

DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR



A PLANNED UNIT DEVELOPMENT

SPOKANE, WASHINGTON

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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
CARNAHAN CREST
A PLANNED UNIT DEVELOPMENT
SPOKANE, WASHINGTON**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS AND RESERVATION OF EASEMENTS ("Declaration"), 'is made on the date hereinafter set forth, by
W. THEODORE CLARK, a single person ("Declarant"), with reference to the following facts:

A. Declarant is the owner of a certain tract of land located in Spokane County, Washington, which property is more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference (the "Property").

B. Declarant has improved or intends to improve the Property by constructing thereon certain residential improvements and related facilities; and to establish thereon a planned unit development, to be managed, operated, and maintained by an incorporated Association of Owners, for the benefit of all parts of the Property.

C. The development shall be hereinafter referred to as the "Project." The Owner of each Unit shall receive fee title to his individual Lot and the residential Dwelling thereon and all rights associated with membership in THE CARNAHAN CREST OWNERS ASSOCIATION.

D. Declarant intends by this document to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all of the said Units and the Owners thereof.

Declarant hereby declares that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the following declarations, limitations, covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, and the Project, and every part thereof, in accordance with the plan for the improvement, sale, and operation of the Property as a planned unit development. All of the limitations, covenants, conditions, restrictions, and easements shall constitute covenants and encumbrances which shall run with the land and shall be perpetually binding upon Declarant and its successors-in-interest and assigns, and all parties having or acquiring any right, title, or interest in or to any part of the Property or the Project.

**ARTICLE 1
DEFINITIONS**

Unless otherwise expressly provided, the following words and phrases, when used in this Declaration and in the Project Documents, shall have the following meanings:

1.1 Architectural Committee: the Architectural Committee created pursuant to Article 4 of this Declaration.

1.2 Articles: the Articles of Incorporation of the Association as amended from time to time.

1.3 Assessment: that portion of the cost of maintaining, improving, repairing, operating, and managing the Property which is to be paid by the Unit Owners as determined by the Association under this Declaration. Assessments may be designated as Regular Assessments, Extraordinary Assessments, or Special Assessments, as those terms are more specifically defined in Article 6 of this Declaration.

1.4 Association: THE CARNAHAN CREST OWNERS ASSOCIATION, a Washington nonprofit corporation, formed or to be formed by Declarant in conjunction with the establishment of the planned unit development, the members of which shall be the Owners of Units in the Project.

1.5 Board or Board of Trustees: the governing body of the Association.

1.6 Bylaws: the Bylaws of the Association as amended from time to time. The initial Bylaws shall be as adopted by the incorporating members of the Board of Trustees.

1.7 Common Area: all the real property and improvements located within the Project, other than the Lots, including the designated common areas, and private road easement areas, all of which shall be maintained by the Association for the common use and enjoyment of all Owners.

1.8 Common Expenses: the actual and estimated expenses of maintenance, improvement, repair, operation, and management of the Common Area, expenses of administration of the Association, and any reasonable reserve for such purposes as determined by the Board, and all sums designated Common Expenses by or pursuant to the Project Documents. Without limiting the generality of the foregoing, Common Expenses shall also include the costs of any and all utilities metered to more than one Dwelling, and other commonly metered charges for the Property; costs of maintenance, snow removal, cleaning and repair of the private roads; compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security and other services benefitting the Common Area; the costs of fire, casualty and liability insurance, worker's compensation insurance, errors and omissions and director, officer and agent liability insurance, and other insurance covering the Property and the directors, officers and agents of the Association; and any other costs incurred by the Association pursuant to its authority for any reason whatsoever, for the common benefit of the Owners.

1.9 Common Wall: any wall which is common to and separates any two Dwellings.

1.10 Declarant: W. THEODORE CLARK, a single person and his successors-in-interest and assigns with respect to the Property, but shall not include members of the public purchasing completed Units.

1.11 Declaration: This Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as it may be amended from time to time.

1.12 Dwelling: that portion of any building which is located on a single Lot and which is designed and intended for use and occupancy as a residence by a single-family unit.

1.13 Landscape Common Areas: those portions of the Common Area which consist of landscape islands and entrance areas, designated as such on the Plat Map for the Property, to be owned in fee and maintained by the Association.

1.14 Lot: any residential Lot shown upon the recorded Plat Map of the Project, created for the construction of a private Dwelling. The term "Lot" does not include any portion of the Common Area.

1.15 Member: a person entitled to membership in the Association as provided herein.

1.16 Mortgage: includes a recorded mortgage, deed of trust, real estate contract, or other instrument creating a security interest in any Unit.

1.17 Mortgagee: includes a mortgagee, beneficiary or holder of a deed of trust, real estate contract vendor, or other holder of a mortgage on any Unit.

1.18 Mortgagor: includes a mortgagor, the trustor of a deed of trust, real estate contract vendee or other individual granting a security interest in any Unit.

1.19 Owner or Owners: the record holder or holders of title to or a contract vendee's interest in a Unit in the Project. This shall include any person having a fee simple title to any Unit, but shall exclude persons or entities having any interest merely as security for the performance of any obligation. Further, if a Unit is sold under a recorded contract of sale to a purchaser, the purchaser, rather than the fee owner, shall be considered the "Owner," and the fee owner would be considered as a mortgagee.

1.20 Person: any natural person, corporation, partnership, association, trustee, or other legal entity.

1.21 Plat Map: the recorded map (and further maps relating to subsequent Phases) prepared by or for Declarant showing the surface of the Property and the division thereof into Lots and Common Area, and the further subdivision thereof into Landscape Common Areas and Roads.

1.22 Phase: a particular parcel of property which is or shall become part of the Project pursuant to the recordation of an appropriate Declaration of Annexation. The property described in Exhibit "A" to this Declaration shall be deemed to be the first Phase of the Project and any parcel annexed to the property described in Exhibit "A" under a Declaration of Annexation shall be deemed to be a subsequent Phase of the Project.

1.23 Project Documents: this Declaration, the Plat Map, the Articles and Bylaws of the Association, and any architectural or other rules promulgated by the Declarant or the Association pursuant to this Declaration or the Articles or Bylaws, as each shall be amended from time to time.

1.24 Property or Project (synonymous): the real property covered by this Declaration (including subsequent Phases when properly annexed), all easements, rights and appurtenances belonging thereto, and all improvements erected or to be erected thereon.

1.25 Roads: those portions of the Common Area consisting of private road easement areas providing access from the Lots to the public right of way, designated as such on the Plat Map for the Property to be maintained by the Association.

1.26 Unit: all elements of individual ownership of a residential interest in the Project, including ownership of a Lot and Dwelling thereon, nonexclusive use of the Common Area, and all rights of membership in the Association.

1.27 "Occupant" means anyone who occupies a Unit as a permanent residence or who stays overnight in any Unit more than fourteen (14) days in any calendar month or more than sixty (60) days per calendar year.

1.28 "Related Party" means a person who has been certified in a written document filed by a Unit Owner with the Association to be the spouse, parent, parent-in-law, sibling, sibling-in-law, parent's sibling, or lineal descendant or ancestor of the Owner or the lineal descendant or ancestor of any of the foregoing persons, the officer or director of any Owner which is a corporation, the member of any Owner which is a limited liability company or professional limited liability company, the trustee or beneficiary of any Owner which is a trust, or the partner of any Owner which is a partnership. Notwithstanding the foregoing to the contrary, a person who is the settlor and trustee of a living trust that owns a Unit shall be deemed to be the Owner of the Unit for all purposes under the Declaration.

1.29 "Renting" or "Leasing" a Unit means and includes the granting of a right to use or occupy a Unit, for a specified term or indefinite term (with rent reserved on a periodic basis), whether not in exchange for the payment of rent (that is, money, property or other goods or services of value), and the occupancy of a Unit solely by a person or persons other than its Owner, whether or not rent is paid; but does not mean and include joint ownership of a Unit by means of joint tenancy, tenancy- in-common or other forms of co-ownership, or the occupancy of a Unit by any person who resides in a Unit with its Owner, whether or not rent is charged therefor.

