

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
KING'S PINES ESTATES III**

THIS DECLARATION is made on the date hereinafter set forth by **KING'S PINES ESTATES, INC.**, an Idaho Corporation, hereafter referred to as "Declaration".

WITNESSETH

WHEREAS, Declarant is the owner of certain real property in Adams County, State of Idaho, hereinafter referred to as "the Existing Property", more particularly described as follows:

KING'S PINES ESTATES III, according to the official plat thereof, recorded in BOOK 2 at Page 30, as Instrument No. 98391, recorded on the 24TH day of JULY, 2000, records of Adams County, Idaho.

Such property, together with any property which is annexed thereto by Declarant, pursuant to the terms of this Declaration, shall be referred to in this Declaration as "the Property". The "Existing Property", when used in this Declaration, refers to only that property identified above; and,

WHEREAS, Declarant desires to subject the above described Property to certain protective covenants, conditions, restrictions, reservations, easements, liens, and changes for the benefit of the Property and the present and subsequent Owners as hereinafter specified, and will convey the Property subject thereto;

NOW, THEREFORE, Declarant hereby declares that all of the Property above described shall be held, sold and conveyed upon and subject to the easements, conditions, covenants, restrictions and reservations hereinafter set forth, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of, and which shall run with the Property and be binding on all parties now or hereafter having any right, title or interest therein or to any part hereof, and shall inure to the benefit of each owner thereof.

ARTICLE I: DEFINITIONS

The following terms shall have the following meanings:

Section 1.1 "Association" shall mean and refer to the King's Pines Estates III Homeowners' Association, Inc., a non-profit corporation organized under the laws of the State of Idaho, its successors and assigns corporation organized under the laws of the State of Idaho, its successors and assigns.

Section 1.2 "Existing Property" shall mean that certain real property described above. **"The Property"** or the **"the Subdivision"** shall mean the Existing Property, together with any additional properties which are annexed to the Existing Property pursuant to Section 12.2 herein.

Either term shall include any improvements now or hereafter made on such real property and appurtenances and rights to such real property.

Section 1.3 "Lot" or "Lots" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property.

Section 1.4 "Common Area" shall mean that area designated as Common Area on the plat.

Section 1.5 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is part of the Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.6 "Declarant" shall mean and refer to **KING'S PINES ESTATES, INC.**, an Idaho Corporation, its successors, heirs and assigns, if such successors, heirs or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 1.7 "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Property recorded in the office of the County Recorder of Adams County, State of Idaho

Section 1.8 "Dwelling Unit" shall mean that portion or part of any structure intended to be occupied by one family as a dwelling unit, together with the vehicular parking garage next thereto, and all projections therefrom.

Section 1.9 "Building-Site" shall mean that area designated as the Building Envelope on the plat, and within which all dwelling units must be constructed.

Section 1.10 "Improvement" shall mean any structure, facility or system, or other improvement or object, whether permanent or temporary, which is erected, constructed or placed upon, under or if any portion of the Property, including but not limited to buildings, fences, streets, drives, driveways, sidewalks, bicycle paths, curbs, landscaping, signs, lights, mail boxes, electrical lines, pipes, pumps, ditches, waterways,

Section 1.11 "Mortgage" shall mean any mortgage, deed of trust or other security instrument by which a Dwelling Unit or any part thereof is encumbered.

Section 1.12 "Plat" shall mean the final plat, filed of record with the Adams County Office of Recorder against the Existing Property or the Property (amended by duly recorded amendments thereto).

Section 1.13 "Mortgagee" shall mean any person or any successor to the interest of such person named as the mortgagee, trust beneficiary or creditor under any Mortgage, as Mortgage is defined in Section 11.

Section 1.14 "First Mortgage" shall mean any mortgagee, as defined in Section 13, possessing a lien on any Dwelling Unit first and prior to any other Mortgage, as that term is defined in Article 11.

Section 1.15 "Institutional Holder" shall mean a mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency .

ARTICLE 2: HOMEOWNERS' ASSOCIATION

Section 2.1 Membership: Every Owner of a Lot which is subject to assessment shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the payment of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment. Such ownership shall be the sole qualification for membership and shall automatically commence upon a person becoming such Owner and shall automatically terminate and lapse when such ownership in said property shall terminate or be transferred.

Section 2.2 Voting Rights: The Association shall have two classes of voting membership:

Class A: Class A member(s) shall be all Owners, with the exception of the Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds any interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they determine, but in no event shall more than one vote be cast with respect to any Lot. Fractional votes shall not be allowed. The vote applicable to any said Lot being sold under contract of purchase shall be exercised by the contract seller, unless the contract expressly provides otherwise.

Class B: Class B member(s) shall be the Declarant who shall be entitled to ten (10) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs first:

A. When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership (including the Class A and Class B votes corresponding with any property which is annexed into the Property pursuant to the terms of this Declaration);
or

B. On the expiration of ten (10) years from the date on which the first Lot is sold to an Owner, whichever occurs first.

Section 2.3 Assessments:

A. **Covenant To Pay Assessments:** By acceptance of a deed to any lot in the Property each Owner of such Lot 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 or other applicable instrument.

1. Assessment Constitutes Lien: Such Assessments and charges together with interest at a rate established by the Board, costs and reasonable attorneys fees which may be incurred in collecting the same, shall be a charge on the land and shall be a continuing lien upon the lot against which each such Assessment or charge is made.

2. Assessment is Personal Obligation: Each such Assessment, together with interest at a rate established by the Board, 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 remain such Owners personal obligation regardless of whether he remains an Owner.

B. Initiation Assessment: Upon the initial conveyance of each Lot, the purchaser thereof shall pay an initiation assessment in the amount of \$200.00.

C. Regular Assessment: The regular assessments may include, and shall be limited to, the following regular expenses:

1. Expenses of the management of the Association and its activities;
2. Taxes and special assessments upon the Association's real and personal property;
3. Premiums for all insurance which the Association is required or permitted to maintain;
4. Common services to Owners as approved by the Board;
5. Wages for Association employees and payments to the Association contractors;
6. Legal and accounting fees for the Association;
7. Expenses related to the maintenance and operation of common areas and facilities;
8. Creation and maintenance of the Domestic Water Sinking Fund described at Article 3 herein; and,
9. Any deficit remaining from any previous assessment year.

D. Special Assessments: In addition to the regular assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year for the following purposes:

1. Defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of an improvement upon the Common Area, including fixtures and personal property related thereto; or,

2. Upon a determination that Regular Assessments for a given calendar year are or will be inadequate to meet the expenses of the Association for any reason, including but not limited to attorney's fees and/or litigation costs, other professional fees, or for any other reason.

Provided, however, that except as proved at Section 3.4(B) for special assessments for the Water System, any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose. Any such special assessment shall be computed in the same manner as regular assessments, and shall be payable over such a period as the Association shall determine.

E. Notice And Quorum For Any Action Authorized Under Section D: Written notice of any meeting called for the purpose of taking any action authorized under Section D above, shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At the first such meeting called, the presence of members or of proxies entitled to cast forty percent (40%) of all the votes of each class of membership shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

F. Uniform Rate Of Assessment: Both regular and special assessments must be fixed at a uniform structured rate for non-exempt Lots and may be collected on a monthly basis.

G. Date Of Commencement Of Regular Assessments; Due Dates: The regular assessments provided for herein shall commence as to a Lot sold on the first day of the month following the initial conveyance of the said Lot. The first regular assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the regular assessment against each Lot at least thirty (30) days in advance of each annual regular assessment period. Written notice of the regular assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

H. 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 into compliance with the provisions of the Association Documents.

I. Notice Of Default And Acceleration Of Assessments: Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum; and, if any assessment is not paid within thirty (30) days after its due date, the Board may mail a notice of default to the Owner. The notice shall substantially set forth (a) the fact that the installment is delinquent; (b) the action required to cure the default; (c) a date not less than ten (10) days from the date of the mailing of the notice by which the default must be cured; and, (d) that the failure to cure the default on or before the date specified in the notice may result in the foreclosure of the lien for assessment against the Lot of the Owner and the exercise by the Board of any other remedies either provided herein or allowed by law. In such case, and as a condition of the cure of the delinquent assessment, the Owner may be obligated by the Board, at the Board's sole discretion, to additionally pay all costs of enforcement, including without limitation reasonable attorneys fees, costs and related expenses and to pay a reasonable late charged to be determined by the Board.

