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WHEN RECORDED, RETURN TO:

James C. Middlebrooks
Smith, Smart, Hancock,
Tabler & Middlebrooks
3800 Columbia Seafirst Center
701 Fifth Avenue
Seattle, Washington 98104
(206) 624-7272

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Ernest Swinson
DEAN P. ...
SNOHOMISH COUNTY, WASHINGTON

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TABLE OF CONTENTS

TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
HEARTHSTONE
SNOHOMISH COUNTY, WASHINGTON

DESCRIPTION OF THE LAND	1
ARTICLE I INTERPRETATION	2
1.1 Liberal Construction	2
1.2 Covenant Running with Land	2
1.3 Declarant is Original Owner	2
1.4 Captions	2
1.5 Definitions	2
1.5.1 "Association"	2
1.5.2 "Board"	2
1.5.3 "Common Area"	2
1.5.4 "Declarant"	2
1.5.5 "Declaration"	3
1.5.6 "Home"	3
1.5.7 "Lot"	3
1.5.8 "Mortgage"	3
1.5.9 "Mortgagee"	3
1.5.10 "Mortgage Foreclosure"	3
1.5.11 "Mortgagee of a Lot"	3
1.5.12 "Mortgagee of the Project"	3
1.5.13 "Owner"	3
1.5.14 "Person"	4
1.5.15 "Property," "Project," or "Premises"	4
1.5.16 "Plat Map"	4
1.6 Percentage of Mortgagees	4
1.7 Percentage of Owners	4
1.8 Inflationary Increase in Dollar Limits	4
ARTICLE II OWNERSHIP OF COMMON AREAS	4

20746

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12/20/88 (1:54pm)

VOL. 2211 PAGE 1593

ARTICLE III	OWNER'S PROPERTY RIGHTS	5
3.1	Owners' Easements of Enjoyment	5
3.2	Delegation of Use	6
ARTICLE IV	OWNER'S ASSOCIATION	6
4.1	Establishment	6
4.2	Form of Association	6
4.3	Membership	6
4.3.1	Qualification	6
4.3.2	Transfer of Membership	7
4.4	Voting	7
4.4.1	Classes of Voting Membership	7
4.4.2	Number of Votes	7
4.4.3	Voting Owner	7
4.4.4	Joint Owner Disputes	8
4.4.5	Pledged Votes	8
4.5	Meetings, Audits, Notices of Meetings	8
4.5.1	Annual Meetings, Audits	8
4.5.2	Special Meetings	9
4.5.3	Quorum Requirements for Association Meeting	9
4.5.4	Bylaws of Association	9
ARTICLE V	MANAGEMENT OF THE ASSOCIATION	10
5.1	Administration of the Development	10
5.2	Management by Declarant	10
5.3	Management by Elected Board of Directors	11
5.4	Authority and Duties of the Board	11
5.4.1	Assessments	11
5.4.2	Service	11
5.4.3	Utilities	12
5.4.4	Insurance	12
5.4.5	Maintenance and Repair of Common Areas	12
5.4.6	Maintenance of Rights of Way, etc	12
5.4.7	Fences, etc	12
5.4.8	Enforce Declaration	13
5.4.9	Contracts	12
5.4.10	Financial Statements	13
5.4.11	Payment for Materials, Services, etc	13
5.4.12	Non-Profit	13
5.4.13	Exclusive Right to Contract	13
5.4.14	Acquisition of Property	13
5.4.15	Emergency Entry	14
5.4.16	Attorney-in-Fact	14

5.4.17	Borrowing of Funds	14
5.4.18	Additional Powers of Association	14
5.5	Board Organization and Operation	14
5.5.1	Election of Board of Directors, Cumulative Voting Feature and Term of Office	14
5.5.2	Vacancies	15
5.5.3	Removal of Board Members	15
5.5.4	Organizational Meeting	15
5.5.5	Regular Meetings	15
5.5.6	Special Meetings	15
5.5.7	Waiver of Notice	15
5.5.8	Quorum	16
5.5.9	Fidelity Bonds	16
ARTICLE VI	OBLIGATION OF OWNERS	16
6.1	In General	16
6.2	Specific Duties	16
6.3	Restrictions on Storage	16
ARTICLE VII	ARCHITECTURAL CONTROL, USE, ETC.	17
7.1	Construction and Exterior Alteration or Repair	17
7.2	Sales Facilities of Declarant	18
7.3	Common Drives	19
7.4	Residential Use	19
7.5	Nuisances	19
7.6	Restriction on Further Subdivision	19
7.7	Garbage and Trash Removal	19
7.8	Pets	20
7.9	Signs	20
7.10	Rental Lots	20
7.11	Zoning Regulations	21
7.12	Business Use	21
7.13	Temporary Residence	21
7.14	Antenna, Satellite Dish	21
7.15	Building Setback Requirements	21
7.16	Oil and Mining Operations	21
7.17	Sewage Disposal	21
7.18	Lot Size	21
7.19	Completion of Improvements	21
ARTICLE VIII	COMMON EXPENSES AND ASSESSMENTS	22
8.1	Creation of the Lien and Personal Obligation of Assessments	22
8.2	Purpose of Assessments	22
8.3	Estimated Expenses	22

207 8903070250

8.4	Annual Assessments	23
8.4.1	Maximum Annual Assessment	23
8.4.2	Increases in Annual Assessments	23
8.5	Special Assessments for Capital Improvements	24
8.6	Exception to Maximum Assessment Limitation	24
8.7	Notice and Quorum for any Action Authorized Under Sections 8.4 and 8.5	24
8.8	Uniform Rate of Assessment	24
8.9	Date of Commencement of Annual Assessments: Due Dates	24
8.10	Payment by Owners	25
8.11	Accounts	25
8.12	Omission of Assessment	25
8.13	Records	25
8.14	Declarant Liability	26
8.15	Lien Indebtedness	26
8.16	Notice of Creation of Assessment Lien	26
8.17	Certificate of Assessment	26
8.18	Foreclosure of Assessment Lien; Attorneys' Fees and Costs	27
8.19	Homestead Waiver	27
8.20	Curing of Default	27
8.21	Remedies Cumulative	27
8.22	Rights of Board - Waiver of Owners	27
8.23	Assessment Deposit	28
8.24	Continuing Liability for Assessments	28
8.25	Exempt Property	28
ARTICLE IX	COMPLIANCE WITH DECLARATION	29
9.1	Enforcement	29
9.1.1	Compliance of Owner	29
9.1.2	Compliance of Lessee	29
9.2	No Waiver of Strict Performance	29
9.3	Right of Entry	29
ARTICLE X	LIMITATION OF LIABILITY	30
10.1	Liability for Utility Failure, etc	30
10.2	No Personal Liability	30
10.3	Indemnification of Board Members	30
ARTICLE XI	MORTGAGE PROTECTION	31
11.1	Priority of Mortgages	31
11.2	Effect of Declaration Amendments	31
11.3	Right of Lien Holder	31
11.4	Management Agreements	32

11.5	Abandonment of Subdivision Status	32
11.6	Change in Declaration, Bylaws or Ratio of Assessments	32
11.7	Change in Manner of Architectural Review and Maintenance Within Project; Insurance and Use of Proceeds	32
11.8	Insurance	33
11.9	Payment by First Mortgagees	33
11.10	Copies of Notices	33
11.11	Inspection of Books	34
ARTICLE XII	EASEMENTS	34
12.1	Association Functions	34
12.2	Easements Over Common Areas	34
12.3	Access to Public Streets	34
12.4	Utility Easements	34
12.5	Project Entry Signs	35
ARTICLE XIII	TERM OF DECLARATION - COMPLIANCE WITH RULE AGAINST PERPETUITIES AND RESTRAINTS OF ALIENATION	35
ARTICLE XIV	AMENDMENT OF DECLARATION, PLAT MAP	35
14.1	Declaration Amendment	35
14.2	Plat Map	36
14.3	Amendments to Conform to Construction	36
14.4	Amendments to Conform to Lending Institution Guidelines	37
14.5	Article XVI Amendments	37
ARTICLE XV	INSURANCE	37
ARTICLE XVI	ANNEXATION AND WITHDRAWAL OF ADDITIONAL PROPERTIES	38
16.1	Annexation by Declarant	38
16.2	Developer Annexations and Maximum Annual Assessment	38
16.3	Non-Declarant Annexations	38
16.4	Common Areas Within Divisions	39
ARTICLE XVII	MISCELLANEOUS	39
17.1	Notices	39
17.1.1	Delivery of Notices and Documents	39
17.2	Conveyances; Notice Required	40
17.3	Remedies Cumulative	40
17.4	Successor and Assigns	40
17.5	Joint and Several Liability	40

17.6	Mortgagee's Acceptance	40
17.6.1	Priority of Mortgage	40
17.6.2	Acceptance Upon First Conveyance	40
17.7	Severability	41
17.8	Effective Date	41
17.9	VA Approval	41

20746M10

12/20/88 (1:54pm)

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VOL. 2211 PAGE 1598

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

OF

HEARTHSTONE

SNOHOMISH COUNTY, WASHINGTON

THIS DECLARATION is made this 4th day of JANUARY, 1989, by HENDERSON HOMES, INC., hereinafter referred to as "Declarant."

DESCRIPTION OF THE LAND

A. Declarant owns certain real property located within the State of Washington, which property and improvements are commonly known as [1], and is herein referred to as the "Project." As is more particularly provided in Article 16, the Project will be developed in more than one phase with an appropriate amendment to this Declaration (together with a plat map) being recorded as each phase is completed. The first such completed phase is known as HEARTHSTONE DIVISION 1 and is located on land more particularly described in Exhibit A attached hereto and incorporated herein.

All Common Areas of the Project are to be shown on the Plat Maps recorded in conjunction with this Declaration.

B. For the benefit of the Project and as an inducement to lenders and investors to make and purchase loans secured by Lots within the Tract, Declarant agrees to provide herein for a method of caring for the Common Areas within the Project.

NOW, THEREFORE, Declarant hereby declares that the Lots described herein shall be held, conveyed, encumbered, hypothecated, leased, rented, used, occupied and improved subject to the following uniform covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes, all of which are hereby declared, established, expressed and agreed: (1) to be for the benefit and protection of the Project, its desirability, value and attractiveness; (2) to be for the benefit of the Owners and mortgagees of the Lots in the Project; (3) to run with the land and be binding upon all parties having or acquiring any right, title or interest in the Project or any part thereof; (4) to inure to the benefit of every portion of the Project and any interest therein; and (5) to inure to the benefit of and be binding upon each successor and assignee in interest of each Owner and of Declarant.