1.30 "Tenant" means and includes a tenant, lessee, renter, subtenant, and sublessee, the assignee of a tenant, lessee, renter, subtenant, and sublessee, and all other non-Owner Occupant of a Unit that is not occupied by its Owner. Tenant does not mean or include any person who occupies a Unit with an Owner Occupant, whether or not rent is paid.

END OF ARTICLE 1 DEFINITIONS

ARTICLE 2

ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND VOTING RIGHTS

2.1 Organization of Association.

The Association is or shall be incorporated under the name of THE CARNAHAN CREST OWNERS ASSOCIATION, pursuant to the Washington Nonprofit Corporation Act.

2.2 Duties and Powers.

The duties and powers of the Association are those set forth in this Declaration, the Articles and Bylaws, together with its general and implied powers of a nonprofit corporation, generally to do any and all things that a corporation organized under the laws of the State of Washington may lawfully do which are necessary or proper in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in this Declaration, the Articles and Bylaws.

2.3 Membership.

The Owner of a Unit shall automatically, upon becoming the Owner of that Unit, be a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease. Membership shall be in accordance with the Articles and the Bylaws of the Association.

2.4 Transferred Membership.

Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership of the Unit to which it is appurtenant, and then only to the new Owner. Any attempt to make a prohibited

transfer is void. In the event the Owner of any Unit should fail or refuse to transfer the membership registered in his name to the purchaser of his Unit, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

2.5 Classes of Membership.

The Association shall have two (2) classes of voting membership established according to the following provisions:

2.5.1 Class A Membership. Class A Membership shall be that held by each Owner of a Unit other than Declarant, and each Class A Member shall be entitled to one (1) vote for each Unit owned. If a Unit is owned by more than one (1) person, each such person shall be a Member of the Association, but there shall be no more than one (1) vote for each Unit. Fractional voting with respect to a particular Unit shall not be allowed, and if the Owners of a Unit present at a meeting of the Association, in person or by proxy, cannot agree on how their vote should be cast, no vote shall be cast with respect to that Unit.

2.5.2 Class B Membership. Class B Membership shall be that held by Declarant (or its successor-in-interest) who shall be entitled to three (3) votes for each Unit owned by Declarant; provided, that Class B Membership shall be converted to Class A Membership and shall forever cease to exist on the occurrence of whichever of the following is first in time:

(a) When the total outstanding voting power held by Class A Members in a particular Phase equals the total outstanding voting power (tripled as above) held by the Class B Member; provided, however, that Class B Membership shall thus terminate only with respect to that particular Phase; or

(b) On the fifth anniversary of the recordation of this Declaration.

2.6 Voting Requirements.

Except as otherwise expressly provided in this Declaration, the Articles, or the Bylaws, any action by the Association which must have the approval of the Association membership before being undertaken shall require the vote or written assent of the prescribed percentage of the total voting power of the Association (both classes combined); provided, however, that any matter subjected to a vote which would change the relative voting powers, or the relative rights and/or obligations of Members based on class of membership shall require the vote or written assent of the prescribed percentage of the voting power of each class of membership.

2.7 Membership Meetings.

Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place, and in accordance with the provisions of the Bylaws of the Association.

2.8 Board of Trustees.

The affairs of the Association shall be managed by a Board of Trustees, which shall be established and which shall conduct regular and special meetings according to the provisions of the Bylaws of the Association.

2.9 Use of Agent.

The Board of Trustees, on behalf of the Association, may contract with a professional management agent for the performance of maintenance and repair and for conducting other activities on behalf of the Association, as may be determined by the Board. The term of such contract, or any contract with Declarant for the furnishing of services to the Association, shall not exceed one (1) year, renewable by agreement of the parties for successive one-year periods, and such contract shall be terminable by the Association, acting through the Board, at any time (a) for cause upon thirty (30) days' written notice thereof, and (b) without cause or the payment of a termination fee upon ninety (90) days' written notice.

END OF ARTICLE 2
ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND VOTING RIGHTS

ARTICLE 3 RIGHTS IN COMMON AREA

3.1 Common Area.

The Common Area shall include all real property and improvements within the Landscape Areas and the Private Roads easement areas, and Tract A, as designated on Exhibit "A" hereto for Phase One, and any other land which may be conveyed to and accepted by the Association, all of which shall be dedicated to the common use and enjoyment of all Owners. The Common Area shall be operated, maintained, and insured by the Association for the use and benefit of Owners of Units in the Project, subject to reasonable rules and regulations enacted according to the Bylaws. Each Unit Owner, through membership in the Association, shall have a nonexclusive right to use the Common Area in accordance with the purposes for which it is intended without hindering the exercise of or encroaching upon the lawful rights of any other Unit Owners. Notwithstanding the transfer of the Common Area to the Association, the Declarant shall reserve and hereby reserves in itself and its successors-in-interest and assigns an easement (and the right to grant further easements) over and onto the Common Area for ingress to and egress from the Project for the purpose of completing improvements thereon or for the performance of necessary construction, maintenance, or repair work, and for ingress and egress to and from adjacent property in connection with the development, use, and occupancy thereof.

3.2 Partition of Common Area Prohibited.

Regardless of the possible dissolution of the Association and the conveyance of fee title to the Common Area to the Owners as tenants in common pursuant thereto, no Owner shall bring any action for partition or division of any part of the Common Area, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation, management, use, and enjoyment of the Common Area.

3.3 Damage by Member.

Each Member shall be liable to the Association for any damage to the Common Area not fully reimbursed to the Association by insurance, if the damage is sustained because of the negligence or willful misconduct of the Member, his guests, tenants, or invitees, or any other persons deriving their right and easement of use and enjoyment of the Common Area from the Member, or his or their respective family and guests, both minor and adult. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the Association further reserves the right to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Member or the person for whom the Member may be liable as described above. The cost of correcting the damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against the Unit and may be enforced as provided hereby for the enforcement of any other Assessment.

END OF ARTICLE 3
RIGHTS IN COMMON AREA

ARTICLE 4 ARCHITECTURAL CONTROL

4.1 Architectural Committee.

The Architectural Committee shall consist of three (3) members, two (2) of which shall be appointed by the Declarant, and one (1) of which shall be appointed by the Board of Trustees. At such time as ninety percent (90%) of the Units are sold (all Phases) or in five (5) years following the recordation of this Declaration, whichever occurs first, all members shall be appointed by the Board of Trustees of the Association. Unless and until the Declarant and Board appoint the Committee, the functions of the Architectural Committee shall be performed by the Board.

4.2 Prohibition of Alteration and Improvement.

Subject to the exemption of Declarant hereunder, no structure, improvement, or alteration of any kind (which will

be visible from other units, the Common Area or any public right of way) shall be commenced, erected, painted or maintained upon the Property, until the same has been approved in writing by the Architectural Committee.

4.3 Plans and Approval.

Plans and specifications showing the nature, kind, shape, color, size, materials and location of any such structure, improvement or alteration shall be submitted to the Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finish grade elevation. No permission or approval shall be required to rebuild in accordance with Declarant's original plans and specifications, or to rebuild in accordance with plans and specifications previously approved by the Committee.

The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Article and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee.

Any application submitted to the Committee pursuant to this Article shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the applicant within forty-five (45) days after the date of receipt by the Committee of all required materials.

4.4 Non-Liability of Committee Members.

Neither the Architectural Committee nor any member thereof shall be liable to the Association, or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's duties hereunder unless due to the willful misconduct or bad faith of the Committee or member. The Committee shall review and approve or disapprove all plans submitted to it for any proposed structure, improvement or alteration, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Project generally, but shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

END OF ARTICLE 4 ARCHITECTURAL CONTROL

ARTICLE 5 REPAIR AND MAINTENANCE

5.1 Repair and Maintenance Rights and Duties of Association.

Subject to provisions in this Declaration pertaining to eminent domain and destruction of improvements, the Association shall paint, maintain, repair and replace all parts of the Common Area (including Landscape Common Areas and private road easement areas), or shall contract for such maintenance, repair and replacement to assure maintenance of such areas in good condition, reasonable wear and tear expected. However, the Association shall not be responsible for or obligated to perform those items of maintenance, repair or improvement which are the responsibility of the Owners as provided in Paragraph 5.2 below. In the event an Owner fails to maintain his Dwelling or Lot, or to provide other maintenance or repair as provided herein in a manner which the Board deems necessary to preserve the appearance and value of the Property, the Board may notify the Owner of the work required and request it be done within sixty (60) days (five (5) days for routine landscaping maintenance) from the giving of such notice. In the event the Owner fails to carry out such maintenance within such period, the Board may cause such work to be done and may specially assess the cost thereof to such Owner, and, if necessary, lien his Unit for the amount thereof.