J. Enforcement Of Assessments: Each Owner is and shall be deemed to covenant and agree to pay to the Association each and every assessment provided for in this Declaration; and agrees to the enforcement of all such assessments in the manner herein specified. In the event an attorney or attorneys are employed for 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 attorneys fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. In addition to any other remedies herein or by law provided, the Board, or its authorized representative, may enforce the obligations of the Owners to pay the assessments provided for in this Declaration, and each of them, in any manner provided by law in equity, or without any limitation of the foregoing, by either or both of the following procedures:

1. **Enforcement by Suit:** By commencement of a suit at law against any Owner or Owners personally obligated to pay assessments, for such delinquent assessments as to which they are personally obligated. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon as provided for herein, costs of collection, court costs and reasonable attorney's fees in such amount as the Court may adjudge against the delinquent Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien hereinafter provided for.

2. **Enforcement by Lien:** There is hereby created a claim of lien, with power of sale, on each and every Lot to secure payment to the Association of any and all assessments levied against any and all Owners, together with interest thereon as provided for in this Declaration, fines imposed for violation of these Covenants, and all costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorney's fees. The Board or its duly authorized representative may file and record a Notice of Delinquent Assessment on behalf of the Association against the Lot of the defaulting Owner who has not cured the default, as provided in Section 9.12 above. The amount of the assessment, plus any costs of collection, expenses attorney's fees and interest assessed in accordance with this Declaration shall be a lien on

the Owner's Lot from and after the time the Association records the Notice of Delinquent Assessment. Such Notice shall be executed and acknowledged by any officer of the Association and shall contain substantially the following:

- i. The claim of lien made pursuant to this Declaration;
- ii. The name of the record Owner,
- iii. The legal description of the Lot against which claim of lien is made;
- iv. The total amount claimed to be due and owing for the amount of the delinquency, interest thereon, collection costs, and attorney's fees (with any proper offset allowed); and,
- v. The name and address of the trustee authorized by the Association to enforce the lien by public sale.

Upon recordation, the lien claimed therein shall immediately attach and become effective in favor of the Association as a lien upon the Lot against which such assessment was levied. Such lien shall have priority over all liens or claims created subsequent to the recordation of the Notice. Any such lien may be foreclosed by appropriate action in Court or in the manner provided by the Idaho Code for the foreclosure of a deed of trust with power of sale, or in any other manner permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association, or any Title Company authorized to do business in Idaho as Trustee for the purpose of conducting such power of sale foreclosure. The lien provided for herein shall be in favor of the Association and shall be for the benefit of all other Lot Owners and shall secure payment of all sums set forth in the Notice, together with all sums becoming due and payable in accordance with this Declaration after the date of recordation of said Notice. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any Lot.

Each Owner hereby expressly waives any objection to the enforcement and foreclosure of assessment liens in this manner. Upon the timely curing of any default for which a Notice was filed by the Board, the Board shall cause an officer of the Association to file and record an appropriate release of such Notice in the Office of the County Recorder of Adams County, Idaho. No Owner may waive or otherwise escape liability for the assessments provided for in this Declaration by non-use or abandonment of his Lot.

K. Exempt Property: The following property, subject to this Declaration, shall be exempt from the assessments created herein:

1. All property expressly dedicated to and accepted by a local public authority.

L. **Partially Exempt Property:** The following property, subject to this Declaration, shall be exempt from all assessments created herein, except those assessments arising out of or relating to the Public Water System described at Article 3 below:

1. All properties owned by the Declarant or an Association; and,
2. All lots owned by Declarant, until title is transferred to another, or until occupancy, whichever occurs first.

Section 2.4: General Duties and Powers of Association: The Association has been formed to further the common interest of the Members. The Association shall have the duties and powers to take such action as is necessary to perform its obligations under the Association documents.