Any conveyance, transfer, sale, assignment, lease or sub-lease of a Lot in the Project, shall and hereby is deemed to incorporate by reference all provisions of this Declaration. The provisions of this Declaration shall be enforceable by Declarant, any Lot Owner, the Association, and any first mortgagee of any Lot.

ARTICLE I

INTERPRETATION

1.1 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation and maintenance of the Project.

1.2 Covenant Running with Land. It is intended that this Declaration shall be operative as a set of covenants running with the land, or equitable servitudes, binding on Declarant, its successors and assigns, all subsequent owners of the Property, together with their grantees, successors, heirs, executors, administrators, devisees or assigns.

1.3 Declarant is Original Owner. Declarant is the original Owner of all Lots and Property and will continue to be deemed the Owner thereof except as conveyances or documents changing such ownership regarding specifically described Lots are filed of record.

1.4 Captions. Captions given to the various articles and sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof.

1.5 Definitions.

1.5.1 "Association" shall mean the association of Lot Owners provided for in Article 4 and its successors and assigns.

1.5.2 "Board" shall mean the Board of Directors of the Association provided for in Article 5.

1.5.3 "Common Area" shall mean all real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the Owners and shall include all Common Area described on the Plat Map. The Common Area to be owned by the Association at the time of the conveyance of the first Lot in Division 1 is shown on the Plat Map of Division 1 and described in Article 2 hereof.

1.5.4 "Declarant" shall mean the undersigned (being the sole Owner(s) of the real property described in said Exhibit A hereof) and its successors and assigns if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development and by written instrument in recordable form be specifically assigned the rights and duties of Declarant.

1.5.5 "Declaration" shall mean this declaration and any amendments thereto.

1.5.6 "Home" shall mean and refer to any structure located on a Lot, which structure is designed and intended for use and occupancy as a residence by a single family or which is intended for use in connection with such residence.

1.5.7 "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Property, excluding Common Areas. Ownership of a Lot shall include ownership of the Home and improvements now or hereafter constructed on such Lot.

1.5.8 "Mortgage" shall mean a recorded mortgage or deed of trust that creates a lien against a Lot and shall also mean a real estate contract for the sale of a Lot.

1.5.9 "Mortgagee" shall mean the beneficial owner, or the designee of the beneficial owner, of an encumbrance on a Lot created by mortgage or deed of trust and shall also mean the vendor, or the designee of a vendor, of a real estate contract for the sale of a Lot. A mortgagee of the Project and a mortgagee of a Lot are included within the definition of mortgagee.

1.5.10 "Mortgage Foreclosure" shall include a deed of trust sale, a deed given in lieu of such foreclosure or sale and a forfeiture of a real estate contract.

1.5.11 "Mortgagee of a Lot" shall mean the holder of a mortgage on a Lot, which mortgage was recorded simultaneously with or after the recordation of this Declaration. Unless the context requires otherwise, the term "Mortgagee of a Lot" shall also be deemed to include the mortgagee of the Project.

1.5.12 "Mortgagee of the Project" shall mean the holder of a mortgage on the real property which this Declaration affects, which mortgage was recorded prior to the recordation of this Declaration. The term "Mortgagee of the Project" does not include mortgagees of the individual Lots.

1.5.13 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Property, and shall

20746M10

- 3 -

12/20/98 (1:54pm)

VOL 2211 PAGE 1601

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include any person of record holding a vendee's interest under a real estate contract for the sale of a Lot. Any person or entity having such an interest merely as security for the performance of an obligation shall not be considered an owner.

1.5.14 "Person" shall include natural persons, partnerships, corporations, associations and personal representatives.

1.5.15 "Property," "Project," or "Premises" shall mean the real estate described in Exhibit A and all improvements and structures thereon, including such additions thereto as may hereafter be brought within the jurisdiction of the Association.

1.5.16 "Plat Map" shall mean the Plat Maps recorded in conjunction with this Declaration, which Plat Maps depict the layout of the Lots on the Property. The plat of HEARTHSTONE DIVISION 1 was recorded on JANUARY 4, 1989, at Volume 59 of Plats, pages 2 - 2, Auditor's File No. 890104.001, records of KING County, Washington.

1.6 Percentage of Mortgagees. For purposes of determining the percentage of first mortgagees approving a proposed decision or course of action, a mortgagee shall be deemed a separate mortgagee for each Lot on which it holds a mortgage that constitutes a first lien on said Lot.

1.7 Percentage of Owners. For purposes of determining the percentage of Owners approving a proposed decision or course of action, an Owner shall be deemed a separate Owner for each Lot owned.

1.8 Inflationary Increase in Dollar Limits. The dollar amounts specified in Articles 5 and 8 may, in the discretion of the Board, be increased proportionately by the increase in the consumer price index for the City of Seattle, Washington, for All Urban Consumers, prepared by the United States Department of Labor for the base period, January 1, 1987, to adjust for any deflation in the value of the dollar.

ARTICLE II

OWNERSHIP OF COMMON AREAS

The Common Areas, if any, within the Property described in Section 1.5.3, including the Drainage Protection Areas (Tracts 101, 102 and 103), are hereby conveyed to the Association. The Common Areas, if any, within each subsequent phase will be deemed to be conveyed to the Association upon the recording of an amendment to this Declaration incorporating such phase within the Project and will be depicted on the Plat Map

recorded in conjunction with such phase. The Common Areas shall exclude those portions of common areas (and improvements thereto) which have been or may hereafter be, dedicated to and owned by a governmental entity. The Common Areas shall for all purposes be under the control, management and administration of the Declarant until all Class B membership terminates, and under the control, management and administration of the Association thereafter. The Association (and the Owners who are members thereof) have the responsibility and obligation to maintain, repair and administer the Common Areas in a clean, attractive, sanitary and safe condition and in full compliance with applicable governmental laws, rules and regulations and the provisions of this Declaration.

ARTICLE III

OWNER'S PROPERTY RIGHTS

3.1 Owners' Easements of Enjoyment. Every Owner shall have a non-exclusive right and easement, in common with all Owners, of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

3.1.1 The right of the Association to limit access to those portions of the Common Areas, which in the opinion of the Board are dangerous.

3.1.2 The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area.

3.1.3 The right of the Association to suspend the voting rights and right to use of the Common Areas by an Owner for: any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations. Until all Class B membership terminates, the Association shall be required to exercise its right to suspend the voting rights of, and the right to the use of the recreational facilities by, a member for non-payment of an assessment, upon the request of the Declarant.

3.1.4 The rights of the Association to dedicate or transfer all or any part of the Common Area, including easements across said properties, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members of the Association. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of the Owners has been recorded and the provisions of Article 12 hereof have been observed; provided, only a majority

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- 5 -

12/20/88 (1:54pm)

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VOL. 2211 PAGE 1603

of Owners will be necessary to approve dedicating a storm retention pond or similar facility, if any, to a governmental entity which shall maintain such ponds.

3.1.5 The right of the Association to limit the number of guests of members;

3.1.6 The right of the Association, in accordance with this Declaration and its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, but the rights of such mortgagee in said property shall be subordinate to the rights of the homeowners hereunder and subject to the provisions of Section 11.5;

3.1.7 The right of the Association to take such steps as are reasonably necessary to protect any such mortgaged property against foreclosure, including, but not limited to, the right to charge admission and other fees as a condition to continued enjoyment by the members and, if necessary, to open the enjoyment of such properties to the public; and

3.1.8 Until all Class B membership terminates, the exercise of all of the rights and powers set forth in subsections 3.1.2, 3.1.3, 3.1.6 and 3.1.7 shall require the prior written approval of Declarant.

3.2 Delegation of Use. Any Owner may delegate (in accordance with the Bylaws), his right of enjoyment to the Common Area and facilities to the members of his family, or his tenants or contract purchasers who reside on the Property, and (subject to regulation by the Association) to his temporary guests.

ARTICLE IV

OWNER'S ASSOCIATION

4.1 Establishment. There is hereby created an association to be called HEARTHSTONE HOMEOWNERS' ASSOCIATION (referred to hereinafter as the "Association").

4.2 Form of Association. The Association shall be a non-profit corporation formed and operated pursuant to Title 24, Revised Code of Washington.

4.3 Membership.

4.3.1 Qualification. Each Owner of a Lot in the Project (including Declarant) shall be a member of the Association and shall be entitled to one membership for each Lot so owned; provided, that if a Lot has been sold on contract, the

contract purchaser shall exercise the rights of the Owner for purposes of the Association, this Declaration and the Bylaws, except as hereinafter limited, and shall be the voting representative unless otherwise specified. Ownership of a Lot shall be the sole qualification for membership in the Association.

4.3.2 Transfer of Membership. The Association membership of each Owner (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Lot and then only to the transferee of title to such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

4.4 Voting.

4.4.1 Classes of Voting Membership. The Association shall have two classes of voting membership:

Class A. Class A members shall be all Owners except the Declarant. Class A members shall be entitled to one vote for each Lot owned.

Class B. The Class B member shall be the Declarant which shall be entitled to three (3) votes for each Lot owned.

The Class B membership shall cease and be converted to Class A membership on the happening of the first of the following events:

(a) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

(b) the date when Declarant's management powers terminate, as provided in Section 5.2.

In determining whether any given proposition shall have been approved by the membership, the total number of Class A and Class B votes shall be combined and the appropriate percentage applied against that combined number.

4.4.2 Number of Votes. Except as provided above, the total voting power of all Owners shall equal the number of lots at any given time and the total number of votes available to Owners of any one Lot shall be one vote.

4.4.3 Voting Owner. There shall be one (1) voting representative of each Lot. Declarant shall be considered an

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12/20/88 (1:54pm)

VOL. 221 PAGE 1605

"Owner" as that term is used herein, and shall be the voting representative, with respect to any Lot or Lots owned by Declarant. If a person (including Declarant) owns more than one Lot, he shall have the votes for each Lot owned. The voting representative shall be designated by the Owner or Owners of each Lot by written notice to the Board, and need not be an Owner. The designation shall be revocable at any time by actual notice to the Board from a party having an ownership interest in a Lot, or by actual notice to the Board of the death or judicially declared incompetence of any party with an ownership interest in the Lot. This power of designation and revocation may be exercised by the guardian of a Lot Owner and the administrators or executors of an Owner's estate. Where no designation is made, or where a designation has been made but is revoked and no new designation has been made, the voting representative of each Lot shall be the group composed of all of its Owners.

4.4.4 Joint Owner Disputes. The vote for any Lot must be cast as a single vote, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. In the event more than one vote is cast for a particular Lot, none of said votes shall be counted and said votes shall be deemed void.