For the purpose of performing any maintenance, repair or replacement as authorized by this Article, or for purposes of making emergency repairs necessary to prevent damage to the Project or to other Dwellings, or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Association (and its agents and employees) shall have an irrevocable easement over and onto all portions of the

Common Area, and shall also have the irrevocable right, after reasonable notice to the Owner, and at reasonable hours, to enter any Lot and/or Dwelling.

5.2 Repair and Maintenance Rights and Duties of Owners.

Except for those portions of the Property which the Association is required or elects to maintain and repair, each Unit Owner shall, at his sole cost and expense, maintain and repair all components of his Dwelling and Lot (including interior and exterior, structural and nonstructural, and all landscaping), keeping the same in good condition, and shall repair all damage to the Common Area for which the Owner is responsible under Paragraph 3.3 above. Each Owner shall have the exclusive right to paint, plaster, panel, tile, wax, paper or otherwise refinish and decorate the interior of his Dwelling.

5.3 Repair and Maintenance of Septic Tank/Drainfields.

As an interim method of sewage disposal, until a public sewer system is available to the property, each duplex structure shall be constructed at the sole cost and expense of the unit owner, with a septic tank and drainfield which may in all or part be located on the common area. The unit owners of each duplex unit shall, at their sole cost and expense, jointly operate, maintain and repair all components of the septic tank and drainfield for their duplex structure, keeping the same in good condition, and shall repair all damage to the common area from the operation or maintenance of said system. Each unit owner shall, at his sole cost and expense, connect to a public sewer system as soon as one is available to the project.

5.4 Special Reserve Fund for Sewage System Maintenance.

A Special Reserve Fund of Two Thousand Dollars (\$2000.00) shall be established to guarantee the repair and maintenance of the septic and drainfield system until access to a public sewer system is available. Said Special Reserve Funds shall be maintained in a separate account from other association funds and interest will accrue to the general benefit of the association. Said special Reserve funds may be used to offset any and all costs to the association in repairing and maintaining the septic tank and drainfield system of each unit owner who has failed to properly keep the same in good condition. The association will assess that owner for related maintenance and association costs as outlined in CC&Rs article 6.

END OF ARTICLE 5 REPAIR AND MAINTENANCE

ARTICLE 6 ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

6.1 Creation of the Lien and Personal Obligation of Assessments.

The Declarant, for each Unit owned within the Project, hereby covenants, and each Owner of any Unit by acceptance of a deed or contract therefor, whether or not it shall be so expressed in such deed or contract, is deemed to covenant and agree to pay to the Association the following Assessments, which shall be established and collected as provided herein and in the Bylaws of the Association:

- 6.1.1 Regular Assessments;
- 6.1.2 Extraordinary Assessments; and
- 6.1.3 Special Assessments.

All Assessments, together with interest, costs, and actual attorneys' fees, shall be a charge and a continuing lien upon the Unit against which each Assessment is made. Each such Assessment, together with interest, costs and actual attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Unit at the time when the Assessment fell due. No Owner of a Unit may exempt himself from liability for his contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Area or by the abandonment of his Unit.

6.2 Purpose of Assessments.

The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all the residents in the entire Project, for the improvement and maintenance of the Common Area, and for

the common good of the Project. The Regular Assessments shall include an adequate reserve fund for maintenance, repair and replacement of all such items which must be replaced on a periodic basis.

6.3 Regular Assessments.

Until the end of the Association's fiscal year immediately following the closing of the sale of the first Unit in the Project, the annual maximum Regular Assessment per Unit shall be such amount as is set forth in the Project budget prepared by Declarant payable in monthly installments. Each Unit's share for the first fiscal year shall also be prorated based on the number of months remaining in that fiscal year. Thereafter, the Board shall determine and fix the amount of the maximum annual Regular Assessment against each Unit at least sixty (60) days in advance of the start of each fiscal year; provided, however, that the maximum annual Regular Assessment may not be increased by more than ten percent (10%) above the maximum annual Regular Assessment for the immediately preceding fiscal year, without the vote or written assent of a two-thirds vote of Members.

6.4 Extraordinary Assessments.

In addition to the Regular Assessments authorized above, the Board may levy, in any fiscal year, an Extraordinary Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or of any component of any Dwelling for which the Association is responsible, or to defray any unanticipated or underestimated expense not covered by the Regular Assessment (and, where necessary, for taxes assessed against the Common Area); provided, however, that the aggregate Extraordinary Assessments for any fiscal year shall not exceed fifteen percent (15%) of the budgeted gross expenses of the Association (excluding reserves) for that fiscal year, without the vote or written assent of two-thirds of the Members.

6.5 Special Assessments.

In addition to the Regular and Extraordinary Assessments authorized above, the Board may levy Special Assessments (without limitation as to amount or frequency) against an individual Unit and its Owner to reimburse the Association for costs incurred in bringing that Owner and his Unit into compliance with the provisions of this Declaration and the Bylaws, including actual attorneys' fees and costs.

6.6 Allocation of Assessments; Limited Exemption of Declarant.

Each Unit shall bear an equal share of each Regular and Extraordinary Assessment; provided, however, that any other Owner of a Lot which does not include a completed Dwelling shall be exempted from the payment of that portion of any Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of such Dwelling. This exemption shall include, but shall not necessarily be limited to that portion of any Assessment attributable to refuse disposal, cable television, domestic water, and other utilities supplied to completed Dwellings. This exemption shall be in effect only until a certificate of occupancy or its equivalent for the Dwelling has been issued or until one hundred twenty (120) days after the issuance of a building permit for the Dwelling, whichever first occurs.

6.7 Date of Commencement of Assessment; Due Dates.

The Regular Assessments provided for herein shall commence as to all Units in the Project on the first day of the month following closing of the sale of the first Unit in the Project. Due dates of Assessments shall be the first day of every calendar month. No notice of such Assessment shall be required other than an annual notice setting forth the amount of the monthly Assessment.

6.8 Exempt Property.

Notwithstanding any other provision included in Article 6 herein the following property, which is otherwise subject to this Declaration, shall be exempt from all Regular, Extraordinary, and Special Assessments created herein.

6.8.1 All lots or property owned by the Declarant which have not been improved with a
residential structure for dwelling use;

6.8.2 All lots or properties dedicated to and accepted by a local public authority;

6.8.3 All common areas.

6.9 Transfer of Unit by Sale or Foreclosure.

The sale or transfer of any Unit shall not affect any Assessment lien, or relieve the Unit from any liability therefor, whether the lien pertains to payments becoming due prior or subsequent to such sale or transfer. Notwithstanding the foregoing, the sale or transfer of any Unit pursuant to foreclosure or by deed in lieu of foreclosure of a recorded first mortgage given in good faith and for value shall extinguish the lien of all such Assessments as to payments which became due prior to such sale or transfer (except for Assessment liens arising prior to the recordation of the mortgage). Sale or transfer pursuant to mortgage foreclosure shall not, however, affect the personal liability of the Owner for unpaid Assessments. Any Assessments for which the liens are extinguished pursuant to this Paragraph shall be deemed to be Common Expenses collectible from all of the Units including the Unit for which the lien was extinguished. In a voluntary conveyance of a Unit, the grantee of the same shall be jointly and severally liable with the grantor for all unpaid Assessments by the Association against the latter up to the time of the grantor conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Board, setting forth the amount of the unpaid Assessments due the Association, and such grantee shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid Assessments made by the Association against the grantor in excess of the amount set forth in the statement; provided, however, the grantee shall be liable for any such Assessment becoming due after the date of any such statement.

