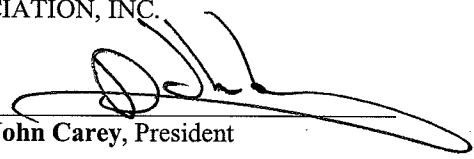
18.14 Notice Of Sale Or Transfer Of Title: Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Ranch Association at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Ranch Association may reasonably require.

CERTIFICATION

This is to certify that the foregoing Amended and Restated General Declaration for Jug Mountain Ranch has been duly adopted by the Board of Directors at a meeting held on July 17, 2006, that the same shall be effective as of the date of recordation with the Valley County, Idaho Recorder, and that it shall replace and supersede the General Declaration for Jug Mountain Ranch recorded with the Valley County, Idaho Recorder on May 24, 2004 as Instrument No. 283340.

JUG MOUNTAIN RANCH
ASSOCIATION, INC.

By: _____


D. John Carey, President

IN WITNESS WHEREOF Declarant hereby consents to this Amended and Restated General Declaration for Jug Mountain Ranch effective on the date set forth above, pursuant to Section 11.7 of the General Declaration for Jug Mountain Ranch recorded with the Valley County, Idaho Recorder on May 24, 2004 as Instrument No. 283340.

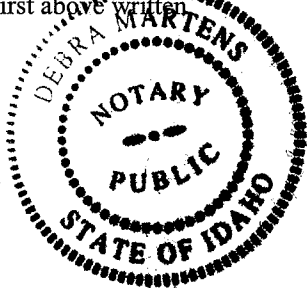
JUG MOUNTAIN RANCH LLC,
An Idaho limited liability company

By: [Signature]
D. John Carey, Manager

STATE OF IDAHO,)
) ss.
County of Valley.)

On this 22nd day of Sept., 2006, before me, Debra Martens a Notary Public in and for said State, personally appeared **D. John Carey**, known or identified to me to be the President of **Jug Mountain Ranch Association, Inc.**, the corporation that executed the instrument or the person who executed the instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

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

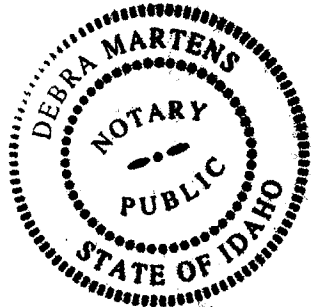


[Signature]
NOTARY PUBLIC FOR IDAHO
Residing at: McCall, Id
My Commission Expires: 6/1/2008

STATE OF IDAHO,)
) ss.
County of Valley.)

On this 22nd day of Sept, 2006, before me, Debra Martens a Notary Public in and for said State, personally appeared **D. John Carey**, known or identified to me to be the Manager of **Jug Mountain Ranch LLC**, the limited liability company that executed the instrument or the person who executed the instrument on behalf of said limited liability company, and acknowledged to me that such company executed the same.

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



[Signature]
NOTARY PUBLIC FOR IDAHO
Residing at: McCall, Id
My Commission Expires: 6/1/2008

EXHIBIT A
JUG MOUNTAIN RANCH

1. That certain real property platted as Jug Mountain Ranch Planned Unit Development Phase 1 Stage 1, recorded with the Valley County, Idaho Recorder on November 30, 2004 as Instrument No. 289988; and,
2. That certain real property platted as Jug Mountain Ranch Planned Unit Development Phase 1 Stage 2, recorded with the Valley County, Idaho Recorder on May 24, 2004 as Instrument No. 283337; and,
3. That certain real property platted as Jug Mountain Ranch Planned Unit Development Phase 2, recorded with the Valley County, Idaho Recorder on May 4, 2006 as Instrument No. 308497.