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THIS SPACE FOR RECORDER'S USE:

MARIE SCOTT
BONNER COUNTY RECORDER

[Signature] DEPUTY

731386

SUPPLEMENTAL DECLARATION
OF
COVENANTS, CONDITIONS, RESTRICTIONS, AND RESERVATIONS
(INCLUDING BYLAWS OF THE PROPERTY OWNERS SUB-ASSOCIATION)
OF
BLOCKS 3A, 3B, 3C, & 3D
OF THE
DOVER BAY PLANNED UNIT DEVELOPMENT

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND RESERVATIONS, (INCLUDING BYLAWS OF THE PROPERTY OWNERS ASSOCIATION) ("Supplemental Declaration") is made by DOVER BAY DEVELOPMENT, INC., an Idaho corporation, ("Declarant") as follows:

ARTICLE 1: RECITALS

1.1 Declarant is the owner of all of the real property located in the City of Dover, County of Bonner, State of Idaho, together with the improvements thereon (the "Property") described as follows:

All real property contained in the Dover Bay Planned Unit Development Block 3C - "Dover Meadows" Replat, according to the Plat thereof, recorded the 25th day of JUNE, 2007 as Instrument No. 231386, Page 129 of Book 8 of Plats, records of Bonner County, Idaho.

Block 3A, Block 3B, and Block 3D (to be replatted) contained in the Dover Bay Planned Unit Development, according to the Plat thereof, recorded the 20th day of July,

2005 as Instrument No. 682104, Page 215 of
Book 7 of Plats, records of Benner County,
Idaho.

1.2 The purpose of this Supplemental Declaration is to set forth additional covenants, conditions, restrictions, reservations, limitations, easements, equitable servitudes, and the like (collectively "Covenants") that apply to the Property or a portion(s) of the Property, pursuant to the Declaration. The mutually beneficial Covenants are designed to preserve the Property's value, desirability, and attractiveness, to ensure a well integrated high-quality development, and to guarantee adequate maintenance of the Common Area, and the improvements located thereon, in a cost effective and administratively efficient manner.

ARTICLE 2: DECLARATION

Declarant declares that the Property shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied, and improved subject to the following additional Covenants, all of which are declared and agreed to be in furtherance of a general plan for the protection, maintenance, subdivision, improvement, and sale of the Property, and to enhance the value, desirability, and attractiveness of the Property.

The additional Covenants set forth herein:

- A. Shall run with the land constituting the Property, and with each estate therein, and shall be binding upon all persons having or acquiring any right, title, claim, or interest in the Property or any lot, parcel, tract, or portion thereof;
- B. Shall inure to the benefit of every lot, parcel, tract or portion of the Property and any interest therein; and,
- C. Shall inure to the benefit of, and be binding upon, Declarant, Declarant's successors in interest, and each grantee or owner, and such grantee's or owner's respective successors in interest, and may be enforced by Declarant, by any owner, or such owner's successors in interest, or by the Association as hereinafter described.

By acceptance of a conveyance, contract for sale, lease, rental agreement, or any form of security agreement or instrument, or any privileges of use or enjoyment, respecting the Property or any Building Lot, it is agreed that this Declaration, together with the Plat(s) referred to herein or regarding the Dover Bay Planned Unit Development, state covenants, conditions, restrictions, and reservations affecting a common plan for the Development mutually beneficial to all of the Property and Lots, and that the covenants, conditions, restrictions, reservations, and plans are binding upon the

entire Property and upon each such Lot as a parcel of realty, and upon its owners or possessors, and their heirs, personal representatives, successors and assigns, through all successive transfers of all or part of the Property or any security interests therein, without any requirement of further specific reference or inclusion in deeds, contracts, or security instruments and regardless of any subsequent forfeitures, foreclosures, or sales of Lots under security instruments.

The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Development insofar as reasonably possible.

Declarant is the original owner of all the Property and will continue to be deemed the owner thereof except as conveyances or documents changing such ownership regarding specifically described Lots are filed of record with the City of Dover or Bonner County.

Notwithstanding the foregoing, no provision of this Declaration shall be construed as to prevent or limit Declarant's right to complete development of the Property and to construct improvements thereon, nor Declarant's right to maintain model homes, construction, sales, or leasing offices, or similar facilities (temporary or otherwise) on any portion of the Property, including the Common Area or any public right-of-way, nor Declarant's right to post signs incidental to construction, sales, or leasing, nor Declarant's right to modify plans for the Property, including in accordance with any necessary approvals of the City of Dover, Idaho.

ARTICLE 3: DEFINITIONS

All definitions contained in the master Declaration shall apply to the provision herein, unless the specific context requires otherwise, including but not limited to, application to only Blocks 3A, 3B, 3C, and/or 3D.

3.1 "Block 3A" shall mean all real property contained in Block 3A of the Dover Bay Planned Unit Development Block plat.

3.2 "Block 3B" shall mean all real property contained in Block 3B of the Dover Bay Planned Unit Development plat.

3.3 "Block 3C" shall mean all real property contained in the plat of Dover Bay Planned Unit Development Block 3C - "Dover Meadows" Replat.

3.4 "Block 3D" shall mean all real property contained in Block 3D of the Dover Bay Planned Unit Development plat.

3.5 "Lot" shall mean one lot (or more than one in certain

contexts) within the Property as specified or shown on the respective Plat of Block 3A (to be replatted), Block 3B (to be replatted), Block 3C, or Block 3D (to be replatted).