6.10 Enforcement of Assessment Obligation; Priorities; Discipline.

If any part of any Assessment is not paid and received by the Association or its designated agent within thirty (30) days after the due date, such Assessment shall thereafter bear interest at the rate of twelve percent (12%) per annum until paid. Additionally, an automatic late charge of Twenty Five Dollars (\$25.00) shall be assessed for each month or fraction thereof from the due date until the Assessment and all late charges are paid. Further, the Association shall have the power to sever all utility services to the delinquent Unit if the Assessment is not paid within the ten-day period, and to continue the severance until the Assessment (and all late charges) shall have been paid. Each unpaid Assessment shall constitute a lien on each respective Unit prior and superior to all other liens except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charges of any mortgage of record made in good faith and for value. Such lien, when delinquent, may be enforced by sale by the Association, its attorney or other person authorized by this Declaration or by law to make the sale, after failure of the Owner to pay such Assessment, in accordance with the provisions of Washington law applicable to the exercise of powers of sale in deeds of trust, or by judicial foreclosure as a mortgage, or in any other manner permitted by law. The Association, acting on behalf of the Unit Owners, shall have the power to bid for the Unit at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. The foreclosing party shall have the right to reduce or eliminate any redemption rights of the defaulting Owner as allowed by law. Suit to recover a money judgment for unpaid Assessments, rent and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same. The Board may impose reasonable monetary penalties including actual attorneys' fees and costs and may temporarily suspend the Association membership rights of a Unit Owner who is in default in payment of any Assessment, after notice and hearing according to the Bylaws.

6.11 Payment of Taxes Assessed Against Common Area of Personal Property of Association.

In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than against the Units, said taxes shall be included in the Assessments made under the provisions of this Article, and, if necessary, an Extraordinary Assessment may be levied against the Units in an amount equal to said taxes (regardless of the limitation on Extraordinary Assessments set forth in Paragraph 6.4 above), to be paid in two (2) installments, thirty (30) days prior to the due date of each tax installment.

END OF ARTICLE 6

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

ARTICLE 7

EASEMENTS AND UTILITIES; COMMON WALLS

7.1 Access and Maintenance Easements.

Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Area, and for the use and enjoyment thereof. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by Declarant, its successors, purchasers and all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Unit in the Project.

Declarant also expressly reserves for the benefit of the Board of Trustees and all agents, officers and employees of the Association, nonexclusive easements over the Common Area as necessary to maintain and repair the Common Area, and to perform all other tasks in accordance with the provisions of this Declaration. Such easements over the Common Area shall be appurtenant to, binding upon and shall pass with the title to, every Unit conveyed.

7.2 Encroachments; Maintenance and Utility Easements.

Each Unit within the Property is hereby declared to have an easement over all adjoining Units and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of any building, or any other cause. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Unit agree that minor encroachments over adjoining Units or Common Area shall be permitted and that there shall be a valid easement for the maintenance of said encroachments so long as they shall exist.

Declarant also expressly reserves for the benefit of itself and its successors-in-interest and assigns, including the Association, easements over and under the entire Property (together with the right to grant and transfer the same) for the installation, repair, and maintenance of sanitary sewer; water, electric, gas, and telephone lines and facilities, heating and air conditioning facilities, cable or master television antenna lines, drainage facilities, walkways, and landscaping as may be hereafter required to serve the Property.

7.3 Owners' Rights and Duties With Respect to Utilities.

The rights and duties of the Owners of Units within the Project with respect to utilities shall be as follows:

7.3.1 Whenever sanitary sewer, water, electric, gas, television receiving, or telephone lines or connections are located or installed within the Project, which connections, or any portion thereof, lie in or upon or beneath Lots or Dwellings owned by other than the Owner of a Dwelling served by said connections, the Owners of any Dwellings served by said connections shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon the Dwellings or to have the utility companies enter upon the Dwellings in or upon or below which said connections, or any portion thereof lie, to repair, replace and generally maintain said connections as and when necessary.

7.3.2 Whenever sanitary sewer, water, electric, gas, television receiving, or telephone lines or connections are located or installed within the Project, which connections serve more than one Dwelling, the Owner of each Dwelling served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as service his Dwelling.

7.3.3 In the event of a dispute between Owners with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board, which shall decide the dispute, and the decision of the Board shall be final and conclusive on the parties.

7.4 Owners' Rights and Duties With Respect to Common Walls.

The Owner of any Dwelling which shares a Common Wall with another Dwelling shall be deemed to own the one-half (1/2) of the wall nearest his Dwelling, and shall have an exclusive and perpetual easement over the remainder of the Common Wall for support and maintenance. Any such Common Wall shall be deemed a structural component of the building in which it is located, and shall therefore be maintained by the Association, subject to the Unit Owner's responsibility to repair damage caused by negligence or willful misconduct as described in Paragraph 3.3.

END OF ARTICLE 7
EASEMENTS AND UTILITIES; COMMON WALLS

ARTICLE 8
RESIDENCE AND USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Property and each Unit therein is subject to the following:

8.1 Use of Individual Lots.

No structure or building of any kind shall be erected on any Lot other than an attached single family dwelling for single family residential occupancy only, not to exceed two stories in height, measuring thirty (30) feet maximum from the natural contour at the center of the building position to the ridge line of the structure, with a private garage. No single family detached dwellings shall be allowed on any lot.

The Unit shall be used exclusively for single family residential purposes, for the common, social, recreational or other reasonable uses normally incident to those purposes, and for the purposes of operating the Association and managing the Project. Residential purposes include sleeping, eating, food preparation for on-site consumption by Occupants and guests, entertaining by Occupants of personal guests and similar activities commonly conducted within a residential dwelling, without regard to whether the Unit Owner or Occupant resides in the Unit as a primary or secondary personal residence, on an ownership, rental, lease or invitee basis. Timesharing of units, as defined in RCW 64.36 is prohibited.

8.2 Business Use Prohibited.

No trade, business, commercial or manufacturing enterprise shall be conducted or carried on upon any Lot, or within any Dwelling located on a Lot, nor shall any goods, equipment, vehicles, including buses, trucks and trailers of any description, or materials or supplies used in connection with any trade, service or business, wherever the same may be conducted, or any vehicles in excess of 6,000 pounds gross weight (including buses, trucks and trailers of any description) used for private purposes, be kept, parked, stored, dismantled or repaired outside of any Lot, or on any of the Roads.

8.3 Temporary Structures.

No trailer, basement, tent, shack, garage, barn or other outbuilding or any structure of a temporary character erected or placed on the Property shall at any time be used as a residence temporarily or permanently.

8.4 Minimum Dwelling Size.

The ground floor of the main structure of a Dwelling, exclusive of open porches and garages, shall not be less than one thousand (1,000) square feet for a one story Dwelling, nor less than eight hundred (800) square feet for the ground floor area of a Dwelling of more than one story. For purposes of this provision, a Dwelling with a daylight basement shall be considered a Dwelling of more than one story.

8.5 Completion of Construction.

Any Dwelling erected or placed on any Lot shall be completed as to external appearance, including finished painting, within nine (9) months from the date of commencement of construction.

8.6 Building Set-Back and Fence Requirements.

No Dwelling or structure shall be located nearer to the front line of the Lot, or nearer to the side street line than the building set-back lines as shown on the Final PUD Plat. No fence, wall, hedge or mass planting other than foundation planting shall be permitted to extend nearer to any street than the minimum set-back line of the Dwelling, except that nothing shall prevent the erection of a necessary retaining wall, the top of which does not extend more than two (2) feet above the finished grade at the back of said retaining wall, provided, however, that no fence, wall, hedge or mass planting shall at any time, where permitted, extend higher than six (6) feet above ground. Fences shall be well constructed of suitable fencing materials and shall be artistic in design and shall not detract from the appearance of the Dwelling located on the Lot or in the opinion of the Architectural Committee be offensive to the other Owners within the Project, and shall be approved by the Architectural Committee.

