

DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS, RESERVATIONS AND EASEMENTS
AND
HOMEOWNERS' ASSOCIATION BY-LAWS

RECORDED BY
TERENCE SULLIVAN

JUN 27 1 34 PM '85

FOR

MOUNT VERNON PLACE

A PLANNED UNIT DEVELOPMENT

WASHINGTON STATE
SPOKANE COUNTY, WASHING

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THIS DECLARATION is made on the date hereinafter set forth by S. and S. Land Company ("Declarant"), with reference to the following Preamble.

PREAMBLE

A. Declarant is the Owner of certain property ("Properties") in the County of Spokane, State of Washington, legally described as:

LOTS 1 THROUGH 6 OF BLOCK 1, LOTS 1 THROUGH 15 OF BLOCK 2, MOUNT VERNON PLACE (A replat of Tracts 39 and 40, and portions of Tracts 21, 22, 23, 24 and 38 MORAN ORCHARD TRACTS, except the east 5 feet, located in the S.E. 1/4 of SEC. 4, T.24N, R. 43 E.W.M.), SPOKANE COUNTY, WASHINGTON.

B. Declarant desires to create a corporation under the General Nonprofit Corporation Law of the State of Washington, to which should be delegated and assigned the powers and duties of owning, maintaining and administering the Common Area in the properties, administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges.

C. Declarant will cause such corporation ("Mount Vernon Place Homeowners' Association"), the members of which shall be the respective Owners of Lots in the Properties.

D. Declarant intends to develop and convey all of the Properties pursuant to a general plan for all of the Properties and subject to certain protective covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges.

E. Declarant declares that all of the Properties shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following easements, restrictions, covenants, conditions and equitable servitudes, for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Properties. The provisions as set forth herein shall: run with the Properties and be binding upon all persons having any right, title or interest in the Properties, or any part thereof, their heirs, successors, assigns, executors and administrators; inure to the benefit of every portion of the Properties and any interest therein; and may be enforced by Declarant, any Owner or the Association.

ARTICLE I

DEFINITIONS

Unless otherwise expressly provided, the following words and phrases shall have the following meanings when used in this Declaration or any Supplemental Declaration:

Section 1.01 "AC" shall mean the Architectural Committee created pursuant to Article 8 hereof.

Section 1.02 "Articles" shall mean the Articles of Incorporation of the Association to be filed in the office of the Secretary of State of the State of Washington, as such Articles may be amended from time to time.

Section 1.03 "Assessment, Common" shall mean the monthly charge against each Owner and his/her Lot, representing a portion of the total and ordinary costs of maintaining, improving, repairing, replacing, managing and operating the Common Area and Landscape Maintenance Areas.

Section 1.04 "Assessment, Special" shall mean a charge against a particular Owner and his/her Lot, directly attributable to the Owner, equal to the cost incurred or a fine levied by the Association for corrective action pursuant to the provisions of this Declaration or for maintenance at the Owner's request of any part of his Lot or Dwelling Unit not maintained as a part of the Landscape Maintenance Areas.

Section 1.05 "Assessment, Reconstruction" shall mean a charge against each Owner and his/her Lot, representing a portion of the cost to the Association for reconstruction of any portion of the Improvements of the Common Area.

Section 1.06 Assessment, Capital Improvement" shall mean a charge against each Owner and his/her Lot representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Area of Landscape Maintenance Area, as authorized by the Association.

Section 1.07 "Association" shall mean MOUNT VERNON PLACE HOMEOWNERS' ASSOCIATION, a corporation formed under the General Nonprofit Corporation Law of the State of Washington, its successors and assigns, the members of which shall be Owners of the Lots in the Properties.

Section 1.08 "Association Maintenance Fund" shall mean the accounts created for receipts and disbursements of the Association, pursuant to Article 6 hereof.

Section 1.09 "Beneficiary" shall mean a mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be, and the assignees of such mortgagee or beneficiary.

Section 1.10 "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.11 "By-Laws" shall mean the By-Laws of the Association, as they may be amended from time to time.

Section 1.12 "Close of Sale" shall mean the date on which a deed of real estate contract is recorded, conveying a Lot to a purchaser.