4.4.5 Pledged Votes. If an Owner is in default under a first mortgage on the Lot for ninety (90) consecutive days or more, the Mortgagee thereof shall automatically be authorized to declare at any time thereafter that the Lot Owner has pledged his or her vote on all issues to the Mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, or in the event the record Owner or Owners have otherwise pledged their vote regarding special matters to a Mortgagee under a duly recorded Mortgage or to the vendor under a duly recorded real estate contract, only the vote of such Mortgagee or vendor will be recognized in regard to the special matters upon which the vote is so pledged. Amendments to this subsection shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees and vendors, if any.

4.5 Meetings, Audits, Notices of Meetings.

4.5.1 Annual Meetings, Audits. The organizational meeting of the Association shall be held not later than two (2) months after the date of the termination of management by Declarant as provided in Section 5.2. Thereafter, there shall be an annual meeting of the Owners at such reasonable place, time and date as may be designated by written notice of the Board delivered to the Owners no less than ten (10) days prior to the date fixed for said meeting. At the annual meeting, there shall

be presented a full and complete report of the common expenses, and the allocation thereof to each Owner, itemizing receipts and disbursements for the preceding fiscal year, and there shall also be presented the estimated common expenses for the coming fiscal year. The Board at any time, or by written request of Owners having at least forty percent (40%) of the total votes, may require that an audit of the Association and management books be presented at any special meeting. A Lot Owner, at his own expense, may, at any reasonable time, make an audit of the books of the Board and Association.

4.5.2 Special Meetings. Special meetings of the Owners may be called at any time for the purpose of considering matters which, by the terms of this Declaration, require the approval of all or some of the Owners, or for any other reasonable purpose. Such meeting shall be called by written notice of the president of the Association upon the decision of the president, or after request signed by a majority of a quorum of the Board, or by written request by the Owners having at least forty percent (40%) of the total votes which notice shall be delivered not less than ten (10) days prior to the date fixed for said meeting. The notice shall specify the date, time and place of the meeting and, in general, the matters to be considered.

4.5.3 Quorum Requirements for Association Meeting. At all meetings of the Association, Owners, who are either present in person or by proxy and who hold fifty-one percent (51%) of the total voting power, shall constitute a quorum. Owners holding a majority of total voting power, present and entitled to vote, either in person or by proxy, shall be sufficient for the passage of any motion or the adoption of any resolution, except in connection with amendment or repeal of this Declaration. If the required quorum is not present, another meeting may be called subject to the requirement of written notice sent to all members at least ten (10) days in advance of such meeting, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting. In the absence of a quorum at a members' meeting, a majority of those present in person or by proxy may adjourn the meeting to another time but may not transact any other business. An adjournment for lack of a quorum shall be to a date not more than thirty (30) days from the original meeting date.

4.5.4 Bylaws of Association.

(a) Adoption of Bylaws. Bylaws for the administration of the Association and Property, and to further the intent of this Declaration, shall be adopted by the Owners at a regular or special meeting. Notice of the time, place and purpose of such meeting shall be delivered to each Owner at least ten (10) days prior to such meeting. Amendments to the Bylaws may be adopted by the Owners at a

regular or special meeting similarly called. However, Declarant may adopt initial Bylaws.

(b) Bylaws Provisions. The Bylaws shall be deemed to contain provisions identical to those provided in this Declaration, and may contain supplementary, not inconsistent, provisions regarding the operation of the Development and administration of the Property. The Bylaws shall establish such provisions for quorum, ordering of meetings, and details regarding the giving of notice as may be required for proper administration of the Association and the Property.

ARTICLE V

MANAGEMENT OF THE ASSOCIATION

5.1 Administration of the Development. The Owners covenant and agree that the administration of the development shall be in accordance with the provisions of this Declaration and the Bylaws of the Association which are made a part hereof.

5.2 Management by Declarant. The Property shall be managed by the Declarant until the earlier of: (a) one hundred twenty (120) days after all Class B membership terminates; or (b) the date on which Declarant elects to permanently relinquish all of its authority under this Section 5.2 by written notice to all Owners. The Association shall be organized as follows, in the exercise of the sole discretion of the Declarant:

5.2.1 So long as no temporary board is then entitled to exercise management authority under Section 5.2.2, Declarant, or a managing agent selected by Declarant, shall have the power and authority to exercise all the rights, duties and functions of the Board, including but not limited to enacting reasonable administrative rules, contracting for required services, property and insurance, and collecting and expending all assessments and Association funds.

5.2.2 Declarant may at such time as Declarant deems appropriate select a temporary board of adequate size to handle the affairs of the Association, comprised of persons who own or are purchasers of Lots, or are officers of corporations, trusts, partnerships or other entities owning or purchasing such Lots. This temporary board shall have full authority and all rights, responsibilities, privileges and duties to manage the Premises under this Declaration and Bylaws, and shall be subject to all provisions of the Declaration and Bylaws; provided, that, after selecting any such temporary board, Declarant, in the exercise of its sole discretion may at any time terminate such temporary

board, and reassume its management authority under Section 5.2.1 or select a new temporary board under this Section 5.2.2.

5.2.3 Pursuant to Section 5.2.1 the Declarant or managing agent selected by Declarant, or pursuant to Section 5.2.2 a temporary board selected by Declarant, shall have the exclusive right to contract for goods and services, payment for which is to be made from any common or maintenance funds. The Association may not however be bound directly or indirectly to any contracts or leases without the right of termination exercisable without cause and without penalty at any time after transfer or control to the Board elected pursuant to Section 5.3, upon not more than ninety (90) days' notice to the other party to the contract. These requirements and covenants are made in order to assure that the Premises will be adequately administered in the initial phases of development, and to assure an orderly transition to Association operations.

5.3 Management by Elected Board of Directors. At the expiration of Declarant's management authority under Section 5.2, administrative power and authority shall vest in a Board of Directors elected from among the Lot owners. The number of directors shall be specified in the Bylaws and shall be sufficient to adequately handle the affairs of the Association. The Board may delegate all or any portion of its administrative duties to a manager, managing agent or officer of the Association or as otherwise may be provided in the Bylaws. All Board offices shall be open for election at an organizational meeting. The Board shall elect from among its members, a president who shall preside over meetings of the Board and the meetings of the Association.

5.4 Authority and Duties of the Board. On behalf of and acting for the Association, the Board (or the Declarant or Declarant's managing agent as provided in Section 5.2 hereof), for the benefit of the Project and the Owners, shall enforce the provisions of this Declaration and the Bylaws, shall have all powers and authority permitted to the Board under this Declaration, including but not limited to the following:

5.4.1 Assessments. Establish and collect regular assessments (and to the extent necessary and permitted hereunder, special assessments) to defray expenses attributable to carrying out its duties hereunder and maintain an adequate reserve fund for the maintenance, repair and replacement of those portions of the Common Areas or facilities which must be maintained, repaired or replaced on a periodic basis, which reserve shall be funded by the above assessments.

5.4.2 Service. Obtain the services of persons or firms as required to properly manage the affairs of the development to the extent deemed advisable by the Board including legal

and accounting services, property management services as well as such other personnel as the Board shall determine are necessary or proper for the operation of the Common Area, whether such personnel as the Board shall determine are necessary or proper for the operation of the Common Area, and whether such personnel are employed directly by the Board or are furnished by the manager or management firm or agent.

5.4.3 Utilities. Obtain water, sewer, garbage collection, electrical, telephone, gas and any other necessary utility service, including utility easements, as required for the Common Area.

5.4.4 Insurance. Obtain and pay for policies of insurance or bonds providing Common Area casualty and liability coverage, and for fidelity of Association officers and other employees, the requirements of which are more fully set forth hereinafter.

5.4.5 Maintenance and Repair of Common Areas. Pay for the costs of painting, maintenance, repair and all landscaping and gardening work for the Common Area and improvements located thereon so as to keep the Property in a good, clean, attractive, sanitary and safe condition and in full compliance with applicable governmental laws, rules and regulations and the provisions of this Declaration. The foregoing shall include: the cost of maintaining the storm retention ponds or similar facility, if any; and such replacing and repairing of furnishings and equipment, if any, for the Common Area as the Board shall determine are necessary and proper.

5.4.6 Maintenance of Rights of Way, etc. To the extent deemed advisable by the Board, pay for the costs of maintaining and landscaping rights of way, traffic islands and medians, or other similar areas which are within or adjacent to the Project boundaries, and which are owned by or dedicated to a governmental entity, if said governmental entity fails to do so.

5.4.7 Fences, etc. To the extent deemed advisable by the Board, pay for the cost of maintaining, repairing and replacing (or at its option require a Lot Owner at the Owner's expense to maintain, repair and replace) the Project: perimeter fences, if any; and landscaping and improvements on easements, if any, which are located on or across Lots or Common Areas.

5.4.8 Enforce Declaration. Enforce the applicable provisions of the Declaration for the management and control of the Project.

5.4.9 Contracts. Contract for materials and/or services to carry out its responsibilities provided herein.

5.4.10 Financial Statements. Prepare or cause to be prepared at least annually (or more frequently if desired by the Board), a balance sheet and an operating (income/expense) statement for the Association, copies of which shall be distributed to each of the Owners within thirty (30) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable, identified by the number of the Lot and the name of the Owner so assessed. The Board may require that an external audit be prepared annually by an independent public accountant within ninety (90) days following the end of each fiscal year.

5.4.11 Payment for Materials, Services, etc. Pay for any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the board is required to secure by law, or which in its opinion shall be necessary or proper for the operation of the Common Area or for the enforcement of this Declaration; provided that if for any reason such materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments are provided for particular Lots or their Owners, the cost thereof shall be specially charged to the Owner of such Lots.

5.4.12 Non-Profit. Nothing herein contained shall be construed to give the Board authority to conduct an active business for profit on behalf of all the Owners or any of them.

5.4.13 Exclusive Right to Contract. The Board shall have the exclusive right to contract for all goods and services, payment of which is to be made from the maintenance fund. The Board may delegate such powers subject to the terms hereof.

5.4.14 Acquisition of Property. The Board may, from common funds of the Association, acquire and hold in the name of the Association, for the benefit of the Owners, tangible and intangible personal property and real property and interests therein, and may dispose of the same by sale or otherwise; and the beneficial interest in such Property shall be owned by the Association and such Property shall thereafter be held, sold, leased rented, mortgaged or otherwise dealt with for the benefit of the common fund of the Association as the Board may direct. The Board shall not, however, in any case acquire by lease or purchase real or personal property (including capital additions and improvements, but excluding the making of repairs, restoration and replacement of portions of the Common Areas) valued in excess of Five Thousand Dollars (\$5,000) except upon a majority vote of the Owners, or valued in excess of Twenty-five Thousand Dollars (\$25,000) except upon a seventy-five percent (75%) affirmative vote of the Owners, with such vote being cast in person or by proxy at a meeting called for such purpose, or if no such meeting is held, the written consent of all of the Owners.