Section 2.5: Powers of the Association: The Association shall have all the powers of a corporation organized under the non-profit corporation laws of the State of Idaho subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the By-Laws, and Declaration. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under Idaho law and under this Declaration, and the Articles and By-Laws, 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 Association's affairs and the performance of the other responsibilities herein assigned, including, without limitation:

A. **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 Declaration.

B. **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 Declaration or the Articles or the By-Laws, including the Association Rules adopted pursuant to this Declaration, and to enforce by injunction or otherwise, all provisions hereof.

C. **Delegation of Powers:** The authority to delegate its powers and duties to committees, officers, employees, or to any person, firm or corporation. Neither the Association nor the members of its Board shall be liable for any omission or improper exercise by any person or entity of any such duty or power so delegated.

D. **Association Rules:** The power to adopt, amend and repeal by majority vote of the Board such rules and regulations as the Association deems reasonable. Provided, however, that any Association Rules shall apply equally to all Owners and shall not be inconsistent with this Declaration, the Articles or By-Laws. A copy of the 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

Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration. In the event of any conflict between such Association Rules and any provisions of this Declaration, or the Articles or By-Laws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the By-Laws to the extent of any such inconsistency.

E. Emergency Powers: The power, exercised 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 of 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 Association.

F. Power to Engage Employees, Agents and Consultants: The Association shall have the power to hire and discharge employees and agents (except as otherwise provided in management contracts) and to retain in paper such legal and accounting services as may be necessary or desirable in connection with the performance of any duties or the exercise of any powers of the Association under the Association documents.

G. Power to Audit Association Public Drinking Water Fund: Upon request by an association member an annual audit of the Public Drinking Water System may be conducted.

Section 2.6 Duties of the Association: In addition to duties necessary and proper to carry out the powers delegated to the Association by this Declaration, and the Articles and By-Laws without limiting the generality thereof, the Association or its agent, if any, shall have the authority and the obligation to conduct all business affairs of the Association and to perform, without limitation, each of the following duties:

A. Insurance: Obtain insurance from reputable insurance companies authorized to do business in the State of Idaho, and maintain in effect any insurance policy the Board deems necessary or advisable, including, without limitation, directors and officers liability insurance.

B. Rule Making: Make, establish, promulgate, amend and repeal such Association Rules as the Board shall deem advisable.

C. Architectural Committee: Appoint and remove members of the Architectural Committee, subject to the provisions of this Declaration.

D. Duty to Accept Property and Facilities Transferred By Declarant: The Association shall accept title to any property, including without limitation, any improvements thereon, the Water System (as defined in Article 3 below), any easement or other right, and personal property transferred to the Association by the Declarant or by any third party with Declarant's permission, and equipment related thereto, together with

the responsibility to perform any and all Association functions associated therewith, provided that such property and functions are not inconsistent with the terms of this Declaration.

E. Duty to Manage and Care for Common Areas and Trails: The Association shall manage, operate, care for, and maintain and repair all common areas and trails (whether designated as common areas, or as easements through private Lots) within the Property which are identified on the recorded plat of the Property.

F. Duty to Manage and Operate the Public Drinking Water System: The Association shall manage, operate, care for, and maintain and repair the Public Drinking Water System, as provided at Article 3 below. The Association's responsibilities include, but are not limited to, the proper operation of the Public Drinking Water System, water monitoring and system maintenance, pursuant to the requirements of the State of Idaho Department of Environmental Quality.

ARTICLE 3: DOMESTIC WATER

Section 3.1 Public Drinking Water System: The King's Pines Estates III water system is a Public Drinking Water System ("Water System") and is regulated by the Department of Environmental Quality (DEQ), and the U.S. Environmental Protection Agency (EPA). All Lots in the Property will be required to connect to the Water System.