ARTICLE 4: GENERAL AND SPECIFIC RESTRICTIONS

4.1 Use and Size of Dwelling Structures and Accessory Structures. All Lots shall be used exclusively for single-family residential purposes. No Building or Structure shall be built upon a Lot except for one (1) single-family dwelling unit or structure, and one (1) accessory structure, subject to the following restrictions and limitations:

ITEM	RESTRICTION AND LIMITATION
Residential Structure Size Minimum & Maximum Square Footage (including attached garage)	Minimum of 1200 square feet to a maximum of 2800 square feet.
Residential and Accessory Structure Minimum Setbacks (including porch, deck, attached garage, etc.)	<u>Street</u> : 10 feet from side, 15 feet from front (measured from property line or street easement, whichever is closer). <u>Side</u> : 3 feet. <u>Wetlands</u> : 16.6 feet.
Residential Structure Maximum Height	30 feet.
Residential Structure Maximum Lot Coverage	65% of the square footage of the lot.
Accessory Structure Size Minimum & Maximum	Maximum levels of one. Ground level maximum of 576 square feet. Total number of accessory structures not to exceed one.

4.2 Rental of Structures or Lots. The leasing or renting of a Structure or Lot by its Owner is limited and is governed by the provisions herein:

4.2.1 Period. No Owner shall be permitted to lease his or her Lot or any Structure thereon for other than single family purposes and for a period of not less than one full month (at least thirty consecutive calendar days). Trusts, corporations, limited liability companies, partnerships, or other such entities which own a Lot may not allow use thereof by a beneficiary, officer, manager, partner, employee or other such person and his or her immediate family for a period of less than one full month (at least thirty consecutive calendar days). Nothing in this paragraph shall limit the ability of an Owner or lessee to have

non-paying guests.

4.2.2 Entire Lot. No Owner may lease less than the entire Lot or Structure.

4.2.3 Written Leases. All leasing or rental agreements shall be in writing and be subject to this Supplemental Declaration and the Declaration with an automatic default by the tenant in complying with any provision herein or of the Declaration constituting a default under the lease or rental agreement.

4.3 Home Occupations. An Owner may engage in a home occupation contained wholly within the structure upon the Lot, which shall meet any applicable City of Dover zoning ordinance(s) and which shall not involve any customer or client being present at the structure or Lot.

4.4 Parking. The easements for roads and driveways within Block 3A shall remain free and unobstructed by any object or material, specifically including the parking of vehicles or trailers.

ARTICLE 5: PROPERTY OWNERS SUB-ASSOCIATION AND BYLAWS

5.1 Organization of the Dover Bay Blocks 3A, 3B, 3C, & 3D Property Owners Sub-Association. The Dover Bay Blocks 3A, 3B, 3C, & 3D Property Owners Sub-Association ("Sub-Association") is hereby organized by Declarant as an Idaho unincorporated non-profit association under the provisions of the Idaho Code relating thereto and is a sub-association of the Dover Bay Property Owners Association, Inc., an Idaho non-profit corporation and shall be charged with the duties and vested with the powers prescribed by law and set forth in this Supplemental Declaration. The initial principal office of the Sub-Association shall be the office of the Declarant, presently located at 120 E. Lake Street, Suite 101, Sandpoint, Idaho 83864, or at such other location adopted by the Declarant or the Members, in Bonner County, Idaho.

5.2 Membership. Each Owner, by virtue of being an Owner and for so long as such ownership exists, shall be a Member of the Sub-Association and no Owner shall have more than one membership per Lot in the Sub-Association. Memberships in the Sub-Association shall be appurtenant to the Lot, or other portion of the Property owned by such Owner. The memberships in the Sub-Association shall not be transferred, pledged, assigned, or alienated in any way except upon the transfer of Owner's title and then only to the transferee of such title, automatically as an appurtenance. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Sub-Association. The Management Body may select a management agent ("Manager") who is not a member of the Management Body and to whom the management responsibilities are delegated in writing.

5.2.1 Voting. Except as otherwise provided, decisions and resolutions of the Sub-Association shall require an affirmative vote of a majority vote (at least 51%) of the Members present at an annual or special meeting of the Sub-Association at which a quorum is present or by written consent of a majority (at least 51%) of Members of the Sub-Association.

Voting in the Sub-Association shall be carried out by Members who shall cast the votes attributable to the Lot(s) which they own. The number of votes any Member may cast on any issue is determined by the number of Lots which that Member, including Declarant, owns. When more than one person holds an interest in any Lot(s), all such persons shall be Members but shall share the votes attributable to the Lot(s). For voting purposes, each Owner other than Declarant shall be entitled to cast one (1) vote for each Lot owned on the day of the vote. Until such time as the total number of votes of Owners other than Declarant exceeds the number of votes of Declarant calculated at six (6) votes for each Lot which Declarant owns, or the period of ten (10) years from the date of recording this Declaration, whichever is longer, the Declarant shall be entitled to cast six (6) votes for each Lot which Declarant owns. Thereafter the Declarant shall be entitled to cast one (1) vote for each Lot owned.

Fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter being put to a vote. When an Owner casts a vote, it will thereafter be presumed conclusively for all purposes that such Owner was acting with authority and consent of all joint owners of the Lot(s) from which the vote derived. The right to vote may not be severed or separated from the ownership of the Lot to which it is appurtenant, except that any Owner may give a revocable proxy, or may assign such Owners right to vote to a lessee, mortgagee, beneficiary, or contract purchaser of the building lot concerned, for the term of the lease, mortgage, deed of trust, or contract. Any sale, transfer, or conveyance of such Lot to a new Owner shall operate automatically to transfer the appurtenant voting right to the Owner, subject to any assignment of the right to vote to a lessee, mortgagee, or beneficiary as provided herein.

5.2.2 Meetings of Sub-Association. Each year the Sub-Association shall hold at least one (1) meeting of the Members immediately prior to the annual meeting of the Association; provided, however, that such meeting shall occur no later than November 1 each year. Special meetings of the Sub-Association may be called by a resolution of the Board, or upon the direction of the Declarant, or upon a request signed by Members other than the Declarant who are entitled to vote one-fourth (1/4) of all

the votes of the Sub-Association. No business shall be transacted at a special meeting except as stated in the notice of the meeting.