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- 13 -

12/20/88 (1:54pm)

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VOL 2211 PAGE 1611

5.4.15 Emergency Entry. The Board and its agents or employees, may enter any Lot when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible or in the event of emergencies. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board out of the common expense fund if the entry was due to an emergency or for the purpose of maintenance or repairs to Common Areas. If the emergency repairs or maintenance were necessitated by or for the Lot entered or its Owners, or requested by its Owners, the costs thereof shall be specially charged to such Lot.

5.4.16 Attorney-in-Fact. Each Owner, by the mere act of becoming an Owner or contract purchaser of a Lot, shall irrevocably appoint the Association as his attorney-in-fact, with full power of substitution, to take such action as reasonably necessary to promptly perform the duties of the Association and Board hereunder, including but not limited to the duties to maintain, repair and improve the Property, to deal with the Property upon damage or destruction, and to secure insurance proceeds.

5.4.17 Borrowing of Funds. In the discharge of its duties and the exercise of its powers as set forth in Section 5.4, but subject to the limitations set forth therein, the Board may borrow funds on behalf of the Association and to secure the repayment thereof encumber, subject to the limitations set forth in this Declaration (including Article XI), the Common Areas and facilities and Association's funds.

5.4.18 Additional Powers of Association. In addition to the duties and powers of the Association, as specified herein, and elsewhere in this Declaration, but subject to the provisions of this Declaration, the Association, acting through its Board, shall have the power to do all other things which may be deemed reasonably necessary to carry out its duties and the purposes of this Declaration including, but not limited to, capital improvements, obtaining of appropriate insurance and bonds, and the adoption of additional bylaws and rules and regulations governing the Association and Owners. In the event of conflict between this Declaration and any such additional Bylaws or rules and regulations, the provisions of this Declaration shall prevail.

5.5 Board Organization and Operation.

5.5.1 Election of Board of Directors, Cumulative Voting Feature and Term of Office. The members of the first Board elected by the Owners (at the organizational meeting referred to in Section 4.5.1) shall serve at least a one-year term of office; provided, the voting procedures shall assure that

the expiration dates for the term of the initial Board members shall be staggered.

5.5.2 Vacancies. Vacancies in the Board caused by any reason other than removal of a Board member by a vote of the Association shall be filled by vote of the majority of the remaining Board members, even though they may constitute less than a quorum. Each person so elected shall be a Board member until a successor is elected at the next annual meeting of the Association.

5.5.3 Removal of Board Members. Any one (1) or more Board members may be removed with or without cause by a majority of the Lot Owners, at any regular meeting or special meeting called for that purpose. A successor may then and there be elected to fill the vacancy thus created. Any Board member whose removal has been so proposed by the Owners shall be given an opportunity to be heard at the meeting. Notwithstanding the above, until the organizational meeting referred to in Section 4.9.1, only Declarant shall have the right to remove a Board member.

5.5.4 Organizational Meeting. The first meeting of a newly elected Board shall be held immediately following the organizational meeting of the Association. No notice shall be necessary to the newly elected Board members in order legally to constitute such meeting.

5.5.5 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined, from time to time, by a majority of the Board members. At least three (3) such meetings shall be held during each fiscal year, one (1) of which shall be held immediately following the annual meeting of Owners. Notice of regular meetings of the Board shall be given to each Board member, personally or by mail, telephone or telegraph, at least ten (10) days prior to the day named for such meeting.

5.5.6 Special Meetings. Special meetings of the Board may be called by the President on ten (10) days' notice to each Board member, given personally, by mail, telephone or telegraph. Said notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) Board members.

5.5.7 Waiver of Notice. Before, at or after any meeting of the Board, any Board member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Board member at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Board members are present

at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

5.5.8 Quorum. At all meetings of the Board, a majority thereof shall constitute a quorum for the transaction of business. The acts of the majority of the Board members present at a meeting at which a quorum is present shall be the acts of the Board. If, at any meeting of the Board, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. An adjournment for lack of a quorum shall be to a date not more than thirty (30) days from the original meeting date. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

5.5.9 Fidelity Bonds. The Board may require any officer or employee of the Association handling or responsible for Association funds to furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

ARTICLE VI

OBLIGATION OF OWNERS

6.1 In General. Each Owner shall endeavor to cooperate for the accomplishment of the purposes for which the Project was built and shall comply strictly with all provisions of the Declaration.

6.2 Specific Duties. Each Owner, at said Owner's sole cost and expense, shall promptly and continuously maintain, repair, replace and restore said Owner's Lot (including the yard and landscaping) and Home and other improvements located thereon, in a good, clean, attractive, safe and sanitary condition and in full compliance with all applicable governmental laws, rules and regulations and the provisions of this Declaration and the rules and regulations of the Association.

6.3 Restrictions on Storage. No Owner shall store or allow any tenant to store any trailers, boats, motor homes, recreational vehicles or any disabled or inoperable motor vehicles on the Premises (other than completely within an enclosed garage, or within such other enclosure as may be approved in advance by the Board of Directors or the Architectural Control Committee) for more than forty-eight (48) consecutive hours. Violations shall subject such vehicles to public impound, at the expense and risk of the Owner thereof.

ARTICLE VII

ARCHITECTURAL CONTROL, USE, ETC.

7.1 Construction and Exterior Alteration or Repair.

7.1.1 All buildings and structures (including, without limitation, concrete or masonry walls, rockeries, fences, swimming pools, if any, or other structures) to be constructed within the Property, and all exterior alterations and repairs (including, but not limited to, reroofing or repainting) of any buildings or structures on the Property and visible from any public street, Common Area or other Lot must be approved by the Board of Directors of the Association, or by an Architectural Control Committee (ACC) composed of three (3) or more representatives appointed by the Board; provided, until all Class B membership terminates, Declarant at its option may exercise all of the rights and powers of the Board under Section 7.1 including without limitation the appointment of members of the ACC. Complete plans and specifications of all such proposed buildings, structures, and exterior alterations and repairs, together with detailed plans showing the proposed location of the same on the particular building site and other data requested by the ACC, shall be submitted to the ACC before construction, alteration or repair is started. Construction, alteration or repair shall not be started until written approval thereof is given by the ACC. Any exterior modifications in accordance with plans and specifications developed by the Declarant and filed with the Board of Directors at the time of transfer (pursuant to Article 5.2) will be deemed approved exterior modifications.

7.1.2 The ACC will review submittals as to the quality of workmanship and materials planned and for conformity and harmony of the external design with proposed or existing structures on neighborhood residential Lots or building sites, and as to location of the building with respect to topography, finish grade elevation and building setback restrictions.

7.1.3 In the event the ACC fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, such approval will not be required.

7.1.4 All plans and specifications for approval by the ACC must be submitted in duplicate, at least ten (10) days prior to the proposed construction or exterior alteration or repair starting date. The maximum height of any building shall be established by the ACC as part of the plan approval and shall be given in writing together with the approval.

7.1.5 The ACC may require that said plans or specifications shall be prepared by an architect or a competent house-

designer, approved by the ACC. One complete set of said plans and specifications shall in each case be delivered to and permanently left with the ACC. All buildings or structures shall be erected or constructed, and all exterior alterations or repairs made, by a contractor, house builder or other person or entity approved by the ACC.

The ACC shall have the right to refuse to approve any design, plan or color for such improvements, construction, or exterior alteration or repair visible from a public street, Common Area or other lot which is not suitable or desirable, in the ACC's reasonable opinion, aesthetic or otherwise.

7.1.6 In so passing upon such design, the ACC shall have the right to take into consideration the suitability of the proposed building or other structure, and the material of which it is to be built, and the exterior color scheme, to the site upon which it is proposed to erect the same, the harmony thereof with the surroundings, and the effect or impairment that said structures will have on the view or outlook of surrounding building sites, and any and all factors, which, in the ACC's opinion, shall affect the desirability or suitability of such proposed structure, improvements, or exterior alteration or repair.

7.1.7 The ACC shall have the right to disapprove the design or installation of a swimming pool or any other recreational structure or equipment desirable, in the ACC's reasonable opinion, aesthetic or otherwise. In so passing upon such design or proposed installation, the ACC shall have the right to take into consideration the visual impact of the structure and the noise impact of the related activities upon all of the properties located in the close proximity. Any enclosure or cover used in connection with such a recreational structure or equipment, whether temporary, collapsible, seasonal, or whatever, shall be treated as a permanent structure for the purposes of these covenants, and shall be subject to all the conditions, restrictions, and requirements as set forth herein for all buildings and structures.

7.1.8 The ACC shall have the right to require, at a Lot Owner's expense, the trimming or topping (or, if deemed necessary by the ACC, removal) of any tree, hedge or shrub on a Lot which the ACC determines is unreasonably blocking or interfering with the view or access to sunlight of another Lot.

7.1.9 The provisions of Section 7.1 shall not apply to Declarant or to the successors and assigns of Declarant's status as Declarant.

7.2 Sales Facilities of Declarant. Notwithstanding any provision in this Declaration to the contrary, Declarant (its

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agents, employees and contractors) shall be permitted to maintain during the period of sale of Lots and/or Homes upon such portion of the Property (other than Lots sold by Declarant) as Declarant may choose, such facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction, sale or rental of Lots and Homes, including but not limited to, a business office, storage area, signs, model units, sales office, construction office, and parking areas for all prospective tenants or purchasers of Declarant.

7.3 Common Drives. Common drives, walks (if any) and paths (if any) shall be used exclusively for normal transit and no obstructions shall be placed thereon or therein except by express written consent of the Board.

7.4 Residential Use. All Lots and improvements located thereon shall be used, improved and devoted exclusively to residential use. Nothing herein shall be deemed to prevent the Owner from leasing a Lot and improvements subject to all of the provisions of the Declaration. The term "Residential Lots," as used herein means all of the Lots now or hereafter platted on the existing property or the additions thereto, with the exception of the Common Properties. No structures or buildings of any kind shall be erected, altered, placed or permitted to remain on any Residential Lot other than one detached single-family dwelling for single-family occupancy only, not to exceed two stories and daylight or subterranean basement, and not to exceed 35 feet in height, with a private garage or carport for not more than three standard sized passenger automobiles.

7.5 Nuisances. No nuisance shall be permitted to exist or operate upon any Lot or improvement thereon so as to be detrimental to any other Lot or Property in the vicinity thereof or to its occupants.

7.6 Restriction on Further Subdivision. No Lot or portion of a Lot in this plat shall be divided and sold or resold, or ownership changed or transferred whereby the ownership of any portion of this plat shall be less than the area required for the use district in which located; provided, the foregoing shall not prohibit deeds of correction, deeds to resolve boundary disputes and similar corrective instruments. Lots may be joined and joined Lots may subsequently be subdivided only into the Lots originally joined.