8.7 Nuisances.

No noxious, illegal, or offensive activities shall be carried on in any Dwelling, or in any part of the Property, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the Owners of his respective Dwelling, or which shall in any way increase the rate of insurance for the Project, or cause any insurance policy to be cancelled or to cause as refusal to renew the same, or which will impair the structural integrity of any building.

8.8 Signs.

Signs advertising Units for sale or rent may be displayed on the appropriate Lot without prior approval of the Board or the Architectural Committee, provided that such signs shall be of reasonable and customary size, not to exceed five (5) square feet. Except as expressly permitted by this Paragraph, no signs shall be displayed to the public view on any Dwellings or on any portion of the Property, unless first approved by the Board or the Architectural Committee.

8.9 Animals.

No animals or birds of any kind shall be raised, bred, or kept in any Dwelling, or on any portion of the Property; except that no more than two (2) usual and ordinary household pets such as dogs, cats, or birds, may be kept, provided that they are not kept, bred, or maintained for any commercial purposes, and that they are kept under reasonable control at all times. Any such dog shall be kept on a leash at all times that the dog is in the Common Area. Owners shall prevent their pets from soiling all portions of the Common Area and in the event a pet does soil a portion of the Common Area, the Owner or person in control of such pet shall immediately clean up after the pet. The Board may enact reasonable rules respecting the keeping of animals within the Project and may designate certain areas in which animals may not be taken or kept, or may require that specific animals not be allowed on any part of the Property.

8.10 Pathways.

All walks, Roads, bike paths and pedestrian paths located within Common Area are for the use of Association Members on an equal basis, subject to reasonable rules and regulations promulgated in writing by the Association. It shall be the responsibility of each Member to allow maximum ease of pedestrian, bicycle and vehicular ingress and egress over walks, Roads and driveways by prohibiting automobile parking in front of garages or in the driveways, paths or alleyways, and allowing no obstruction or barrier on, across or adjacent to sidewalks or paths which would interfere with any other Member's use of the Common Area or access to his Dwelling.

8.11 Garbage and Refuse Disposal.

All rubbish, trash and garbage shall be regularly removed from the Property, and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. All equipment, garbage cans, wood piles, or storage piles shall be kept screened and concealed from view of other Dwellings, streets and the Common Area.

8.12 Radio and Television Antennas.

No alteration to or modification of a central radio or television antenna system or cable television system, whichever is applicable, shall be permitted, and no Owner may be permitted to construct, use, or operate his own external radio, television antenna, or other electronic antenna without the consent of the Board. No Citizens Band or other transmission shall be permitted on the Property.

8.13 Clothes Lines.

No exterior clothes lines shall be erected or maintained and there shall be no outside laundering or drying of clothes.

8.14 Power Equipment and Car Maintenance.

No power equipment, workshops, or car maintenance of any nature whatsoever (other than minor repairs requiring no more than twenty-four (24) hours work) shall be permitted on the Property except with prior written approval of the Board. In deciding whether to grant approval, the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception, and similar objections.

8.15 Parking.

Parking of boats, trailers, motorcycles, trucks, truck/campers and like equipment shall not be allowed on any part of the Property, nor on the Common Area, excepting only within the confines of an enclosed garage and no portion of the same may project beyond the enclosed area except under such circumstances, if any, as may be prescribed by written permit approved by the Architectural Committee. All other parking of equipment shall be prohibited except in such areas, fully screened from public view, as may be approved in writing by the Architectural Committee. If any of the provisions of this Section are violated, the Board of the Association may employ a tow truck to remove the vehicle after prior written notice to the Owner and the Owner of the vehicle shall be responsible for any charges arising there from.

8.16 No Warranty of Enforceability.

While Declarant has no reason to believe that any of the restrictive covenants contained in this Article 8 or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Unit in the Project in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring the Unit agrees to hold Declarant harmless therefrom.

8.17 Rental of Units.

8.17.1 Rental Defined and Regulated. The Rental of a Unit shall be governed by the provisions of the Declaration, including, without limitation, this Section. As used in the Declaration the terms "to rent", "renting" or "Rental" shall refer to and include the Leasing or Renting of a Unit by its Owner and to the occupancy of a Unit solely by a person or persons other than its Owner; whether or not rent is paid. The rights of the Association and the obligations applicable to an Owner under Subsections 8.17 shall be applicable to any Tenant who subleases a Unit or enters into an assignment of a Lease for a Unit, and the obligations of a Tenant shall likewise be applicable to the sub-Tenant or assignee of a Tenant in such a situation. Notwithstanding anything herein to the contrary, Subsection 8.17 shall not be applicable to the rental of a Unit acquired by the Association following a foreclosure of the Association's lien for Assessments or to the rental of a Unit by a receiver appointed on the motion of the Association in connection with a lien foreclosure action filed by the Association.

8.17.2 Minimum Lease Term Required. With the exception of a Mortgagee in possession of a Unit following a Mortgage Foreclosure or a receiver in possession of a Unit during the pendency of a Foreclosure by a Mortgagee or the Association, no person shall be permitted to Rent or Lease less than the entire Unit or to Rent or otherwise permit a Unit to be used for hotel or transient purposes, which shall be defined as Rental, occupancy or use by a Tenant or other non-Owner Occupant for an initial occupancy period of less than twelve (12) months. Every Lease shall be for an initial fixed term of not less than twelve (12) months, but may be renewed on a month to month basis thereafter. No Owner or Tenant who does not occupy a Unit as a primary residence shall cause or allow the overnight accommodation of employees or business invitees in a Unit on a temporary or transient basis.

8.17.3 Minimum Ownership Period Required Before Rental. It is the intent of the Owners that the Units shall hereafter be acquired for occupancy by their Owners and occupied consistent therewith. In order to discourage the acquisition of Units in the Project for investment or rental purposes, no Owner shall be permitted to rent or lease his or her Unit during the one (1) year period after he or she shall have acquired title thereto except as provided in Paragraph 8.17.12. If a person or persons acquires a Unit through inheritance, that person or persons shall be deemed to have owned and occupied that Unit during the period which their decedent owned and occupied the Unit.

8.17.4 Lease Requirements. No Rental of a Unit shall be valid or enforceable unless it shall be by means of a written instrument or agreement between the Owner(s) and the Tenant(s) (a "Lease"). No Lease entered into after the date of recording of this Amendment shall be valid unless it bears the written approval by the Association granted prior to the occupancy of the Tenant. The occupancy of a Unit in the Project and every Lease shall be subject to the Project Documents of the Association. By entering into occupancy of a Unit, a Tenant agrees to be bound by the Project Documents.

8.17.5 Lease Approval. Except as provided in Paragraph 8.17.8, prior to the Rental of a Unit in the Project to a Tenant, and prior to the renewal of any previously approved Lease, a Unit Owner shall submit to the Association a valid and binding Lease, executed by both the Owner and the proposed Tenant, and contingent only on the approval of the Association, together with a request for the written consent of the Association. The Association shall, as expeditiously as practical but in any event within seven (7) days of receipt of such request, grant its consent to the Owner if:

8.17.5.1 The Owner has complied with Subsection 8.17 of the Declaration;

8.17.5.2 The Lease contains a Lease Addendum in the form approved by the Association or is otherwise in compliance with the requirements of the Declaration;

8.17.5.3 In the case of a sublet or assignment of a lease by an existing Tenant, the assignment or sublet has been approved by the Unit Owner;

8.17.5.4 The Rental would not cause the aggregate number of all non-Owner occupied Units to exceed the Rental Ceiling specified in Paragraph 8.17.6, below; provided, however, that:

8.17.5.4.1 The Association shall not withhold consent for an Owner and a Tenantto renew a Pre-Existing Lease meeting the requirements of Paragraph 8.17.8 merely because the number of non-Owner occupied Units is equal to or greater than the Rental Ceiling; provided, however, that the assignment or subletting of a Unit by a Tenant shall terminate the right to renew a Pre-Existing Lease under this Sub-Paragraph;

8.17.5.4.2 the Association shall not withhold consent for an Owner and a Tenant to renew a Lease which has previously been approved in the manner provided in this Paragraph 8.17.5 merely because the number of non-Owner occupied Units is equal to or greater than the Rental Ceiling; provided, however, that the assignment or subletting of a Unit by a Tenant shall terminate the right to renew a previously approved Lease under this Sub-Paragraph;

8.17.5.4.3 the Association shall not withhold consent for a Mortgagee in possession of a Unit following a default in its Mortgage or a Mortgage Foreclosure, where such Mortgagee first obtains possession subsequent to the date of recording of this Amendment, to rent a Unit merely because the Rental would cause the number of non-Owner occupied Units to exceed the Rental Ceiling;

8.17.6 Rental Ceiling Set. Except as provided in Paragraph 8.17.12, the maximum number of non-Owner occupied Units in the Project at any one time shall not exceed six (6) (the "Rental Ceiling").