Only Members shall be entitled to attend Sub-Association meetings, and all other persons may be excluded. Notice for all Association meetings, regular or special, shall be given by regular mail or electronic mail (as designated by the Member) to all Members, not less than ten (10) days, nor more than thirty (30) days, before the meeting and shall set forth the place, date, and hour of the meeting and the nature of the business to be conducted. All meetings shall be held within the Property or as close thereto as practical at a reasonable place selected by the Board. Minutes or a similar record of the proceedings of meetings, when signed by the Board, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

5.2.3 Quorum. The presence at any meeting in person of the Declarant during the period it is entitled to six (6) votes per lot, and the presence of Owners holding at least thirty percent (30%) of the total votes of all Owners, shall constitute a quorum. Thereafter, the presence of Owners (including Declarant) holding at least fifty one percent (51%) of the total votes of all Owners, shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present may adjourn the meeting to a time not more than thirty (30) days from the time the original meeting was scheduled for a quorum to be present. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

5.2.4 Proxies. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary at least twenty-four (24) hours before the appointed time of each meeting. Every proxy shall be revocable at the pleasure of the Member who executed the proxy and shall automatically cease after completion of the meeting of which the proxy was filed, if filed for a particular meeting. In no event shall a proxy be valid after eleven (11) months from the date of its execution.

5.2.5 Action Without Meeting. Any action, which may be taken at a meeting of the Sub-Association, may be taken without a meeting if authorized in writing signed by all of the Members who would be entitled to vote at a meeting for such purpose, and filed with the Sub-Association. Any action so approved shall have the same effect as though taken at a meeting of the Members.

5.3 Powers. The Sub-Association shall have all the powers of an

unincorporated non-profit association organized under the general laws of the State of Idaho subject only to such limitations upon the exercise of such powers as are expressly set forth in this Supplemental Declaration. The Sub-Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Sub-Association under Idaho law and under this Supplemental Declaration, and to do and perform any and all acts which may be necessary to, proper for, or incidental to the proper management and operation of the Sub-Association's Common Area and the Sub-Association's other property and affairs and the performance of the other responsibilities herein assigned, including without limitation:

5.3.1 Assessments. The power to levy Assessments on any Owner or any portion of the Property and to force payment of such Assessments, all in accordance with the provisions of this Supplemental Declaration.

5.3.2 Right of Enforcement. The power and authority from time to time in its own name, on its own behalf or on behalf of any Owner who consents thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Supplemental Declaration, including the Design Guidelines, Construction Regulations, and the Sub-Association Rules adopted pursuant to this Supplemental Declaration, and to enforce by injunction or otherwise, all provisions hereof.

5.3.3 Delegation of Powers. The authority to delegate its power and duties to committees, officers, employees, or to any person, firm, or corporation to act as manager, and to contract for the maintenance, repair, replacement, and operation of the Sub-Association's Common Area and other property. Neither the Sub-Association nor its Members shall be liable for any omission or improper exercise by the manager or independent contractor of any such duty or power so delegated.

5.3.4 Sub-Association Rules. The power to adopt, amend, and repeal by majority vote of the Members such rules and regulations as the Sub-Association deems reasonable. The Sub-Association may govern the use of the Sub-Association's Common Areas and other property of the Sub-Association, including, but not limited to, the use of private streets, paths, and/or waterways by the Owners, their families, invitees, licensees, lessees, or contract purchasers; provided, however, that any Sub-Association Rules shall apply equally to all Owners and shall not be inconsistent with the Articles or this Supplemental Declaration. A copy of the Sub-Association Rules as they may from time to time be adopted, amended, or repealed, shall be mailed or otherwise delivered to each Owner. Upon such mailing or delivery, the Sub-Association Rules shall have the same force and effect as if they were set forth in and were a part of this Supplemental

Declaration. In the event of any conflict between such Sub-Association Rules and any other provisions of the Articles or this Supplemental Declaration, the provisions of the Sub-Association Rules are inferior to and superseded by the provisions of the Articles, or this Supplemental Declaration to the extent of any such inconsistency.

5.3.5 Emergency Powers. The power, exercisable by the Association or by any person authorized by it, to enter upon any property (but not inside any building constructed thereon) in the event of any emergency involving illness or potential danger to life or property or when necessary in connection with any maintenance or construction for which the Association is responsible. Such entry shall be made with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Sub-Association.

5.4 Duties. In addition to duties necessary and proper to carry out the powers delegated to the Sub-Association by the Articles and this Supplemental Declaration, without limiting the generality thereof, the Sub-Association or its agent, if any, shall have the authority and the obligation to conduct all business affairs of the Sub-Association and to perform, without limitation, each of the following duties:

5.4.1 Operation and Maintenance of the Common Area. Operate, maintain, and otherwise manage, or provide for the operation, maintenance, and management of, the Sub-Association's Common Area and other property of the Sub-Association, including the repair and replacement of property damaged or destroyed by casualty loss. Specifically, the Sub-Association shall, at Declarant's sole discretion, operate and maintain all properties owned by Declarant which are designated by Declarant for temporary or permanent use by Members of the Sub-Association. The Sub-Association's Common Area specifically includes ingress and egress easements.

5.4.2 Reserve Accounts. Establish and fund a reserve account(s) with a reputable banking institution or association authorized to do business in the State of Idaho, which reserve account(s) shall be dedicated to operation costs, including legal fees, capital expenditures, and the costs of repair, replacement, maintenance and improvement of the Sub-Association's Common Area or other property of the Sub-Association.

5.4.3 Maintenance of Berms Retaining Walls and Fences. Maintain the berms, retaining walls, fences, and water amenities (waterways, ponds, fountains, etc.) within and abutting the Sub-Association's Common Area or other property of the Sub-Association.