7.7 Garbage and Trash Removal. No Lot shall be used as a dumping ground for rubbish, trash or garbage. Garbage and trash containers shall be buried or shall be located abutting rear or sides of house and shall be contained within an enclosure. The design and material of said enclosure shall be in keeping with the general appearance of the house and its design must receive prior approval by the Association.

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- 19 -

12/20/88 (1:54pm)

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VOL 2211 PAGE 1617

7.8 Pets. No animal, livestock, or poultry of any kind shall be raised, bred, or kept on any Lot, except: that cats, dogs, birds or other household pets may be kept if they are not kept, bred or maintained for any commercial purpose; and that such pets shall not be kept in numbers or under conditions reasonably objectionable in a closely built-up residential community or in violation of the reasonable rules and regulations of the Association.

7.9 Signs. No signs shall be displayed to the public view on any Lot except one professional sign of not more than one square foot, one sign of not more than five square feet advertising the property for sale or rent, or signs used by Declarant or another home builder to advertise the property during the construction and sales period.

7.10 Rental Lots.

7.10.1 With respect to the leasing, renting, or creation of any kind of tenancy of a Lot and improvements thereon by its Owners, such Owner shall be prohibited from leasing or renting less than the entire Lot or improvements thereon, or (with the exception of a lender in possession of a Lot and improvements thereon following a default in a first mortgage, a foreclosure proceeding or any deed of trust sale or other arrangement in lieu of a foreclosure) for a term of less than thirty (30) days; and all leasing or rental agreements shall be in writing and be subject to the Declaration and Bylaws (with a default of the tenant in complying with the Declaration and Bylaws constituting a default under the lease or rental agreement).

7.10.2 If a Lot or Home is rented by its Owner, the Board may collect, and the tenant or lessee shall pay over to the Board, so much of the rent for such Lot or Home as is required to pay any amounts due the Association hereunder, plus interest and costs, if the same are in default over thirty (30) days. The renter or lessee shall not have the right to question payment over to the Board, and such payment will discharge the lessee's or renter's duty of payment to the Owner for rent, to the extent such rent is paid to the Association, but will not discharge the liability of the Owner, and the Lot or Home under this Declaration for assessments and charges, or operate as an approval of the lease. The Board shall not exercise this power where a receiver has been appointed with respect to the Lot or its Owner; nor in derogation of any rights which a mortgagee of such Lot may have with respect to such rents. Other than as stated herein there are no restrictions on the right of any Owner to lease or otherwise rent his Home.

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7.11 Zoning Regulations. Zoning regulations, building regulations, environmental regulations and other similar governmental regulations applicable to the Properties subject to this Declaration shall be observed. In the event of any conflict between any provision of such governmental regulations and restrictions of this Declaration, the more restrictive provisions shall apply.

7.12 Business Use. No business of any kind shall be conducted on any Lot with the exception of (a) the business of Declarant in developing and selling all of the Lots and (b) such home occupation for which a permit may be issued by the appropriate local government.

7.13 Temporary Residence. No outbuilding, basement, tent, shack, garage, trailer or shed or temporary building of any kind shall be used as a residence either temporarily or permanently, except for a construction shack used by an Owner's construction contractor during the construction period.

7.14 Antenna, Satellite Dish. No antenna, satellite dish or similar equipment shall be affixed to any exterior wall or roof in such a way as to be visible from any public street, Common Area or other Lot without the written approval of the ACC.

7.15 Building Setback Requirements. All buildings and other Lot improvements shall comply with all applicable governmental requirements, including without limitation minimum setback requirements.

7.16 Oil and Mining Operations. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot; nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

7.17 Sewage Disposal. No permanent private water well or septic tank system shall be permitted on any Lot. The cleaning of catch basins, if any, on individual Lots shall be carried out at least once prior to September 15 of each calendar year.

7.18 Lot Size. No residential structure shall be erected or placed on any Residential Lot which has a lot area of less than that required by the government entity having appropriate jurisdiction over the Project.

7.19 Completion of Improvements. Any improvements constructed on any Lot in the Property shall be completed as to external appearance, including finish painting, within six (6)

months from the commencement of construction except for acts of God in which case a longer period may be permitted.

ARTICLE VIII

COMMON EXPENSES AND ASSESSMENTS

8.1 Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) Annual Assessments or charges, and (2) Special Assessments for capital improvements, reconstruction or other special purposes. Such assessments shall be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title unless the lien for such delinquent assessments had been properly recorded prior to title transfer or unless expressly assumed by them. Provided, however, that in the case of a sale of any Lot which is charged with the payment of an assessment or assessments payable in installments, the person or entity who is the Owner immediately prior to the date of any such sale shall be personally liable only for the amount of the installments due prior to said date. The new Owner shall be personally liable for installments which become due on and after said date.

8.2 Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the members thereof, their guests and invitees, and shall be used to improve, protect, operate and maintain the Project, the Common Areas, improvements (including storm retention ponds, if any), landscape and structures located thereon and to provide for performance of the duties of the Board.

8.3 Estimated Expenses. Within sixty (60) days prior to the beginning of each calendar year or such other fiscal year as the Board may adopt, the Board shall: (a) estimate the Annual Assessments and Special Assessments for particular Lots to be paid during such year; (b) make provisions for creating, funding and maintaining reasonable reserves for contingencies and operations, for maintenance, painting, repair, replacement and acquisition of Common Areas and Facilities; and (c) take into

account any expected income and any surplus available from the prior year's operating fund. Without limiting the generality of the foregoing but in furtherance thereof, the Board shall create and maintain from regular annual assessments a reserve fund for replacement of those Common Areas or elements which can reasonably be expected to require replacement prior to the end of the useful life of the Project. The Board shall calculate the contributions to said reserve fund so that there are sufficient funds therein to replace each Common Area or element covered by the fund at the end of the estimated useful life of each such Common Area. The Declarant or initial Board may at any suitable time establish the first such estimate. If the sum estimated and budgeted at any time proves inadequate for any reason (including nonpayment of any Owner's assessment), the Board may at any time levy a Special Assessment, which shall be assessed to the Owners in like proportions. However, the Board may not, in any fiscal year, levy Special Assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the vote or written assent of a majority of the members, other than Declarant. The provisions herein with respect to Special Assessments do not apply in the case where the Special Assessment against a member is a remedy utilized by the Board to reimburse the Association for costs incurred in bringing the member and his Home and/or Lot into compliance with the provisions of this Declaration. The budget may be reviewed and revised by the membership at any annual meeting, or any special meeting called for such purpose, but if not so reviewed or if no change is made, shall be deemed approved.

8.4 Annual Assessments.

8.4.1 Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first Lot to an Owner or until the commencement of the next fiscal year as Declarant may determine, the maximum Annual Assessment shall be Sixty-Five Dollars (\$65.00) per Lot.

8.4.2 Increases in Annual Assessments.

(a) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner or the commencement of the next fiscal year, the maximum Annual Assessment may not, without a vote of the membership as provided below, be increased above the maximum Annual Assessment for the previous year by more than the percentage increase in the Consumer Price Index published by the United States Department of Labor, Bureau of Labor Statistics, for the Seattle Metropolitan area, All Items base year 1987.

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- 23 -

12/20/88 (1:54pm)

VOL. 2211 PAGE 1621

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner or the commencement of the next fiscal year, the maximum Annual Assessment may be increased above the amount provided in subparagraph (a) above by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy, at a meeting duly called for this purpose.

(c) The Board of Directors may fix the Annual Assessment at an amount not in excess of the maximum.

8.5 Special Assessments for Capital Improvements. In addition to the Annual Assessment authorized above, the Association may levy, in any assessment year, a Special Assessment for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair, acquisition or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall be subject to the limitations of Sections 5.4.12.

8.6 Exception to Maximum Assessment Limitation. The limitations on maximum Annual Assessments under Section 8.4, and Special Assessments under Section 8.5 shall not apply with respect to a Special Assessment against a member imposed by the Board to reimburse the Association for costs incurred in bringing the Owner or the Home and/or Lot into compliance with the provisions of this Declaration.

8.7 Notice and Quorum for any Action Authorized Under Sections 8.4 and 8.5. Written notice of any meeting called for the purpose of taking any action authorized under Section 8.4 or 8.5 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 sixty percent (60%) of all the votes of each class 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.

8.8 Uniform Rate of Assessment. Both Annual and Special Assessments must be fixed at a uniform rate for all Lots, except for Special Assessments against an Owner imposed by the Board to reimburse the Association for costs incurred in bringing the Owner or his Home and/or Lot into compliance with the provisions of this Declaration.

8.9 Date of Commencement of Annual Assessments: Due Dates. The Annual Assessments provided for herein shall commence as to

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- 24 -

12/20/88 (1:54pm)

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VOL. 2211 PAGE 1622

all Lots on the first day of the month following either the date on which the first Lot is conveyed by Declarant, or the date of the conveyance of the Common Area to the Association, whichever date last occurs. The first Annual Assessment shall be adjusted according to the number of months remaining in the calendar year. Written notice of the Annual Assessment shall be sent to every Owner subject thereto.

8.10 Payment by Owners. Each Owner shall be obligated to pay its share of common expenses and special charges made pursuant to this Article to the treasurer for the Association. Annual Assessments shall be paid in full on or before the annual due date established by the Board. Special Assessments shall be payable annually, or in equal monthly installments on or before the first day of each month during each year, or in such other reasonable manner as the Board shall designate. Assessments for each Lot Owner shall begin on the date said Owner closes the transaction in which he acquires right, title or interest in the Lot. Assessments for the initial month shall be prorated if closing occurs on other than the first of the month. Any assessment or charge which remains unpaid for at least thirty (30) days shall bear interest at the rate of twelve percent (12%) from due date until paid. In addition, the Board may impose a late charge in an amount not exceeding twenty-five (25%) of any unpaid assessment or charge which has remained delinquent for more than fifteen (15) days.

8.11 Accounts. The Board shall require that the Association maintain one or more institutional depository accounts. Promptly upon receipt, the Board shall deposit assessments collected to the accounts. All such assessments and charges shall be collected and held in trust for, and administered and expended for the benefit of, the Owners. The Board shall have exclusive control of said accounts and shall be responsible to the Owners for maintenance of accurate records thereof at all times. No withdrawal shall be made from said accounts except to pay for the charges and expenses authorized by the provisions of this Declaration.

8.12 Omission of Assessment. The omission by the Board or the Association to fix the estimate for assessments and charges hereunder for the next year before the expiration of any current year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owner from the obligation to pay the assessments and charges, or any installment thereof for that or any subsequent year. The assessment and charge fixed for the preceding year shall continue until a new assessment or charge is fixed.