Section 1.13 "Common Area" shall mean all the real property and Improvement (as shown on the plat map) including, without limitation, landscaped areas, recreational facilities, private roadways, walkways and sidewalks, owned by the Association for the common use and enjoyment of all of the Owners. The Common Area, excluding roadways, sidewalks, common parking areas, entrance, exit and access areas owned by the Association, shall be that certain real property located in the County of Spokane, State of Washington, legally described as:

LOT 6 OF BLOCK 1, LOTS 14 AND 15 OF BLOCK 2, MOUNT VERNON PLACE, SPOKANE, WASHINGTON.

Section 1.14 "Common Expenses" shall mean the actual and estimated costs of: Maintenance, management, operation, repair and replacement of the Common Area and Landscape Maintenance Areas (including any unpaid Assessments) and those costs not paid by the Owner responsible for payment; the costs of any commonly-metered utilities and other common charges for the Properties; costs of management and administration of the Association, including but not limited to, compensation paid by the Association to managers accountants, attorneys and other employees; the costs of all utilities, gardening and other services benefiting the Common Area and Landscape Maintenance Area; the cost of fire, casualty and liability insurance, worker's compensation insurance and other insurance covering the Properties; the cost of bonding the members of the management body; taxes paid by the Association; and amounts paid by the Association for discharge of any lien or encumbrance levied against the Properties for the benefit of all Owners.

Section 1.15 "Declarants" shall mean S. and S. Land Company, a joint venture, its successors and any Person to which it shall have assigned any rights hereunder by express written instrument.

Section 1.16 "Declaration" shall mean this instrument, as it may be amended from time to time.

Section 1.17 "Deed of Trust" shall mean a mortgage or a deed of trust.

Section 1.18 "Dwelling Unit" shall mean a building located on a Lot designed and intended for use and occupancy as a residence by a single family.

Section 1.19 "Family" shall mean: (1) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption; or (2) a group of natural persons not all so related, who maintain a common household in a Dwelling Unit.

Section 1.20 "First Deed of Trust" shall mean a deed of trust or mortgage recorded prior to the due date of any Common Capital Improvement, Special or Reconstructive Assessment.

Section 1.21 "First Mortgage" shall mean a mortgagee which is a bank or savings and loan association or established mortgage company, any other entity chartered under federal or state laws, a corporation or insurance company, or any federal or state agency which holds or owns a first deed of trust on a Lot.

Section 1.22 "Improvement" shall mean any structure or appurtenance thereto of every type and kind, including but not limited to buildings, outbuildings, walkways, sprinkler pipes, garages, recreational facilities, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping antennae, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water-softening fixtures or equipment.

Section 1.23 "Landscape Maintenance Areas" shall mean those portions of the Common Area which are owned in fee and maintained by the Association. Such areas shall include, without limitation, landscaped islands and strips, landscaped areas originally installed by Declarant (including fences, plants, planted trees and shrubs, grass areas, and the entry gate area).

Section 1.24 "Lease" shall mean any written agreement for the leasing or rental of a Dwelling Unit.

Section 1.25 "Lot" shall mean any residential Lot shown upon the Plat Map of the Properties, with the exception of the Common Area.

Section 1.26 "Lot, Developed" shall mean any Lot on which a Dwelling Unit is being or has been constructed.

Section 1.27 "Lot, Undeveloped" shall mean any vacant Lot which is owned by Declarant or any other Person.

Section 1.28 "Manager" shall mean the Person appointed by the Association as its agent and delegated certain duties, powers or functions of the Association.

Section 1.29 "Member" shall mean any Person holding a membership in the Association.

Section 1.30 "Mortgage," "Mortgagee," "Mortgagor" shall mean any mortgage or deed of trust or other conveyance of a Lot or other portion of the Properties to secure the performance of any obligation, which will be reconveyed upon the completion of such performance. The terms "Deed of Trust" or "Trust Deed" when used herein shall be synonymous with the term "Mortgage." The term "Mortgagee" shall mean a person or entity to whom a Mortgage is made and shall include the beneficiary of a Deed of Trust. "Mortgagor" shall mean a person or entity who mortgages his/her Lot to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor", and the term "Beneficiary" shall be synonymous with the term "Mortgagee."