5.4.4 Taxes and Assessments. Pay all real and personal property taxes and assessments separately levied against the Sub-Association's Common Area, the Sub-Association, and/or any other property owned by the Sub-Association. Such taxes and assessments may be contested or compromised by the Sub-Association, provided, however, that such taxes and assessments are paid or a bond insuring payment is posted prior to the sale or disposition of any property to satisfy the payment of such taxes and assessments. In addition, the Sub-Association shall pay all other federal, state, or local taxes, including income or corporate taxes levied against the Sub-Association, in the event that the Sub-Association is denied the status of a tax exempt corporation.

5.4.5 Water and Other Utilities. Acquire, provide, and/or pay for water (potable and/or irrigation), sewer, garbage disposal, refuse and rubbish collection, electrical, cable, television, telephone, and gas, and other similar services, for the Sub-Association's Common Area, and manage for the benefit of the Sub-Association all domestic, irrigation, and amenity water rights and rights to receive water held by the Sub-Association, whether such rights are evidenced by license, permit, claim, stock ownership, or otherwise. The Sub-Association shall maintain, repair, and operate utilities not otherwise maintained which are located on the Property.

5.4.6 Enforcement of Covenants and Rules. Perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably advisable or necessary to enforce any of the provisions of this Supplemental Declaration and/or Sub-Association Rules, including, without limitation, the recordation of any claim of lien or notice of assessment with the County Recorder, as more fully provided herein.

5.4.7 Operation and Maintenance of Facilities. Operate, maintain, repair, replace and otherwise manage, or provide for the operation, maintenance, repair, replacement and management of the roads, streets, stormwater system, trails, and other non-public areas within Blocks 3A, 3B, 3C, and/or 3D. Notwithstanding any provision to the contrary, this duty may not be amended or modified without the express written consent and approval of the Association and the City of Dover in accordance with the Planned Unit Development approval.

5.5 Board of Directors. The affairs of the Sub-Association shall be conducted and managed by a Board of Directors ("Board") as may be elected or appointed, in accordance with the Articles and this Supplemental Declaration including Bylaws, as the same may be amended from time to time.

5.5.1 Number and Qualification. The Board of Directors

shall consist of at least three (3) persons, who must be Members of the Sub-Association, except for Directors appointed by the Declarant.

5.5.2 Powers and Duties. The Board of Directors has the powers and duties necessary for the administration of the affairs of the Sub-Association, and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done exclusively by the Owners or the Members.

5.5.3 Special Powers and Duties. Without prejudice to such foregoing general powers and duties, and such powers and duties as set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

(a) To select, appoint and remove all agents, employees, consultants, and independent contractors of the Sub-Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles, and this Declaration including Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board of Directors.

(b) To conduct, manage and control the affairs and business of the Sub-Association, and to make and enforce such rules and regulations therefor consistent with law, with the Articles, this Supplemental Declaration including Bylaws, the Declaration, as the Board of Directors may deem necessary or advisable.

(c) To borrow money and to incur indebtedness for the purposes of the Sub-Association, and to cause to be executed and delivered therefor, in the Sub-Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidence of debt and securities therefor; subject, however, to the limitations set forth in the Articles and this Supplemental Declaration including Bylaws.

(d) To fix and levy from time to time Regular Assessments, Special Assessments, and Limited Assessments upon the Owners; to determine and fix the due date for the payment of such Assessments, and the date upon which the same shall become delinquent; provided, however, that such Assessments shall be fixed and levied only to provide for the payment of the expenses of the Sub-Association, and of the taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Sub-Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of

such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Sub-Association for the general benefit and welfare of the Owners, in accordance with the provisions of this Declaration including Bylaws. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided adequate reserves for replacements as the Board of Directors shall deem to be necessary or advisable in the interest of the Sub-Association or welfare of the Owners. The funds collected by the Board of Directors from the Owners, attributable for replacement reserves, for maintenance recurring less frequently than annually, and for capital improvements and equipment, shall at all times be held in trust for the Owners and shall not be commingled with other Assessments collected from the Owners. Such Regular Assessments, Special Assessments and Limited Assessments shall be fixed in accordance with the provisions of the Supplemental Declaration. Should any Owner fail to pay such Assessments before delinquency, the Board of Directors in its discretion, is authorized to enforce the payment of such delinquent Assessments as provided in this Supplemental Declaration.

(e) To enforce the provisions of this Supplemental Declaration including Bylaws covering the Property or other agreements of the Sub-Association.

(f) To operate, maintain and otherwise manage or provide for the operation, maintenance and management of the Sub-Association's Common Area, and to contract for and pay maintenance, gardening, utilities, equipment, materials and supplies, and services relating to the Sub-Association's Common Area, if any, and to employ personnel necessary for the operation of the Common Area, if any, including legal and accounting services, and to contract for and pay for improvements and any recreational facilities on the Sub-Association's Common Area, if any.

(g) To grant easements where necessary for utilities and sewer facilities over the Sub-Association's Common Area to serve the Property.

5.5.4 Management Agent. The Board of Directors may contract or employ for the Sub-Association a management agent ("Manager") at a compensation established by the Board of Directors to perform such duties and services as the Board of Directors shall authorize, including, but not limited to the duties and powers. Said Manager may be the same Manager designated by the Association.

5.5.5 Nomination, Election and Term of Office. A nomination committee shall make nomination for election to the Board of Directors. Nominations may also be made from the floor at the annual meeting. The nomination committee shall consist of a chairman, who shall be a member of the Board of Directors, and two (2) or more Members of the Sub-Association. The Board of Directors shall appoint the nominating committee prior to each annual meeting of the members, to serve from the close of such annual meeting until the close of the next annual meeting, and such appointment shall be announced at each annual meeting. The nomination committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members.

At the first annual meeting of the Sub-Association, and thereafter at each annual meeting of the Sub-Association, new Directors shall be elected by secret written ballot by a majority (at least 51%) of Members present at such meeting as provided herein. Cumulative voting is not permitted. The term of the Directors shall be for one (1) year. In the event that an annual meeting is not held, or the Directors are not elected thereat, the Directors may be elected at any special meeting held for that purpose. Each Director shall hold office until a successor has been elected or until death, resignation, removal or judicial adjudication of mental incompetence. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms during which a Director may serve.