Section 3.2 Ownership of and Responsibility for the Water System:

A. In General: The water right (identified as #78-07396), wells, production equipment, water mains, fire hydrants, etc., are currently owned by Declarant. Declarant shall transfer ownership of said assets to the King's Pines Estates III Homeowners Association, Inc. at such time as 93% of lots are sold in the Property, or such earlier time as Declarant may determine. No formal acceptance by the Association shall be required. Transfer will not take place until the Department of Environmental Quality has verified that the Public Drinking Water System is in substantial compliance with the state rules. The above-referenced water right shall be transferred to the King's Pines Estates III Homeowners Association, Inc. pursuant to Idaho Department of Water Resources regulations applicable at the time, and title to the remainder of the above-referenced Water System assets shall be transferred by Declarant to the Association by means of a Bill of Sale.

Maintenance and operation of the Water System are the responsibility of the Association and are described in the Operation and Maintenance Manual. This responsibility exists upon the creation of the water system, and is not contingent upon the above-mentioned transfer of the assets by Declarant to the Association.

Each service line is private property and is the responsibility of each homeowner.

B. Annexation: As stated at Section 12.2, Declarant may add or annex any real property owned by Declarant to the Existing Property. An additional phase of King's Pines Estates is

being currently contemplated, King's Pines Estates Phase IV, which is located adjacent to and west of King's Pines Estates Phase III. It is likely that King's Pines Estates Phase IV will be so annexed, and that the owners of the King's Pines Estates Phase IV property will use the Water System. As stated in Section 12.2, such annexed property shall be subject to the scheme of the covenants and restrictions of this Declaration, including but not limited to this Article 3.

C. King's Pines Estates Phase I: The Water System may also be shared by King's Pines Estates Phase I. The Water System will not be owned by the owners of lots in King's Pines Estates Phase I, nor the King's Pines Estates I Homeowners Association, Inc. Those owners of Lots in King's Pine's Estates Phase I who connect to the Water System may, however, pay the same fees and assessments per lot as are charged to users of the Water System within the Property.

D. Public Drinking Water System: The water system is a public drinking water system approved by the State of Idaho Department of Environmental Quality (DEQ). There will be a \$1,000.00 hook-up fee for the water to be paid at the start of construction. The initial charge for water usage will be \$30.00 per month plus \$1.00 per 1,000 gallons used. The charge may be adjusted from time to time.

Water quality for the King's Pines Estates Water System has been tested in accordance with the Department of Environmental Quality requirements. The testing shows that the water quality is excellent with the exception of manganese (0.07 mg/l) in the North Well, and soft water in both wells. The water system currently uses only the South Well; and the North Well will be brought on line during future phases of construction. The South Well will be the lead well. Water quality reports may be obtained from the developer upon request.

Manganese is commonly found in groundwater, and may present aesthetic problems through visual stain of fixtures over long periods of time. It is regulated as a secondary standard (aesthetic rather than health based), and the concentration in the North Well is only slightly above the 0.05 mg/l recommended drinking water standard.

Soft water means that the water may have a tendency to rust and dissolve metal pipe and fixtures over time. Although the water system is constructed primarily of corrosion resistant materials (PVC pipe and lined ductile iron fittings), further testing will need to be done in accordance with DEQ regulations given below.

All public water systems must be evaluated to determine if corrosion control treatment is needed. As with all other potential contaminants, the developer is responsible for the testing and possible treatment, but the timing is different for lead/copper testing. While source testing can indicate if corrosion is likely to be a problem, final testing can only be completed in private homes after the public drinking water system and house plumbing have stabilized after one year of use. Nevertheless, the initial owner, the developer in this case, is responsible for water quality testing at the appropriate time, and then providing treatment if required by state

rules. Test results (from each home) must be submitted to DEQ within 15 months after the fifth home is occupied.

At the request of the developer, each homeowner shall allow access for testing at an inside water tap as necessary to comply with the above regulation. It is also recommended that house plumbing wherever possible be constructed of high density polyethylene or other corrosion resistant materials, and to avoid using iron, steel, copper, and lead based materials.