8.17.7 Effect of Rental Ceiling. If an Owner wishes to rent a Unit but is prohibited from doing so because of the Rental Ceiling, the Association shall place the Owner's name on the Rental Waiting List provided for in Paragraph 8.17.11.

8.17.8 Pre-existing Leases. Within thirty (30) days from the date of notification to all Owners that this Amendment to the Declaration has been adopted by the necessary percentage of Owners, each Owner who has rented a Unit to a Tenant who was in occupancy prior to the date on which this Declaration Amendment was approved by the Owners shall file a copy of the Lease for that Unit with the Association. A Lease in effect on that date and submitted as required in this Paragraph shall be referred to as a "Pre-existing Lease." Any Tenant occupying a Unit pursuant to a Pre-existing Lease shall be permitted to renew his or her Lease thereafter; provided that a copy of the Pre-existing Lease is filed with the Association within the time period provided for in this Paragraph and any subsequent renewals are submitted to the Association for Lease Approval pursuant to Paragraph 8.17.5 prior to the expiration of the Lease term then in effect. The assignment or subletting of a Unit by a Tenant or the sale of a Unit by its Owner shall terminate the right to renew a Pre-existing Lease under this Paragraph 8.17.8.

8.17.9 Limitations on Consent. No Lease Approval shall be granted more than sixty (60) days prior to the beginning of the Lease term for which consent is sought. Any Lease Approval granted by the Association shall automatically expire and terminate unless the Unit shall be occupied by the Tenant within thirty (30) days of the beginning of the term of the approved Lease.

8.17.10 Notice of Rental Termination. Each Owner who has rented a Unit shall promptly give written notice (referred to in the Declaration as "Notice of Rental Termination") to the Association if a Lease for the Unit has expired or is scheduled to expire within thirty (30) days and has not been renewed, or the Tenants have or are scheduled within thirty (30) days to vacate the Unit, or the Lease has otherwise terminated or is scheduled to terminate within (30) days (referred to in the Declaration as a "Rental Termination"). An Owner shall give written Notice of Rental Termination to the Association within five (5) days of the time that the Owner learns of the Rental Termination. That Owner may at the time he or she files a Notice of Rental Termination, but no more than sixty (60) days prior to the scheduled Rental Termination, have his or her name placed on the Rental Waiting List.

8.17.11 Rental Waiting List. Except as provided in Sub-Paragraphs 8.17.5.5.1, 8.17.5.5.2, 8.17.5.5.3 and 8.17.5.5.4, if a Rental Waiting List exists, no Lease or Lease renewal shall be approved for a Rental Unit until all Owners who are on the Rental Waiting List have been given the opportunity to apply for Lease Approval. Within ten (10) days of receipt of a Notice of Rental Termination, but not more than sixty (60) days prior to a scheduled Rental Termination, the Association shall notify the Owner in the top position on the Rental Waiting List of the opportunity to apply for Lease Approval. That opportunity to apply for Lease Approval shall be available to that Owner for a period of sixty (60) days from the date of that notice. If no request for Lease Approval is submitted during that period, that Owner's name shall be placed at the bottom of the Rental Waiting List, and the opportunity to apply for Lease Approval shall be offered to the next highest person on the Rental Waiting List.

8.17.12 Hardship Exception. Where on written application from a resident Owner, the Board determines that a hardship exists whereby that Owner would suffer serious harm by virtue of the limitation on renting contained in Paragraph 8.17.3 or Sub-Paragraph 8.17.5.4, and where the Board further determines that a variance from the policies contained therein is fairly in keeping with the purpose of this Subsection to limit investor ownership of Units and would not detrimentally affect the other Owners or the approval of the Project for secondary mortgage market financing, lender approval or VA or FHA approval, the Board may, in its discretion, grant an owner a waiver of the Rental Ceiling for a temporary period not to exceed twelve (12) months. In the discretion of the Board this hardship exception may be extended on written application of an Owner for one (1) additional period not to exceed twelve (12) months for good cause shown. A Unit rented under a hardship exception granted by the Board under this Paragraph shall not be counted as a non-Owner occupied Unit for the purpose of determining whether a rental would cause the number of non-Owner occupied Units to exceed the Rental Ceiling. At no time shall the Board grant more than one (1) hardship exception, thus limiting the possible number of non-owner occupied units to a maximum of 50%.

8.18 Project Documents to Be Provided to Tenants. Each Unit Owner who Rents or Leases a Unit in the Project to a Tenant or allows the occupancy of a Unit by a Related Party shall provide that Tenant or Related Party with a copy of the Project Documents. If the Unit Owner fails to provide written evidence to the Association that it has done so, the Association may furnish a copy of these documents to the Tenant or Related Party and charge the Owner an amount to be determined by the Board for each document provided. Unless otherwise set by the Board, the copying charge shall be twenty five cents (\$.25) for each page. The copying charge shall be collectable as a special Assessment against the Unit and its Owner.

8.19 Responsibility for Tenant Selection. Neither the Association's designee nor the Association shall evaluate or in any way make a determination or recommendation as to the suitability of any Applicant. The selection of a suitable and appropriate Tenant shall be the sole responsibility of the Owner.

8.20 Non-Discrimination. Neither the Association nor any Unit Owner shall discriminate against any person with regard to the sale, rental or occupancy of a Unit in the Project on the basis of race, color, creed, national origin, age, sex, sexual orientation, religion, familial status, marital status, parental status, political ideology, handicap, possession or use of a Section 8 rent certificate, or any other legally protected classification.

8.21 Notices re Occupancy Changes. The presence and movement of persons in and out of Units shall be governed by the provisions of this Subsection 8.21.

8.21.1 Registration of Pre-Existing Occupants. All Occupants occupying Units at the time this amendment is adopted must be registered with the Board within thirty (30) days of the adoption of this amendment. As used in this Subsection, the term registration shall mean the filing by the Owner with the Board or its authorized representative of a written statement setting forth the following information:

8.21.1.1 the name, telephone numbers, and correct street address of the Owner of the Unit;

8.21.1.2 the Unit number and names and telephone numbers of all Occupants of the Unit other than the Owner; and

8.21.1.3 any other information regarding the Occupants of the Unit which shall be reasonably required by the Board

8.21.2 Registration of New Occupants. All Owners must register new Occupants with the Board at the time they move in or within forty-eight (48) hours of meeting the definition specified in Paragraph 1.27. Nothing in this Subsection shall preclude an Occupant from submitting the registration required by this Paragraph or the preceding Paragraph.

8.21.3 Updating of Registration Information. All Owners shall advise the Board or the Manager in writing of any changes in the registration information required to be provided in this Subsection on a current basis.

8.21.4 Notice of Moving Date. All Occupants shall provide the Board with reasonable prior notice of the .. date on which they expect to move into or out of a Unit.