8.13 Records. The Board shall cause detailed and accurate records of the receipts and expenditures of the Association to be kept specifying and itemizing the maintenance and repair expenses

and any other expense incurred. Such records and any resolutions authorizing the payments involved shall be available for examination by any Owner at convenient hours of week days.

8.14 Declarant Liability. So long as Class B votes shall exist pursuant to Section 4.4, Declarant shall pay one hundred percent (100%) of Annual or Special Assessments charged against Lots still owned by it, regardless of whether said Lots shall be vacant or rented by Declarant.

8.15 Lien Indebtedness. In the event any Annual or Special Assessment attributable to a particular Lot remains delinquent for more than thirty (30) days, the Board may, upon fifteen (15) days' written notice to the Owner of such Lot, accelerate and demand immediate payment of all, or any portion of the assessments and charges which the Board reasonably determines will become due during the next succeeding twelve (12) months with respect to such Lot. Each Annual and Special Assessment shall be the joint and several personal debt and obligation of the Owner of Lots for which the same are assessed or charged as of the time the assessment or charge is made and shall be collectible as such. The amount of any assessment or charge, whether Annual or Special, assessed or charged to any Lot and the Owner or purchaser of any Lot, plus interest at the rate of twelve percent (12%) per annum, and costs, including reasonable attorneys' fees, shall be a lien upon such Lot and the Buildings situated thereon upon the recording of a Notice of Assessment in the office where real estate conveyances are recorded for the county in which this Project is located. The lien for payment of such assessments and charges shall have priority over all other liens and encumbrances, recorded or unrecorded, limited as provided in Section 11.1. Suit to recover a money judgment for unpaid assessments or charges shall be maintainable without foreclosure or waiver of the lien securing the same.

8.16 Notice of Creation of Assessment Lien. The Notice of Assessment shall not be filed of record unless and until the Board or a person designated by it, shall have delivered to the defaulting Owner, not less than fifteen (15) days prior to the recordation of such Notice of Assessment, a written Notice of Default and a demand to cure same within said fifteen-day period.

8.17 Certificate of Assessment. A certificate executed and acknowledged by the treasurer or the president of the Board, or an authorized agent thereof, if neither the president nor treasurer is available, stating the indebtedness for assessments and charges or lack thereof secured by the assessment lien upon any Lot shall be conclusive upon the Board and the Owners as to the amount of such indebtedness on the date of the certificate, in favor of all persons who rely thereon in good faith. Such a certificate shall be furnished to any Owner or any encumbrancer of a Lot within a reasonable time after request, in recordable

form, at a reasonable fee. Unless otherwise prohibited by law, any encumbrancer holding a lien on a Lot may pay any unpaid assessments or charges with respect to such Lot, and, upon such payment, shall have a lien on such Lot for the amounts paid of the same rank as the lien of his encumbrance.

8.18 Foreclosure of Assessment Lien: Attorneys' Fees and Costs. The Declarant, Manager, or Board may initiate action to foreclose the lien of any assessment on behalf of the Association. In any action to foreclose a lien against any Lot for nonpayment of delinquent assessments or charges, any judgment rendered against the Owners of such Lot in favor of the Association shall include a reasonable sum for attorneys' fees and all costs and expenses reasonably incurred in preparation for or in the prosecution of said action, in addition to taxable costs permitted by law.

8.19 Homestead Waiver. Each Owner hereby waives, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law in effect at the time any installment of maintenance charges becomes delinquent or any lien is imposed pursuant to the terms hereof.

8.20 Curing of Default. The Board shall file and record a satisfaction and release of the lien created by a Notice of Assessment filed and recorded in accordance with this Article upon timely payment or other satisfaction of all delinquent assessments set forth in the Notice, and all other assessments which have become due and payable following the date of such recordation with respect to the Lot as to which such Notice of Assessment was filed and recorded, together with all costs, late charges and interest which have accrued thereon. A fee of ten dollars (\$10.00) covering the cost of preparation and recordation shall be paid to the Association prior to such action. The satisfaction of the lien created by the Notice of Assessment shall be executed by any Director of the Association or by any authorized representative of the Board. For the purposes of this paragraph, the term "costs" shall include costs and expenses actually incurred or expended by the Association in connection with the cost of preparation and recordation of the Notice of Assessment and in efforts to collect the delinquent assessments secured by the lien and a reasonable sum for attorneys' fees.

8.21 Remedies Cumulative. The remedies provided are cumulative. The Board may pursue them concurrently, as well as any other remedies available under law although not expressed herein.

8.22 Rights of Board - Waiver of Owners. Each Owner hereby vests in and delegates to the Board or its duly authorized representatives, the right and power to bring all actions at law, including lien foreclosures whether judicially or by power of

sale or otherwise, against any Owner(s) for the collection of delinquent assessments in accordance herewith. Each Owner hereby expressly waives any objection to the enforcement, in accordance with this Declaration, of the obligation to pay assessments as set forth herein.

8.23 Assessment Deposit. A Lot Owner may be required, by the Board or by the managing agent, from time to time, to make and maintain a deposit of not more than the total of: one (1) Annual Assessment; plus either one (1) Special Assessment if Special Assessments are payable on an annual basis, or three (3) Special Assessment installments if Special Assessments are payable on a monthly or other periodic basis. Such deposit may be collected as are other assessments and charges. Such deposit shall be held in a separate fund, be credited to such Owner, and be for the purpose of establishing a working capital fund for the initial Project operations and a reserve for delinquent assessments. Resort may be had thereto at any time when such Owner is ten (10) days or more delinquent in paying his assessments and charges, to meet unforeseen expenditures, to acquire additional equipment or services deemed necessary or desirable by the Board, or as a credit against any Annual or Special Assessments to become due from such Owner. Said deposits shall not be considered as advance payments of Annual Assessments. All or any portion of such deposit may at any time be refunded to the Owner by the Association in the discretion of the Board, such refund being made as a cash refund or a credit against assessments subsequently to become due or a combination thereof.

8.24 Continuing Liability for Assessments. No Owner may exempt himself from liability for his Annual or Special Assessments by abandonment of his Lot or the use of any of the Common Area.

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

8.25.1 All properties dedicated to and accepted by a governmental entity;

8.25.2 All Common Properties; and

8.25.3 All properties owned by a charitable or non-profit organization exempt from taxation by the laws of the State of Washington.

However, the land or improvements, which are referred to in Sections 8.25.1, 8.25.2 and 8.25.3 and which are devoted to dwelling use, shall not be exempt from said assessments.

ARTICLE IX

COMPLIANCE WITH DECLARATION

9.1 Enforcement.

9.1.1 Compliance of Owner. Each Owner shall comply strictly with the provisions of this Declaration and with the Bylaws and administrative rules and regulations adopted by the Association (as the same may be lawfully amended from time to time). Failure to comply shall be grounds for an action to recover sums due for damages, or injunctive relief, or both, maintainable by the Board (acting through its officers on behalf of the Owners), or by the aggrieved Owner on his own against the party (including an Owner or the Association) failing to comply.

9.1.2 Compliance of Lessee. Each Owner who shall rent or lease his Lot shall insure that the lease or rental agreement will be in writing and subject to the terms of this Declaration, Articles of Incorporation, if any, and Bylaws. said agreement shall further provide that failure of any lessee to comply with the provisions of said documents shall be a default under the lease.

9.2 No Waiver of Strict Performance. The failure of the Board in any one or more instances to insist upon the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration, or of any Bylaws, administrative rules or regulations, or to exercise any right or option contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition or restriction, but such term, covenant, condition or restriction shall remain in full force and effect. The receipt by the Board of any assessment from an Owner, with knowledge of any such breach shall not be deemed a waiver of such breach, and no waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board. This section also extends to the Declarant or Declarant's managing agent, exercising the powers of the Board during the initial period of operation of the Association and the Project development.

9.3 Right of Entry. Violation of any of the provisions, conditions, restrictions, covenants, reservations or easements contained herein, shall give to Declarant, its successors, or the Association, the right to enter upon the Property as to which such violation exists and to abate, correct and remove, at the expense of the Owner thereof, any erection, thing or condition that may be or exists thereon contrary to the intent of the provisions hereof. Such entry shall be made only after three (3) days' notice to said Owner and with as little inconvenience to

the Owner as possible, and any damage caused thereby shall be repaired by the Association. Declarant or its successors shall not be deemed guilty of any manner of trespass by such entry, abatement or removal.

ARTICLE X

LIMITATION OF LIABILITY

10.1 Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Board pursuant to Article XV, neither the Association nor the Board (or the Declarant or Declarant's managing agent exercising the powers of the Board) shall be liable for: (a) failure of any utility or other service to be obtained and paid for by the Board; (b) injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside, from any parts of a building, from any of its pipes, drains, conduits, appliances, equipment, or from any other place; or (c) for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure, for such injury or damage, or for such inconvenience or discomfort.

10.2 No Personal Liability. So long as a Board member, Association committee member, Association officer, Declarant or Declarant's managing agent exercising the powers of the Board, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, no such person shall be personally liable to any Owner, or other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, negligence (except gross negligence), any discretionary decision, or failure to make a discretionary decision, by such person in such person's official capacity; PROVIDED, that this section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance obtained by the Board pursuant to Article XV.

10.3 Indemnification of Board Members. Each Board member or Association committee member, or Association Officer, or Declarant or Declarant's managing agent exercising the powers of the Board, shall be indemnified by the Owners against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of being or having held such position at the time such expenses or liabilities are incurred, except in such cases wherein such person is adjudged guilty of intentional misconduct, or gross

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vol 2211 page 1128

negligence or a knowing violation of law in the performance of his duties, and except in such cases where such person has participated in a transaction from which said person will personally receive a benefit in money, property, or services to which said person is not legally entitled. PROVIDED, that, in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interest of the Association.

ARTICLE XI

MORTGAGEE PROTECTION

11.1 Priority of Mortgages. Notwithstanding all other provisions hereof, the liens created under this Declaration upon any Lot for assessments shall be subject to tax liens on the Lot in favor of any assessing unit and/or special district and be subject to the rights of the secured party in the case of any indebtedness secured by first lien Mortgages which were made in good faith and for value upon the Lot. Where such Mortgagee of the Lot, or other purchaser of a Lot, obtains possession of a Lot as a result of Mortgage foreclosure or deed in lieu thereof, such possessor and his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which becomes due prior to such possession, but will be liable for the common expenses and assessments accruing after such possession. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Lot Owners including such possessor, his successor and assigns. For the purpose of this section, the terms "mortgage" and "mortgagee" shall not mean a real estate contract or the vendor, or the designee of a vendor, thereunder, or a mortgage or deed of trust (or mortgagee or beneficiary thereunder) securing a deferred purchase price balance owed with respect to a sale by an individual Lot Owner other than Declarant.