5.5.6 Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum, and each person so elected shall be a Director until a successor is elected at the next annual meeting, or at a special meeting called for that purpose. A vacancy or vacancies shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in the case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place.

5.5.7 Removal of Directors. At any regular or special meeting of the Sub-Association duly called, any one or more of the Directors may be removed with or without cause by a Majority of Members and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed, new Directors may be elected at the same meeting.

5.5.8 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

5.5.9 Special Meetings. Special meetings of the Board of Directors may be called by the Chairman, or, if the Chairman is absent or refuses to act, by any two (2) Directors. At least two (2) days, notice shall be given to each Director, personally or by U.S. mail, electronic mail, or telephone, which notice shall state the time, place, and the purpose of the meeting. Whenever any Director has been absent from any special meeting of the Board of Directors, an entry in the minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

5.5.10 Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may in writing waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board of Directors shall be waiver of notice by that Director of the time and place thereof. If all Directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present, and if, either before or after the meeting, each of the Directors not present signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

5.5.11 Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.5.12 Action Without Meeting. The Directors shall have the right to take any action in the absence of a meeting, which they could take at a meeting by obtaining the vote or written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

5.5.13 Fidelity Bonds. The Board of Directors shall require that all officers and employees of the Association handling or responsible for the Sub-Association funds shall furnish adequate fidelity bonds. The Sub-Association shall pay the premium on such bonds.

5.5.14 Committees. The Board of Directors, by resolution, may from time to time designate such committees as the Board of Directors shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing a committee shall provide for the appointment of its members, as well as a chairperson, shall state the purpose of the committee, and shall provide for reports, termination, and other administration matters as deemed appropriate by the Board of Directors.

5.5.15 Books, Budget, Financial Statements and Audit. The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Sub-Association in a manner consistent with generally accepted accounting principles. The Sub-Association will provide an audited statement for the preceding fiscal year if the holder, insurer or guarantor of any first mortgage that is secured by a Lot submits a written request for it. A copy of each audit shall be delivered to each Member within thirty (30) days after the completion of such audit. An annual operating statement reflecting income and expenditures of the Association shall be distributed to each Member within ninety (90) days after the end of each fiscal year, and to first mortgagees who have in writing requested notice of Sub-Association proceedings. The Board of Directors also shall cause an annual operating budget.

5.6 Personal Liability. No Member of the Board, or member of any committee of the Sub-Association, or any officer of the Sub-Association, or the Declarant, or the manager, if any, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss, or prejudice suffered or claimed on the account of any act, omission, error, or negligence of the Sub-Association, the Board, the manager, if any, or any other representative or employee of the Sub-Association, the Declarant, or any other committee, or any owner of the Sub-Association, or the Declarant, provided that such person, upon the basis of such information as may be possessed by such person, has acted in good faith without willful or intentional misconduct.

5.7 Indemnification and Reimbursement. Any person made or threatened to be made a party to any judicial or administrative action, suit, or proceeding on the basis of actions taken while such person is or was a Director, employee, or agent of the Sub-Association or Board shall be indemnified by the Sub-Association against all expenses (other than tax penalties, or expenses of collection), including attorneys' fees reasonably incurred in the defense of any such action, suit, or proceeding. However, indemnification shall be provided only if such person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Sub-Association; and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. The Sub-Association will not indemnify for acts or omissions that involve intentional misconduct, knowing violation of law, or for any transaction from which the particular party will personally receive a benefit in money, property or services to which that person is not legally entitled. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the Sub-Association; and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful. The foregoing rights of indemnification shall not be exclusive of any other rights which any director, employee, or agent may have as a matter of law or under any agreement. Furthermore, all rights of indemnification shall continue as to a person who has ceased to be a director, employee, or agent; and, in the event of death, shall inure to the benefit of the person's legal representatives, heirs, successors, and assigns.

5.8 Compensation. No compensation shall be paid to Directors. However, the Board of Directors may reimburse Directors, and Members for reasonable expenses actually incurred in carrying out assigned duties.

5.9 Books and Records. The Board shall keep accurate and complete books and records of account and shall keep minutes of the proceedings of the Members, the Board, the Manager, and committees. Any Member or Director may upon request and during reasonable business hours, inspect all books and records of the Association for any proper purpose. This Supplemental Declaration, and any rules or regulations promulgated, together with such other items as are required by law, shall be available for inspection by any Member. The Board by rule from time to time may set reasonable charges for copies of instruments, preparation and recording of amendments, statements as to unpaid assessments, and similar services. The books and records of the Association shall be on a calendar year January 1 through December 31.

ARTICLE 6: RELATION TO MASTER ASSOCIATION AND COVENANTS

6.1 Applicability. The provisions of the Supplemental Declaration for a specific area or portion of the PUD, is subordinate to the Declaration, except as expressly set forth herein.

ARTICLE 7: ASSESSMENTS

7.1 Covenant to Pay Assessments. By acceptance of a deed to any Lot or portion of the Property, each Owner of such property hereby covenants and agrees to pay when due all Assessments or charges made by the Association, including all Regular, Special, and Limited Assessments and charges made against such Owner pursuant to the provisions of this Declaration including Bylaws or other applicable instrument.

7.1.1 Assessment Constitutes Lien. Such Assessments and charges, together with interest, costs, and reasonable attorney's fees which may be incurred in collecting the same, shall be a charge on each Lot and shall be a continuing lien upon the property against which each such Assessment or charge is made, regardless of who owns the property.

7.1.2 Assessment is Personal Obligation. Each such Assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the Owner of such property beginning with the time when the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to such Owner's successors in title unless expressly assumed by them but shall remain such Owner's personal obligation regardless of whether he remains an Owner.