END OF ARTICLE 8

RESIDENCE AND USE RESTRICTIONS

ARTICLE 9

INSURANCE

9.1 Duty to Obtain Insurance; Types.

The Board shall cause to be obtained and maintained the following policies of insurance:

(a) Hazard Insurance: A "master" or "blanket" type of hazard insurance policy or policies with respect to the Common Area protecting against loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered for similar types of projects, including those covered by the standard "all risk" endorsement. The hazard policy shall cover one hundred percent (100%) of the current replacement cost of all insured facilities. Additionally, the policy shall include the following special endorsements and provisions:—

- Agreed amount and inflation guard endorsement, when available;
- Construction code endorsements;
- The requirement that any Insurance Trust Agreement will be recognized;
- A waiver of any right of subrogation against Unit Owners;
- A requirement that the insurance will not be prejudiced by any acts or omissions of individual Unit Owners that are not under the control of the Association.

The policy shall name the Association (for the use and benefit of the individual Owners), as the named insured and shall contain the standard mortgage clause, naming the holders of first mortgages (and their successors and assigns) as the mortgagees.

(b) Liability Insurance: A comprehensive general liability insurance policy covering all Common Areas, all Pathways, and all public ways and other areas that are under the supervision of the Association. The liability policy shall provide coverage of at least \$1,000,000 for bodily injury and property damage for any single occurrence, covering bodily injury and property damage resulting from the operation, maintenance or use of the Common Area and the Pathways, and any legal liability resulting from lawsuits related to employment contracts to which the Association may be a party.

(c) Fidelity Bonds. If required by a lender under one of the programs described in Paragraph 9.2 below, blanket fidelity bonds for anyone who either handles or is responsible for funds are held or administered by the Association, whether or not they receive compensation for such services. Any management agent that handles funds for the Association shall also be covered by its own fidelity bond. The bond shall cover the maximum funds that will be in the custody of the Association or its agent at any time while the bond is in force. Additionally, the fidelity bond coverage must at least equal the sum of three (3) months' assessments on all Units in the Project, plus the Association's reserve funds.

9.2 Lenders' Requirements.

Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bonds meeting the insurance and bond requirements for similar projects established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), The Mortgage Corporation ("TMC"), Veterans Administration ("VA") and/or the Federal Housing Administration ("FHA"), so long as any of them shall be a holder, insurer or guarantor of a mortgage encumbering a Unit within the Project (or an actual Owner of a Unit), except to the extent such coverage is not available or has been waived in writing by FNMA, GNMA, TMC, VA and/or FHA, as applicable.

9.3 Waiver of Claim Against Association.

As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors and Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said persons.

9.4 Right and Duty of Owners to Insure.

It is the responsibility of each Owner to provide hazard insurance on his or her Dwelling, and on his or her personal property and upon all other property and improvements within his Lot. Nothing hereby shall preclude any Owner from carrying any public liability insurance as he or she deems desirable to cover his or her individual liability for damage to persons or property occurring within his or her individual Lot or elsewhere upon the Property. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

9.5 Notice of Expiration Requirements.

If available, all of the policies of insurance maintained by the Association shall contain a provision that said policy or policies shall not be cancelled, terminated or expired by their terms, without ten (10) days prior written notice to the Board, Declarant, Owners and their respective first mortgagees (provided that such person have filed written requests with the carrier for such notice) and every other person in interest who requests such notice of the insurer.

9.6 Insurance Premiums.

Insurance premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Regular Assessments levied by the Association and collected from the Owners. That portion of the Regular Assessments necessary for the required insurance premiums shall be separately accounted for by the Association in the reserve fund to be used solely for the payment of premiums of required insurance as such premiums become due.

9.7 Trustee for Policies.

The Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Paragraph 9.1 above shall be paid to the Board of Directors as Trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in this Declaration. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation, to the extent they desire, of first mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction as provided in this Declaration. Any two (2) Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds.

END OF ARTICLE 9
INSURANCE

ARTICLE 10
DESTRUCTION OF IMPROVEMENTS

10.1 Damage to Common Area.

In the event of any destruction of any portion of the Common Area, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article 9 hereof for reconstruction or repair of the Property shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Property shall be reconstructed or rebuilt substantially in accordance with the original construction plans. If the amount available from the proceeds of such insurance policies for such restoration and repair is inadequate to complete the restoration and repair, the Board shall levy an Extraordinary Assessment for the deficiency and proceed with such restoration and repair.

10.2 Damage to Dwellings.

In the event of any destruction of any Dwelling or Dwellings, it shall be the duty of the Owner(s) of the Dwelling or Dwellings to restore and repair the same to its/their former condition, as promptly as practical, under the supervision of the Board. The proceeds of any insurance maintained pursuant to Article 9 hereof for reconstruction or repair of the Property shall be made available for such purpose, unless otherwise provided herein. The Dwelling or Dwellings shall be reconstructed or rebuilt substantially in accordance with the original construction plans. If the amount available from the proceeds of such insurance policies for such restoration and repair is less than the estimated cost of restoration and repair, the Owner(s) of the Dwelling or Dwellings shall be responsible for the deficiency, and the Board shall have the power to levy a Special Assessment to secure payment of the deficiency. In the event more than one Dwelling is damaged or destroyed, the available insurance proceeds shall be allocated according to the estimated costs of repair and restoration of each Dwelling.

10.3 Alternate Plans for Restoration and Repair.

Notwithstanding the provisions of Paragraphs 10.1 and 10.2, the Association shall have the right, by a vote of seventy-five percent (75%) of the voting power of the Association, to make alternate arrangements respecting the repair, restoration or demolition of the damaged portion of the Property. The alternate plan may provide for special allocation of insurance proceeds, modification of design, or special allocation of any necessary Assessments. Any plan adopted pursuant to this subparagraph shall be adopted within sixty (60) days of the damage or destruction and shall be supported by the vote of any Owner whose Dwelling has been physically damaged.

10.4 Appraisal of Damage.

In the event the parties affected by damage or destruction to the Property cannot agree, within twenty (20) days of the date of the damage, on the estimated cost of repair or the allocations referred to in this Article 10, the Association shall appoint three (3) independent appraisers having at least five (5) years full-time appraisal experience in Spokane County, Washington, to appraise the damage and establish allocations among various damaged portions of the Property. Within twenty (20) days after the selection of the appraisers, a majority of the appraisers shall set the estimates and allocations. If a majority of the appraisers are unable to agree within the stipulated period of time, the average of the three (3) appraisals shall be utilized. If, however, the low appraisal and/or the high appraisal and/or is more than fifteen percent (15%) lower and/or higher than the middle appraisal, the low appraisal and/or the high appraisal shall be disregarded. If only one appraisal is disregarded, the average of the two remaining appraisals shall be utilized. If both the low appraisal and the high appraisal are disregarded, the middle appraisal shall be utilized. The cost of the appraisals required by this subparagraph shall be paid by the Association and reimbursed by the Owners whose Property has been damaged through a Special Assessment.

10.5 Interior Damage.

Restoration and repair of any damage to the interior of any individual Dwelling, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Owner of the Dwelling so damaged.

END OF ARTICLE 10
DESTRUCTION OF IMPROVEMENTS

**ARTICLE 11
DECLARANT'S RIGHTS AND RESERVATIONS**

11.1 Declarant is undertaking the work of construction of the Project and the creation of the planned unit development on the Property. The completion of that work and the sale or other disposition of the Units is essential to the establishment and welfare of the Property as a residential community. In order that said work may be completed and said Property be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

11.1.1 Prevent Declarant, its contractors, or subcontractors from doing on the Property, whatever is reasonably necessary or advisable in connection with the completion of the work; or

11.1.2 Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Property, such structures as may be reasonable and necessary for the conduct of its business of completing said work and establishing said Property as a residential community and disposing of the same in parcels by sale or other disposition; or

11.1.3 Prevent Declarant from maintaining such sign or signs on any of the Property as may be necessary for the sale or disposition thereof so long as Declarant, its successors-in-interest and assigns, owns one or more of the Units established and described in this Declaration and except as otherwise specifically provided herein, Declarant, its successors and assigns, shall be subject to the provisions of this Declaration.