11.2 Effect of Declaration Amendments. No amendment of this Declaration shall be effective to modify, change, limit or alter the rights expressly conferred upon Mortgagees in this instrument with respect to any unsatisfied mortgage duly recorded unless the amendment shall be consented to in writing by the holder of such mortgage. Any provision of this Article conferring rights upon Mortgagees which is inconsistent with any other provision of this Declaration shall control over such other inconsistent provisions.

11.3 Right of Lien Holder. A breach of any of the provisions, conditions, restrictions, covenants, easements or reservations herein contained shall not affect or impair the lien or charge of any bona fide Mortgage made in good faith and for

value on any Lots provided, however, that any subsequent Owner of the Lot shall be bound by these provisions whether such Owner's title was acquired by foreclosure or trustee's sale or otherwise.

11.4 Management Agreements. In the event that professional management is employed by the Association, the agreement with such professional manager (and any agreement for the providing of goods and/or services between the Association and Declarant) shall: permit cancellation by the Association for cause upon thirty (30) days' written notice; permit termination by either party without cause and without penalty or payment of a termination fee on ninety (90) days' or less written notice; and have a term not in excess of one (1) year, renewable by agreement of the parties for successive one-year periods.

11.5 Abandonment of Subdivision Status. The Association shall not:

11.5.1 Without the prior written approval of the governmental entity having jurisdiction over the Project and without prior written approval of one hundred percent (100%) of all first mortgagees (based upon one vote for each first mortgage owned) and Owners (other than the sponsor, developer or builder) of record, seek by act or omission to abandon or terminate the subdivision status of the Project as approved by the governmental entity having appropriate jurisdiction over the Project; or

11.5.2 Without the prior written approval of the governmental entity having jurisdiction over the Project and without prior written approval of seventy-five percent (75%) of all first mortgagees (based upon one (1) vote for each first mortgage owned) and Owners (other than the sponsor, developer or builder) of record, seek by act or omission to abandon, encumber, sell or transfer any of the Common Areas.

11.6 Change in Declaration, Bylaws or Ratio of Assessments. The Association shall not make any material amendment to the Declaration or Bylaws (including the manner or extent of ownership of the Common Areas or the ratio of assessments therefor) without the prior written approval of seventy-five percent (75%) of all first mortgagees (based upon one vote for each first mortgage owned) or Owners (others than the sponsor, or, developer or builder) of record, and without unanimous approval of the mortgagee(s) of the Lot(s) for which the assessment share(s) would be changed.

11.7 Change in Manner of Architectural Review and Maintenance Within Project; Insurance and Use of Proceeds. The Association shall not, without prior written approval of seventy-five percent (75%) of all first mortgagees (based upon one vote for each first mortgage owned) or Owners (other than the sponsor, developer or builder) of record:

(a) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Homes, the exterior maintenance of Homes, maintenance of the Common Area, walkway, fences and driveways, or the upkeep of lawns and plantings in the development;

(b) fail to maintain insurance as required by Article XV;

(c) use hazard insurance proceeds for other than as provided by Article XV.

11.8 Insurance.

11.8.1 With respect to a first mortgagee of a Lot or Home, the Board shall:

(a) If requested, furnish such mortgagee with a copy of any insurance policy or evidence thereof which is required to be maintained pursuant to Article XV;

(b) Require any insurance carrier to give the Board at least thirty (30) days' written notice before cancelling (including cancellation for premium non-payment, reducing the coverage of limits, or otherwise substantially modifying any insurance required to be maintained pursuant to Article XV;

(c) Give such mortgagee written notice of any loss or taking affecting Common Areas (or the Home on which such mortgagee has a lien), if such loss or taking exceeds Ten Thousand Dollars (\$10,000.00).

11.9 Payment by First Mortgagees. First mortgagees of any Lot may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Areas and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Areas. First mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

11.10 Copies of Notices. The Association shall give written notice that an Owner/mortgagor of a Lot has for more than sixty (60) days failed to meet any obligation under this Declaration to the first mortgagee of such Lot. Any first mortgagee shall, upon request, be entitled to receive written notice of: (a) all meetings of the Association and be permitted to designate a representative to attend all such meetings; (b) any condemnation loss or casualty loss affecting a material portion of the

Project or the Lot on which it holds a mortgage; (c) any lapse cancellation or material modification of insurance policies or fidelity bonds maintained by the Association.

11.11 Inspection of Books. Owners, first mortgagees, insurers and guarantors of the first mortgage on any Lot shall be entitled to inspect at all reasonable hours of weekdays (or under other reasonable circumstances) and within a reasonable time following request, the books and records of the Association, including current copies of the Declaration, Bylaws and other rules governing the Project, and other books, records and financial statements of the Owners' Association. Upon written request, the holders of fifty-one percent (51%) or more of first mortgages shall be entitled to receive at their expense (if an audited statement is not otherwise available) an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association. The Owner's Association shall also make available to prospective purchasers, mortgagees, insurers, and guarantors, at their request, current copies of the Declaration, Bylaws, and other rules governing the project, and the most recent annual audited financial statement, if such is prepared.

ARTICLE XII

EASEMENTS

12.1 Association Functions. There is hereby reserved to Declarant and the Association, or their duly authorized agents and representatives, such easements as are necessary to perform the duties and obligations of the Association as are set forth in the Declaration, or in the Bylaws, and rules and regulations adopted by the Association.

12.2 Easements Over Common Areas. The Board, on behalf of the Association and all members thereof, shall have authority to grant (in accordance with applicable governmental laws and regulations) utility, road and similar easements, licenses and permits, under, through or over the Common Area, which easements the Board determines are reasonably necessary to the ongoing development and operation of the Property.

12.3 Access to Public Streets. Each Owner and his guests and invitees shall have a perpetual, non-exclusive easement across the Common Areas and across all roadways constructed within the project, thereby providing access throughout the Property and to public streets.

12.4 Utility Easements. On each Lot, easements are reserved as provided by the Plat Map and applicable laws, ordinances and other governmental rules and regulations for

utility installation and maintenance, including but not limited to, underground electric power, telephone, water, sewer, drainage, gas, and accessory equipment, together with the right to enter upon the Lots at all times for said purposes. Within these easements, no structure, planting, or other material shall be placed or permitted to remain which may damage, interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements; the easement area of each Lot, and all improvements shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible.

12.5 Project Entry Signs. On each Lot adjacent to a roadway entrance into the Project, and on such portion of said Lot as determined by Declarant, the Declarant may at any time erect (and the Association as a common expense may thereafter maintain, repair and replace) such Project entry and identification signs (and landscaping, fencing and improvements relating thereto) as Declarant and the Association deem necessary and appropriate.

ARTICLE XIII

TERM OF DECLARATION - COMPLIANCE WITH RULE AGAINST PERPETUITIES AND RESTRAINTS OF ALIENATION

The covenants contained herein shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time the covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument executed in accordance with Section 11.5 herein shall be recorded, cancelling or terminating this Declaration.

ARTICLE XIV

AMENDMENT OF DECLARATION, PLAT MAP

14.1 Declaration Amendment. Amendments to the Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Except as otherwise specifically provided for in this Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Owners. Amendments may be adopted at a meeting of the Owners if seventy-five percent (75%) of the Owners vote for such amendment, or without any meeting if all Owners have been duly notified and seventy-five percent (75%) of the Owners consent in writing to such amendment. In all events, the amendment when adopted shall bear the signature of the

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- 35 -

12/20/88 (1:54pm)

VOL 2211 PAGE 1633

president of the Association and shall be attested by the secretary, who shall state whether the amendment was properly adopted, and shall be acknowledged by them as officers of the Association. Amendments once properly adopted shall be effective upon recording in the appropriate governmental offices. In addition to the amendments set forth in Article XI, any amendment to a provision of the Declaration establishing, providing for, governing or regulating the following shall require the consent of seventy-five percent (75%) of the Owners and seventy-five percent (75%) of the mortgagees: voting; assessments, assessment liens or subordination of such liens; reserves for maintenance, repair and replacement of Common Areas; insurance or bonds; use of Common Areas; responsibility for maintenance or repairs; expansion or construction of the Project or the addition, annexation or withdrawal of property to or from the Project; boundaries of Lot; converting of Lots into Common Areas or vice versa; leasing of Lots; provisions for benefit of first mortgagees, or holders, insurers or guarantors of first mortgages; the interests in Common Areas; or imposition of any right of first refusal or similar restrictions on the right of an Owner to sell, transfer or otherwise convey a Lot; provided, that a mortgagee who fails to respond within thirty (30) days of a written request to approve an amendment shall be deemed to have approved the request. It is specifically covenanted and understood that any amendment to this Declaration properly adopted will be completely effective to amend any or all of the covenants, conditions and restrictions contained herein which may be affected and any or all clauses of this Declaration unless otherwise specifically provided in the section being amended or the amendment itself.

14.2 Plat Map. Except as otherwise provided herein, the Plat Map may be amended by revised versions or revised portions thereof referred to and described as to affect in an amendment to the Declaration adopted as provided for herein. Copies of any such proposed amendment to the Plat Map shall be made available for the examination of every Owner. Such amendment to the Plat Map shall also be effective, once properly adopted, upon recording in the appropriate city or county office in conjunction with the Declaration amendment.

14.3 Amendments to Conform to Construction. Declarant, upon Declarant's sole signature, and as an attorney-in-fact for all Lot Owners with an irrevocable power coupled with an interest, may at any time, until all Lots have been sold by Declarant, file an amendment to the Declaration and to the Plat Map to conform data depicted therein to improvements as actually constructed and to establish, vacate and relocate utility easements and access road easements.

14.4 Amendments to Conform to Lending Institution Guidelines. So long as Declarant continues to own one or more Lots,

the Declarant, on his signature alone, and as an attorney-in-fact for all Lot Owners with an irrevocable power coupled with an interest, may file such amendments to the Declaration and Plat Map as are necessary to meet the then requirements of Federal National Mortgage Association, Veterans Administration, Federal Home Loan Mortgage Corporation, or other agencies, institutions or lenders financing and/or title insuring the purchase of a Lot from the Declarant.

14.5 Article XVI Amendments. Declarant, upon Declarant's sole signature, and as an attorney-in-fact for all Lot Owners with an irrevocable power coupled with an interest, may at any time, until all Lots have been sold by Declarant, file such amendments to the Declaration and Plat Map as are necessary in the exercise of Declarant's powers under Article XVI.