7.2 Regular Assessments. All Owners, including the Declarant, are obligated to pay Regular Assessments to the Sub-Association on a schedule of payments established by the Board.

7.2.1 Purpose of Regular Assessments. The proceeds from Regular Assessments are to be used to pay for all costs and expenses incurred by the Sub-Association, including legal and attorney fees and other professional fees, for the conduct of its affairs, including without limitation the costs and expenses of construction, improvement, protection, maintenance, repair, management, and operation of the Sub-Association's Common Areas, including all Improvements located on such areas owned and/or managed and maintained by such Sub-Association, and an amount allocated to an adequate reserve fund to be used for repairs, replacement, maintenance, and improvement of those elements of the Sub-Association's Common Area, or other property of the Sub-Association that must be replaced and maintained on a regular basis (collectively "Expenses"). Regular Assessments are also to be used to pay for all costs and expenses incurred by the Sub-

Association to operate, maintain, repair, replace and otherwise manage, or provide for the operation, maintenance, repair, replacement and management of the yards and landscaping features upon each and every Lot within Blocks 3A, 3B, 3C, and/or 3D regardless of the size of any particular Lot or the size of any particular structure upon any particular Lot, and regardless of the size of the respective yard and landscaping features upon any particular Lot.

7.2.2 Computation of Regular Assessments. The Sub-Association shall compute the amount of its Expenses on an annual basis. The Board shall compute the amount of Regular Assessments owed not less than thirty (30) nor more than sixty (60) days before the beginning of each fiscal year of the Sub-Association.

7.2.3 Amounts Paid by Owners. The Board can require, in its discretion payment of Regular Assessments in monthly, quarterly, semi-annual, or annual installments. The Regular Assessment to be paid by any particular Owner, except Declarant, for any given fiscal year shall be computed with each Owner being assessed and paying an amount computed by multiplying the Sub-Association's total advance estimate of Expenses by the fraction produced by dividing the Lots in the Property attributable to the Owner by the total number of Lots in the Property.

7.3 Special Assessments. In the event that the Board shall determine that the Regular Assessment for a given calendar year is or will be inadequate to meet the Expenses of the Sub-Association for any reason, including but not limited to costs of construction, reconstruction, unexpected repairs or replacement of capital improvements upon the Sub-Association's Common Area, attorney's fees and/or litigation costs, other professional fees, or for any other reason, the Board thereof shall determine the approximate amount necessary to defray such Expenses and levy a Special Assessment against the Property which shall be computed in the same manner as Regular Assessments. No Special Assessment shall be levied which exceeds twenty percent (20%) of the budgeted gross Expenses of such Sub-Association for that fiscal year, without the vote or written assent of the Owners representing a majority of the votes of the Members of the Sub-Association. The Board shall, in its discretion, determine the schedule under which such Special Assessment will be paid. Every Special Assessment levied by and for the Association shall be levied and paid upon the same basis as that prescribed for the levying and payment of Regular Assessments. Notwithstanding the foregoing, Special Assessments may be established for initial setup, transfer, or other similar type fees for Sub-Association operations.

7.4 Limited Assessments. Notwithstanding the above provisions with respect to Regular and Special Assessments, the Board may levy a Limited Assessment against a Member as a remedy to reimburse the Association for costs incurred in bringing the Member and/or such

Member's Lot or restricted Common Area into compliance with the provisions of the Articles, this Supplemental Declaration including Bylaws, the Plat(s), or other instruments regarding the Property, including the Declaration.

7.5 Uniform Rate of Assessment. Unless otherwise specifically provided herein, Regular and Special Assessments shall be fixed at a uniform rate per Lot for all Members of the Sub-Association.

7.6 Assessment Period. Except for the first Assessment period, the Assessment period shall commence on January 1st of each year and terminate December 31st of the year. The first Assessment shall be pre-rated according to the number of months remaining in the first fiscal year.

7.7 Notice and Assessment Due Date. Ten (10) days' prior written notice of Regular and Special Assessments shall be sent to the Owner of every Lot subject thereto. The due dates for installment payment of Regular Assessments and Special Assessments shall be the first day of each month unless some other due date is established by the Board. Each monthly installment of the Regular Assessment or Special Assessment shall become delinquent if not paid within ten (10) days after the levy thereof. Each installment payment which is delinquent for more than twenty (20) days shall accrue interest at eighteen percent (18%) per annum calculated from the date of delinquency to and including the date full payment is received by the Sub-Association. The Sub-Association may bring an action against the delinquent Owner and may foreclose the lien against such Owner's Lot as more fully provided herein. Each Owner is personally liable for Assessments, together with all interest, costs and attorney's fees, and no Owner may exempt such Owner from such liability by a waiver of the use and enjoyment of the Sub-Association's Common Areas, or by lease or abandonment of such Owner's Lot.

7.8 Estoppel Certificate. The Sub-Association, upon at least twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request, a statement in writing stating whether or not, to the knowledge of the Sub-Association, a particular Lot or Owner is in default under the provisions of this Declaration, and further stating the dates to which any Assessments have been paid by the Owner and/or regarding the Lot. Any such certificate delivered pursuant to this paragraph may be relied upon by any prospective purchaser or mortgagee of the Lot. Reliance on such certificate may not extend to any default as to which the Sub-Association shall have had no actual knowledge.