11.2 Termination of Any Responsibility of Declarant.

In the event Declarant shall convey all of its right, title and interest in and to the Property to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

END OF ARTICLE 11
DECLARANT'S RIGHTS AND RESERVATION

**ARTICLE 12
RIGHTS OF MORTGAGEES**

Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of any mortgagee of a Unit made in good faith and for value, provided that after the foreclosure of any such mortgage, such Unit shall remain subject to this Declaration, as amended. Notwithstanding any and all provisions of this Declaration to the contrary, in order to induce various lenders to participate in the financing of the sale of Units within the Project, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Declaration, these added restrictions shall control):

12.1 Each first mortgagee of a mortgage encumbering any Unit, upon filing a written request for notification with the Board, is entitled to written notification from the Association of any default by the mortgagor of such Unit in the performance of such mortgagor's obligations under this Declaration, which default is not cured within thirty (30) days after the Association learns of such default. For purposes of this Declaration, a "first mortgage" shall mean a mortgage of a mortgage with first priority over other mortgages on a Unit.

12.2 Each first mortgagee of a mortgage encumbering any Unit, which obtains title to such Unit pursuant to judicial foreclosure or the powers provided in such mortgage, shall take title to such Unit free and clear of any claims for unpaid Assessments or charges against such Unit which accrued prior to the time such holder acquired title to such Unit.

12.3 Unless at least two-thirds (2/3) of the first mortgagees (based upon one (1) vote for each mortgage owned) or two-thirds (2/3) of the Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

12.3.1 by act or omission seek to abandon or terminate the Project as a planned unit development; or
12.3.2 change the method of determining the obligations, Assessment dues or other charges (other than the Special Assessments or late charges imposed by the Board in accordance with the provisions of this Declaration), which may be levied against any Owner; or
12.3.3 by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Common Area under this Declaration shall not be deemed a transfer within the meaning of this clause); or
12.3.4 fail to maintain or cause to be maintained fire and extended coverage insurance on the Common Area as provided in Article 9 of this Declaration.

12.4 First mortgagees, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours; (2) require from the Association the submission or annual financial reports and other financial data; (3) receive written notice of all meetings of the Owners; and (4) designate, in writing, a representative to attend all such meetings.

END OF ARTICLE 12 RIGHTS OF MORTGAGEES

ARTICLE 13 DURATION AND AMENDMENT

13.1 Duration.

This Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination is recorded, meeting the requirements of an amendment to this Declaration as set forth in Paragraph 13.2. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Unit from the concomitant membership of the Association, as long as this Declaration shall continue in full force and effect.

13.2 Amendment.

Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered. A resolution adopting a proposed amendment may be proposed by an Owner at a meeting of the Members of the Association. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) two-thirds (2/3) of the voting power of the Association, and (ii) two-thirds (2/3) of the voting power of the Association residing in Members other than Declarant, provided that the specified percentage of the voting power of the Association necessary to amend a specified provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that provision. A copy of each amendment shall be certified by at least two (2) officers of the Association and the amendment shall be effective when the certificate of amendment is recorded. Notwithstanding the foregoing, any of the following amendments, to be effective, must be approved in writing by the record holders of seventy-five percent (75%) of the first mortgages on all of the Units in the Project at the time of such amendment, based upon one (1) vote for each mortgage owned:

13.2.1 Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protection granted to encumbrances as provided herein.

13.2.2 Any amendment which would require a mortgagee after it has acquired a Unit through foreclosure to pay more than its proportionate share of any unpaid Assessment or Assessments accruing after such foreclosure.

13.2.3 Any amendment which would or could result in an encumbrance being cancelled by forfeiture, or in the individual Unit not being separately assessed for tax purposes.

13.2.4 Any amendment relating to the insurance provisions as set out in Article 9 hereof, or to the application of insurance proceeds as set out in Article 10 hereof.

13.2.5 Any amendment which would or could result in termination or abandonment of the Property as a planned unit development, or in the partition or subdivision of a Unit, in any manner inconsistent with the provisions of this Declaration.

13.2.6 Any amendment which would subject any Owner to a right of first refusal or other such restriction in favor of the Association, if such Owner exercises his right to sell, transfer or otherwise convey his Unit. A certificate, signed and sworn to by two (2) officers of the Association, that the required number of Owners and/or mortgagees have either voted for or consented in writing to any amendment adopted as provided above, when recorded, shall be conclusive evidence of that fact.

13.3 Protection of Declarant.

Notwithstanding any other provision of this Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or otherwise dispose of Units therein in accordance with this Declaration shall become effective.

END OF ARTICLE 13
DURATION AND AMENDMENT

**ARTICLE 14
GENERAL PROVISIONS**

14.1 Enforcement.

The Board, any Owner, and any governmental or quasi -governmental agency or municipality having jurisdiction over the Project shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by this Declaration, and in such action shall be entitled to recover costs and reasonable attorneys' fees as are ordered by the Court. Any such action by the Board shall be taken on behalf of two (2) or more Unit Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Area or more than one Unit. Failure by any such person or entity to enforce any such provision shall in no event be deemed a waiver of the right to do so thereafter.

14.2 Invalidity of Any Provision.

Should any provision of this Declaration be declared invalid or in conflict with any law of the jurisdiction where the Project is situated, the validity of all other provisions shall remain unaffected and in full force and effect.

14.3 Conflict of Project Documents.

If there is any conflict among or between the Project Documents, the provisions of this Declaration shall prevail; thereafter, priority shall be given to Project Documents in the following order: Plat Map, Articles; Bylaws; and rules and regulations of the Association. Notwithstanding the foregoing, any provision in any of the Project Documents which is for the protection of mortgagees shall have priority over any inconsistent provision in that document or in any other Project Document.

END OF ARTICLE 14
GENERAL PROVISIONS

**ARTICLE 15
ANNEXATION**

Additional parcels may be annexed to the Property and become subject to this Declaration by either of the following methods:

15.1 Annexation Pursuant to Plan.

Any property directly adjacent and sharing a common property line with the property may be annexed to and become a part of the Project, subject to this Declaration, and subject to the jurisdiction of the Association, without the assent of the Association or its Members, on condition that:

15.1.1 Any annexation pursuant to this Subparagraph shall be made prior to five (5) years from the date of recordation of this Declaration.

15.1.2 A Declaration of Annexation shall be recorded by Declarant covering any property so annexed. Said Declaration shall incorporate this Declaration by reference and may contain such complementary additions and modifications of the covenants and restrictions contained in this Declaration as may be necessary to

reflect the different character, if any, of the added property, and as are not inconsistent with the scheme of this Declaration.

15.2 Annexation Pursuant to Approval.

Upon the vote or written assent of Declarant (while Declarant is an Owner) and of two-thirds (2/3) of the total voting power residing in Members of the Association other than Declarant, the Owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may record a Declaration of Annexation in the manner described in the preceding Paragraph.

Upon annexation of additional property, the annexed parcel shall become subject to this Declaration without the necessity of amending individual sections hereof. The Common Area of the new property shall be conveyed lien-free to the Association, and Owners of Units in the new property will become Members of the Association, with Assessment obligations being prorated to the date of annexation.

15.3 De-annexation of Parcels.

Any property annexed to the Property pursuant to the plan of Declarant, in accordance with Paragraph 15.1 above, may be de-annexed by Declarant and removed from the Project and the jurisdiction of this Declaration and the Association at any time by the recordation of an appropriate Declaration of De-annexation; provided that such de-annexation shall take place (1) before any Unit in the subsequent Phase has been sold by Declarant to a member of the general public; and (2) before any vote has been exercised on behalf of any such Unit.

END OF ARTICLE 15
ANNEXATION

EXHIBIT "A"
LEGAL DESCRIPTION

That portion of the West 330 feet of the Northwest quarter of the Northeast quarter of Section 26, Township 25 North, Range 43 East, W.M., lying South of 16th Avenue and Easterly of Carnahan Road;
EXCEPT THAT PORTION described as follows:

Beginning at the intersection of the Southerly line of 16th Avenue with the Easterly line of Carnahan Road; thence South along said Easterly line of Carnahan Road, 500 feet; thence East, parallel with the South line of the Northwest quarter of the Northeast quarter to the East line of said tract; thence Northerly along said East line to the Southerly line of 16th Avenue; thence Southwesterly along the Southerly line of 16th Avenue to the Point of Beginning

Situate in Spokane County, Washington