ARTICLE XV

INSURANCE

The Board shall have authority in the exercise of its discretion to obtain and maintain at all times as a common expense a policy or policies and bonds of: liability insurance and property insurance covering the ownership, use and operation of all of the Common Area (and Common Area improvements), if any, including common personal property and supplies belonging to the Association; fidelity coverage for Association Board members (including Declarant), officers, employees or agents; and such other insurance as the Board may deem advisable or as may be required by the Federal National Mortgage Association, Federal Home Loan Mortgage Association, Veterans Administration or similar agencies or lending institutions. In the event of damage to or destruction of any part of the Common Area Improvements, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may make a Reconstruction Assessment against all Lot Owners to cover the additional cost of repair or replacement not covered by the insurance proceeds, in addition to any other Common Assessments made against such Lot Owner.

ARTICLE XVI

ANNEXATION AND WITHDRAWAL OF ADDITIONAL PROPERTIES

16.1 Annexation by Declarant. Although not obligated to do so, Declarant presently intends to develop as single family residential subdivisions Additional Lands which are in addition to and are nearby the land described in Exhibit "A," and which

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- 37 -

12/20/88 (1:54pm)

VOL. 2211 PAGE 1635

are presently intended to be known as Divisions of this project. At any time within fifteen (15) years of the date of recording of this Declaration, Declarant may cause all or any portion of such Additional Lands to be annexed to the existing Property without the assent of the members of the Association; PROVIDED, however, that the annexation of additional lands described in this Section shall be adjacent to the then existing Project and have received the approval required under Section 17.9. If such annexation shall not have received the approval required under Section 17.9, then such annexation must have the assent of two-thirds (2/3) of the members of the Association in the manner provided in Section 16.3.

16.2 Developer Annexations and Maximum Annual Assessment. The maximum Annual Assessment set forth in Section 8.4.1 is based on an assumption that the anticipated subsequent Divisions (and the Common Areas presently intended to be included within those subsequent Divisions) have been annexed to the existing Property. Until such time as those Divisions (and related Common Areas) are in fact annexed to the existing Property, Declarant anticipates that the actual Annual Assessment per Lot will be less than the maximum Annual Assessment set forth in Section 8.4.1.

16.3 Non-Declarant Annexations. Annexation of additional properties (other than Declarant annexations provided for in Section 16.1 hereof) shall require the assent of two-thirds (2/3) of the members of the Association, at a meeting duly called for this purpose, written notice of which shall be sent to all members not less than thirty (30) days or more than sixty (60) days in advance of the meeting setting forth the purpose of the meeting. At this meeting the presence of members or of proxies entitled to cast sixty percent (60%) of the votes shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to the notice requirement set forth above and the required quorum at such subsequent meeting shall be one-half (1/2) of the required quorum of the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event two-thirds (2/3) of the members are not present in person or by proxy, members not present may give their written consent to the action taken thereat. Until all Class B membership terminates, annexation of additional properties under this Section shall also require the prior written approval of the Declarant.

16.4 Common Areas Within Divisions. Common Areas within a Division subsequently annexed to the existing Property shall be available for the common use of all Owners of Lots within such subsequently annexed Division as well as within the existing Property. Likewise, Common Areas within the existing Property shall be available for the common use of all Owners of Lots

within the existing Property as well as within such subsequently annexed Divisions.

ARTICLE XVIII

MISCELLANEOUS

17.1 Notices.

17.1.1 Delivery of Notices and Documents. Any written notice, or other document as required by this Declaration, may be delivered personally or by mail. If by mail, such notice, unless expressly provided for herein to the contrary with regard to the type of notice being given, shall be deemed to have been delivered and received forty-eight (48) hours after a copy thereof has been deposited in the United States mail, postage prepaid, addressed as follows:

(a) If to an Owner, other than Declarant, to the address of any Lot in the Project owned by him in whole or in part, or to the address last furnished by such Owner to the Board for the purpose of giving notice and delivering documents. Each Owner, other than Declarant, shall file in writing with the Board promptly upon becoming an Owner, his address for the purpose of giving notice and delivering documents and shall promptly notify the Board in writing of any subsequent change of address.

(b) If to Declarant, whether in its capacity as an Owner, or in any other capacity, the following address (unless Declarant shall have advised the Board in writing of some other address): 275 - 118th Avenue S.E., P.O. Box 3866, Bellevue, Washington 98009.

(c) Prior to the organizational meeting, notices to the Board shall be addressed to the address set forth in (b) above. Thereafter, notices to the Board shall be addressed to an address to be posted by the Board at all times in a conspicuous place. In addition, from and after the organizational meeting, notice of the address of the Association shall be given by the Board to each Owner, within a reasonable time after the Board has received actual notice of such Owner's purchase of a Lot.

17.2 Conveyances: Notice Required. The right of an Owner to sell, transfer, or otherwise convey his Lot shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. An Owner intending to sell a Lot shall deliver a written notice to the Board, at least two (2) weeks before closing, specifying: the Lot being sold; the name and

address of the purchaser, of the closing agent, and of the title insurance company insuring the purchaser's interest; and the estimated closing date. The failure of an Owner to properly give such notice to the Board shall not invalidate the sale. The Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the Lot, whether or not such information is required.

17.3 Remedies Cumulative. The remedies provided are cumulative, and the Board may pursue them concurrently, as well as any other remedies which may be available under law although not expressed herein.

17.4 Successor and Assigns. This Declaration shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of Declarant, and the heirs, personal representatives, grantees, lessees, sublessees and assignees of the Owners.

17.5 Joint and Several Liability. In the case of joint ownership of a Lot, the liability of each of the Owners thereof in connection with the liabilities and obligations of Owners, set forth in or imposed by this Declaration, shall be joint and several.

17.6 Mortgagee's Acceptance.

17.6.1 Priority of Mortgage. This Declaration shall not initially be binding upon any Mortgagee of record at the time of recording of said Declaration but rather shall be subject and subordinate to said mortgage.

17.6.2 Acceptance Upon First Conveyance. Declarant shall not consummate the conveyance of title of any Lot until said Mortgagee shall have accepted the provisions of this Declaration and made appropriate arrangements for partial release of Lots from the lien of said Mortgage. The issuance and recording of the first such partial release by said Mortgagee shall constitute its acceptance of the provisions of this Declaration and the status of the Lots remaining subject to its Mortgage as well as its acknowledgement that such appropriate arrangements for partial release of Lots has been made; provided, that, except as to Lots so released, said mortgage shall remain in full effect as to the entire Property (excluding Common Area).

17.7 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof.

EXHIBIT A

PARCEL A: THE SOUTHEAST QUARTER (SE 1/4) OF THE NORTHWEST QUARTER (NW 1/4) OF THE NORTHWEST QUARTER (NW 1/4); AND THE NORTH QUARTER (N 1/4) OF THE NORTHEAST QUARTER (NE 1/4) OF THE SOUTHWEST QUARTER (SW 1/4) OF THE NORTHWEST QUARTER (NW 1/4) OF SECTION 28, TOWNSHIP 28 NORTH, RANGE 5 EAST, W.M.; EXCEPT ROAD ALSO KNOWN AS 120TH PLACE SE.

PARCEL B: THE WEST THREE QUARTERS (W 3/4) OF THE SOUTHWEST QUARTER (SW 1/4) OF THE NORTHEAST QUARTER (NE 1/4) OF THE NORTHWEST QUARTER (NW 1/4); AND THE WEST THREE QUARTERS (W 3/4) OF THE NORTH HALF (N 1/2) OF THE NORTH HALF (N 1/2) OF THE NORTHWEST QUARTER (NW 1/4) OF THE SOUTHEAST QUARTER (SE 1/4) OF THE NORTHWEST QUARTER (NW 1/4) OF SECTION 28, TOWNSHIP 28 NORTH, RANGE 5 EAST, W.M.

PARCEL C: THE EAST HALF (E 1/2) OF THE EAST HALF (E 1/2) OF THE SOUTHWEST QUARTER (SW 1/4), OF THE NORTHEAST QUARTER (NE 1/4) OF THE NORTHWEST QUARTER (NW 1/4) AND THE EAST HALF (E 1/2) OF THE EAST HALF (E 1/2) OF THE NORTH HALF (N 1/2) OF THE NORTH HALF (N 1/2) OF THE NORTHWEST QUARTER (NW 1/4) OF THE SOUTHEAST QUARTER (SE 1/4) OF THE NORTHWEST QUARTER (NW 1/4) OF SECTION 28, TOWNSHIP 28 NORTH, RANGE 5 EAST, W.M., ALL SITUATE IN THE COUNTY OF SNOHOMISH, STATE OF WASHINGTON

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VOL 2211 PAGE 1640

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RECORDED
Chicago Title Ins. Co.

When Recorded Return to:

JAMES C. MIDDLEBROOKS
3800 Columbia Seafirst Center
701 Fifth Avenue
Seattle, Washington 98104
(206) 624-7272

89 APR -4 PM 4:01

CLERK OF SUPERIOR COURT
SNOHOMISH COUNTY WASH

Jacquelyn [unclear]

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Change

FIRST AMENDMENT
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
HEARTHSTONE

Snohomish County, Washington

Pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions of Hearthstone recorded under Snohomish County Recording No. 8903070250, said Declaration is amended in the following respects:

1. Exhibit A to said Declaration is amended by adding thereto the legal description for Hearthstone No. 2 more particularly set forth in the Exhibit A attached hereto and incorporated herein by reference.

2. Exhibit B to said Declaration is hereby amended by being deemed to include the Plat of Hearthstone No. 2 recorded January 4, 1989, at Volume 49 of Plats, pages 10 - 11, Snohomish County Auditor's File No. 8901045002.

DATED as of January 4, 1989.

DECLARANT:

HENDERSON HOMES, INC.

By *Charles L. [Signature]*
Title: President

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 7TH day of MARCH, 1989, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared CHARLES L.

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VOL 2218 PAGE 2444
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HENDERSON, to me personally known (or proven on the basis of satisfactory evidence) to be the PRESIDENT of HENDERSON HOMES, INC., the corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

WITNESS my hand and seal hereto affixed the day and year in this certificate above written.

Sharon L. Hulson
NOTARY PUBLIC in and for the State of Washington, residing in BELLEVUE.
My commission expires: 1-1-93.



VOL 2218 PAGE 2445

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- 2 -

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LEGAL DESCRIPTION

THE SOUTH THREE-QUARTERS (S 3/4) OF THE NORTHWEST
QUARTER (NW 1/4) OF THE SOUTHEAST QUARTER (SE 1/4) OF
THE NORTHWEST QUARTER (NW 1/4), SECTION 28, TOWNSHIP
28 NORTH, RANGE 5 EAST, W.M.
SITUATE IN THE COUNTY OF SNOHOMISH, STATE OF
WASHINGTON

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EXHIBIT A

VOL. 2218 PAGE 2446