7.9 Special Notice and Quorum Requirements. Notwithstanding anything to the contrary, written notice of any meeting called for the purpose of levying a Special Assessment, or for the purpose of obtaining a membership vote in connection with an increase in the Regular Assessment, shall be sent to all Members of the Sub-

Association, not less than fifteen (15) days nor more than thirty (30) days before such meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of the total votes of the Sub-Association shall constitute a quorum. If such quorum is not present, subsequent meetings may be called subject to the same notice requirement, and the required quorum at the subsequent meetings shall be fifty percent (50%) of the quorum required at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

ARTICLE 8: ENFORCEMENT OF ASSESSMENT; LIENS

8.1 Right to Enforce. The Sub-Association has the right to collect and enforce its Assessments pursuant to the provisions hereof. Each Owner of a Lot, upon becoming an Owner of such Lot, shall be deemed to covenant and agree to pay each and every Assessment provided for in this Supplemental Declaration and agrees to the enforcement of all Assessments in the manner herein specified. In the event an attorney or attorneys are employed for the collection of any Assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay reasonable attorney's fees in addition to any other relief or remedy obtained against such Owner. The Board or its authorized representative may enforce the obligations of the Owners to pay such Assessments by commencement and maintenance of a suit at law or in equity, or the Board may exercise the power of foreclosure and sale to enforce the liens created hereby, or by any other remedy provided at law or in equity. A suit to recover a money judgment for an unpaid Assessment may be maintained without foreclosing or waiving the lien hereinafter provided.

8.2 Assessment Liens.

8.2.1 Creation. There is hereby created a lien with power of sale on each and every Lot to secure payment of any and all Assessments levied against such Lot pursuant to this Supplemental Declaration together with interest thereon and all costs of collection which may be paid or incurred by the Sub-Association making the Assessment in connection therewith, including actual attorney's fees. All sums assessed in accordance with the provisions of this Supplemental Declaration shall constitute a lien on such respective Lot upon recordation of a notice of delinquent assessment with the Bonner County Recorder. Such lien shall be prior and superior to all other liens or claims created subsequent to the recordation of the notice of delinquent assessment except for tax liens for real property taxes on any Lot and other assessments any Lot in favor of any municipal or other governmental assessing body which, by law, would be superior thereto.

8.2.2 Notice of Delinquent Assessment. Upon default of any Owner in the payment of any Regular, Special or Limited Assessment issued hereunder, the Sub-Association may cause to be recorded in the office of the Bonner County Recorder a notice of delinquent assessment which shall state the amount of such delinquent sums and other authorized charges (including the cost of recording such notice), a sufficient description of the Lot(s) against which the same have been assessed, and the name of the record Owner thereof. Each delinquency shall constitute a separate basis for a notice of delinquent assessment, but any number of delinquencies may be included within a single notice. Upon payment to the Sub-Association of such delinquent sums and charges in connection therewith or other satisfaction thereof, the Sub-Association shall cause to be recorded a further notice stating the satisfaction or relief of such delinquent sums and charges. The Sub-Association may demand and receive the cost of preparing and recording such release before recording the same.

8.3 Method of Foreclosure. Such lien may be foreclosed by appropriate action in court or by power of sale by the Sub-Association, its attorney or other person authorized to make the sale. Such power of sale shall be conducted in accordance with the provisions of the Idaho Code applicable to the exercise of powers of sale permitted by law for the foreclosure of a deed of trust. The Board is hereby authorized to appoint its attorney, any director of the Association (or the Manager), or any title company authorized to do business in Idaho as trustee for the purpose of conducting such power of sale or foreclosure.

8.4 Subordination to Certain Mortgages or Deeds of Trust. The lien for the Assessments provided for herein in connection with a given Lot shall not be subordinate to the lien of any deed of trust or mortgage except the lien of a first deed of trust or first mortgage given and made in good faith and for value that is of record as an encumbrance against such Lot prior to the recordation of a notice of delinquent assessment.

8.5 Sale or Transfer. The sale or transfer of any Lot shall not affect the assessment lien provided for herein, nor the creation thereof by the recordation of a notice of delinquent assessment, on account of the assessments becoming due whether before, on, or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner (prior, present, or future) for delinquent assessments as provided for in this Declaration.

ARTICLE 9: INSURANCE

The Sub-Association shall maintain in effect, to the extent reasonably available from reputable insurance companies authorized to do business in the State of Idaho, any insurance policy the Board

deems necessary or advisable, including, without limitation, the following policies of insurance:

(a) Fire insurance, including those risks embraced by coverage of the type known as the broad form "All Risk" or special extended coverage endorsement on a blanket agreed amount basis for the full insurable replacement value of all Improvements, equipment, and fixtures located within the Sub-Association's Common Area.

(b) Comprehensive public liability insurance insuring the Board, the Sub-Association, the Declarant, and the individual grantees and agents and employees of each of the foregoing, against any liability incident to the ownership and/or use of the Sub-Association's Common Area. Limits of liability of such coverage shall be not less than One Million Dollars and No Cents (\$1,000,000.00) per person, and One Million Dollars and No Cents (\$1,000,000.00) per occurrence, with respect to personal injury or death, and One Million Dollars and No Cents (\$1,000,000.00) per occurrence with respect to property damage.

(c) Full coverage directors' liability insurance with a limit of at least Two Hundred Fifty Thousand Dollars and No Cents (\$250,000.00).

(d) Such other insurance, including motor vehicle insurance and Workmen's Compensation Insurance, to the extent necessary to comply with all applicable laws and indemnity, faithful performance, fidelity, and other bonds as the Board shall deem necessary or required to carry out the Sub-Association functions or to insure the Sub-Association against any loss from malfeasance or dishonesty of any employee or other person charged with the management or possession of any Sub-Association funds or other property.

The Sub-Association shall be deemed trustee of the interests of all Owners in connection with any insurance proceeds paid to the Sub-Association under such policies, and shall have full power to receive such Owner's interests in such proceeds and to deal therewith.

Insurance premiums for the above insurance coverage shall be deemed a common expense to be included in the Regular Assessments levied by the Sub-Association.