Section 3.3 Maintenance: In addition to routine operation and maintenance requirements for the Public Drinking Water System, the Association must satisfy all requirements of regulatory governmental agencies. Currently, these requirements are described in the Idaho Rules for Public Drinking Water systems. A copy of these rules and answers to specific questions can be obtained from the DEQ Boise Regional Office at (208) 373-0550. The requirements are generally as follows:

A. Routine system monitoring is required at frequencies of monthly, yearly and other periods. Some of these tests are expensive and results must be reported to DEQ.

B. The Association shall designate a person or persons ("Systems Operator") who will ensure that all responsibilities are met according to the Operation and Maintenance Manual, and directions from the DEQ Boise Regional Office. The Systems Operator will submit all documentation, including regulatory monitoring sample results, to the Association Secretary for filing. The President of the Association will be notified of sample results and will be responsible for any follow-up actions that may be required. The Public Drinking Water System must have a certified operator by April 15, 2002.

C. The Association shall either begin monitoring immediately, or notify DEQ when ten (10) or more homes, or 25 or more people, are being served by the system. Failure to notify DEQ and begin routine operation and monitoring of the system as required by state and federal requirements could result in liabilities for the Association. Such liabilities could include state or federal enforcement action, or civil liabilities should someone become sick as a result of improper system operation.

Section 3.4 Hook-up Fees and Assessments:

A. An initial hook-up fee of \$1,000.00 is required at the time of service line connection. This fee is to be credited to the Domestic Water Sinking Fund described in Paragraph "B" below. This is in addition to any portion of a Regular Assessment earmarked for the Domestic Water Sinking Fund.

B. All Lots in the Property will be metered, as will any Lot in King's Pines Estates Phase I which is connected to the Water System. Bills for the utilization of the Water System will be sent monthly. The Board shall determine the best method for billing to pay for the operation, repair, monitoring, and replacement costs of the Water System, however such fees must be reasonably related to the cost of operation of the

Water System, including maintenance and repairs together with a reasonable reserve for potential future capital expenditures. Such system can be a combination of a fixed monthly fee which is part of the regular assessment, and part of which is based on a metering charge; and, all can be billed as part of the monthly water bill, or can be billed as part regular assessment and part water bill. The Board shall also have the authority to levy a special assessment upon a determination that there are inadequate funds to keep the Water System operational; and, the requirements of Section 2.3(D) and (E) need not be followed to levy such a special assessment.

All of the above charges, whether billed as a separate monthly water bill, or as part of a regular or special assessment, shall be fixed at a uniform structured rate for all users. All amounts so paid shall be contributed to the Domestic Water Sinking Fund discussed in Section 2.3 above.

C. Failure to timely pay any fee related to the Water System shall enforceable pursuant to the terms of Section 2.3 as an assessment. In addition to those remedies provided at Section 2.3, the Association shall have the right, after 30 days' notice that the assessment is overdue, to terminate water service to such defaulting Owner. Similar penalties shall be available to the Association in the event of non-compliance by an Owner with the Cross-Connection Control rules referred to in Section 3.6 below.

Section 3.5 Alternate Water Source: Even though each Owner in the Property is required to connect to the Water System, they shall be permitted to construct a well or water system upon their own Lot for domestic use other than the Public Drinking Water System installed by Declarant. Additionally, Declarant and the Association shall be permitted to construct a well or water system upon any common area other than the Public Drinking Water System installed by Declarant. However, in both instances, all applicable regulations and health standards of any governmental entity having jurisdiction thereof shall be complied with; and, as stated in Section 3.6 below, there shall be no cross-connection of any kind between these water sources and the Water System.

Section 3.6 Cross-Connections: There shall be no cross-connections with the Water System. No Owner may connect any alternate water source in any manner with the Water System or any associated water lines, connections or equipment.

Section 3.7 Irrigation: No Owner shall irrigate more than 0.25 acres of any Lot with water from the Water System. Owners may irrigate additional land with an alternate water source as permitted in Section 3.5 above, however such irrigation system cannot be connected in any way to the Water System.

Any sprinkler system connected to the Water System, or any other equipment or device connected to the Water System (even within the Lot or residence building of the Owner) which has any potential or possibility of introducing water or any foreign substance into the Water System, may not be installed without the prior written consent of the Association and use of connection control or backflow prevention devices approved by the Association.