ARTICLE 10: EASEMENTS

10.1 Access Easements. All Owners of a Lot have a perpetual easement for access, ingress and egress over the Sub-Association's Common Area, including but not limited to the private streets, cul-de-sacs, trails, walkways, and waterways. This easements shall run with the land. Such easements may be used by Declarant, and by all Owners,

their guests, tenants and invitees, residing on or temporarily visiting the property, for pedestrian walkways, vehicular access and such other purposes reasonably necessary for the use and enjoyment of a Lot.

ARTICLE 11: MISCELLANEOUS

11.1 Term of Easements. The easements created hereunder shall be perpetual, subject only to extinguishment by the holders of such easements as provided by law.

11.2 Term of Covenants. The covenants, conditions, restrictions, equitable servitudes, and the like created hereunder shall run for a period of thirty years from the date of recording of the Declaration, unless amended as herein provided and shall thereafter be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by Members holding at least seventy-five percent (75%) of the voting power of the Sub-Association and such written instrument is recorded with the Bonner County Recorder.

11.3 Amendment. Except where a greater percentage is required by an express provision in this Supplemental Declaration, the provisions of this Supplemental Declaration may be amended by a written instrument signed and acknowledged by the Board of Directors for the Sub-Association certifying and attesting that such amendment has been approved by the vote or written consent of Owners representing at least sixty-seven percent (67%) of the votes in the Sub-Association, and such amendment shall be effective upon its recordation with the Bonner County Recorder. Any amendment to a required percentage of an express provision in this Supplemental Declaration shall require the vote or written consent of Members holding at least ninety-five percent (95%) of the voting power of the Sub-Association, and in no event shall be amended to be less than fifty-one percent (51%).

Any amendment of this Supplemental Declaration approved in the manner specified above shall be binding on and effective as to all Owners and their respective properties notwithstanding that such Owners may not have voted for or consented to such amendment. Such amendments may add to and increase the covenants, conditions, restrictions, and easements applicable to the Property but shall not prohibit or unreasonably interfere with the allowed uses of an Owner's property which existed prior to the said amendment.

11.4 Mortgage Protection. Notwithstanding any other provision of this Declaration, no amendment of this Supplemental Declaration shall operate to defeat or render invalid the rights of the beneficiary under any first deed of trust or a mortgagee under any first mortgage upon a Lot made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after foreclosure of any such first deed of trust or mortgage such Lots shall remain subject to

this Supplemental Declaration, as amended.

11.5 Notices. Any notices permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by U.S. mail. If delivery is made by U.S. mail, it shall be deemed to have been delivered seventy-two (72) hours after the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Sub-Association. Such address for any person may be changed from time to time by notice in writing given to the Sub-Association.

11.6 Enforcement and Non-Waiver.

11.6.1 Right of Enforcement. Except as otherwise provided herein, any Owner of any Lot shall have the right to enforce any or all of the provisions hereof against any property within the Property and Owners thereof.

11.6.2 Violations and Nuisances. The failure of any Owner of a Lot to comply with any provision of this Supplemental Declaration with Bylaws, or with any provision of the Articles, or any provision of any applicable Plat, is hereby declared a nuisance and will give rise to a cause of action in the Declarant, the Association, the Sub-Association, or any Owner within the Property for recovery of damages or for negative or affirmative injunctive relief or both. However, any other provision to the contrary notwithstanding, only Declarant, the Sub-Association, the Board, or a duly authorized agent of any of them, may enforce by self-help any of the provisions hereof only if such self-help is preceded by reasonable notice to the Owner.

11.6.3 Violation of Law. Any violation of any state, municipal, or local law, ordinance, or regulation pertaining to the ownership, occupation, use, or any activity upon any property within the Property is hereby declared to be a violation of this Supplemental Declaration and subject to any or all of the enforcement procedures set forth in this Supplemental Declaration and any or all enforcement procedures in law and equity.

11.6.4 Remedies Cumulative. Each remedy provided herein is cumulative and not exclusive.

11.6.5 Non-Waiver. The failure to enforce any of the provisions herein at any time shall not constitute a waiver of the right to enforce any such provision at any time.

11.7 Interpretation. The provisions of this Supplemental Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Property, including the PUD. This Supplemental Declaration shall be construed and governed under the laws of the State of Idaho.

11.7.1 Covenants Construed Together. All of the provisions hereof shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Property as set forth in this Supplemental Declaration and for the PUD.

11.7.2 Covenants Severable. Notwithstanding the provisions of the foregoing paragraph, each of the provisions of this Supplemental Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision herein.

11.7.3 Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural singular, and the masculine, feminine, or neuter shall each include the masculine, feminine, and neuter.

11.7.4 Captions. All captions and titles used in this Supplemental Declaration are intended solely for convenience or reference and shall not affect that which is set forth in any of the provisions hereof.

11.8 Successors and Assigns. All references herein to Declarant, Owners, Association, Sub-Association, or person shall be construed to include all successors, assigns, and authorized agents of such Declarant, Owners, Association, Sub-Association, or person.

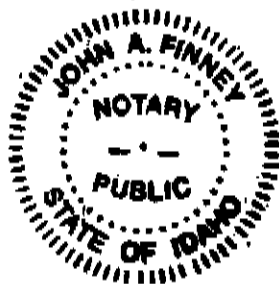
IN WITNESS WHEREOF, the Declarant has executed this Declaration effective on the date of recording in the real estate records of Bonner County, Idaho.

DECLARANT:

[Signature]
DOVER BAY DEVELOPMENT, INC.
By: RALPH M. SLETAGER, JR.
Its: President

STATE OF IDAHO)
) ss.
COUNTY OF BONNER)

On this 6th day of June, 2007, before me, the undersigned Notary Public, personally appeared, RALPH M. SLETAGER, JR., proved to me on the basis of satisfactory evidence, to be the President of DOVER BAY DEVELOPMENT, INC. that executed the instrument or the person who executed the instrument on behalf of the corporation and acknowledged to me that such corporation executed the same.



[Signature]
Notary Public-State of Idaho
Residing at: Sandpoint
My Commission Expires: 10-15-2008