Section 1.31 "Notice and Hearing" shall mean written notice and a hearing at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at Owner's expense, in the manner provided in the By-Laws.

Section 1.32 "Owner" shall mean the Person or Persons, including Declarant, holding fee simple interest of record to, or the real estate contract purchaser of any Lot which is part of the Properties, for purposes of Article 10 only, unless the context otherwise requires, "Owner" shall also include the family, guests, invitees, licensees and lessees of any Owner.

Section 1.33 "Person" shall mean a natural individual or any other entity with the legal right to hold title to real property.

Section 1.34 "Phase of Development" shall mean Phase 1 or 2 of the plan to develop the Properties, as indicated on the Plat Map.

Section 1.35 "Plat Map" shall mean the recorded map prepared by or for Declarant showing the surface of the Properties and the division thereof into Lots and Common Area.

Section 1.36 "Properties" shall mean all of the real property described in paragraph "A" of the Preamble to this Declaration, along with the Common Area.

Section 1.37 "Record," "Recorded," "Filed" or "Recordation" shall mean, with respect to any document, the recording of a document in the office of the County Auditor of the County of Spokane, State of Washington.

ARTICLE 2

OWNERS' PROPERTY RIGHTS

Section 2.01 Owners' Easements of Enjoyment. Every Owner shall have a non-exclusive right and easement of ingress and egress to and over the Common Area, which shall be appurtenant

to and pass with title to every Lot, subject to the following provisions:

(a) The right of the Association to reasonably limit the number of guests of Owners using the Common Area facilities.

(b) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area, including, but not limited to, the right and obligation of the Association to enforce all parking restriction within the Common Area as set forth in Section 2.02 of this Article 2, and the right to charge reasonable admission and other fees for the use of any recreational facility situated in the Common Area.

(c) The right of the Association in accordance with the Articles and By-Laws and this Declaration, with the vote or written consent of two-thirds (2/3rd) of the voting power of Members, to borrow money for the purpose of improving the Common Area and facilities, and in aid thereof, and subject to the provisions of Article 3 of this Declaration, to mortgage, pledge, deed in trust or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the rights of the Owners.

(d) Subject to the provisions of Article 13, hereof, the right of the Association to dedicate, release, alienate or transfer all or any part of the Common Area to any public agency, authority, utility or other Person for such purposes and subject to such conditions as may be agreed to by the Members. With the exception of conveyances for utilities serving the Common Area, no such dedication, release, alienation or transfer shall be effective unless first approved by the vote or written consent of at least two-thirds (2/3rds) of voting membership in the Association, an instrument signed by two (2) officers of the Association, certifying that such approvals have been obtained, has been recorded.

(e) The right of Declarant and its sales agents, representatives and prospective purchasers, to the non-exclusive use of the Common Area and the facilities thereof, without cost, for access, ingress, egress, use and enjoyment, in order to maintain sales facilities and otherwise dispose of the Properties as provided herein, until the Close of Sale of all of the Lots in the Properties; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners.

(f) The right of the Board to suspend the rights and easements of any Member, and the Persons deriving such rights and easements from any Member, for use and enjoyment of any recreational facilities located on the Common Area,

for any period during which the payment of any Common, Special, Capital Improvement or Reconstruction Assessment against such Member and his Lot remains delinquent, and, after Notice and Hearing, to suspend rights and easements for the period set forth in the By-Laws for any violation of the Declaration, Articles, By-Laws or rules and regulations of the Association, it being understood that any suspension for either non-payment of any Assessment or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligation to pay Assessments as provided herein.

(g) The rights and reservations of Declarant, as set forth in Article 14 of this Declaration.

(h) The right of the Association (by action of the Board) to reconstruct, replace or refinish any Improvement of portion thereof upon the Common Area, in accordance with the original design, finish or standard of construction of such Improvement, or of general Improvements within the Properties, as the case may be; and not in accordance with such original design, finish or standard of construction only with the vote or written consent of a majority of each class of voting membership in the Association.

(i) The right of the Association to replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Area.

(j) The right of the Association, acting through the Board to reasonably restrict access to areas of the Common Area.

(k) The rights of First Mortgagees as set forth in Article 13 of this Declaration.

Section 2.02 Easements for Parking. Subject to the provisions of this Declaration respecting vehicle parking, the Association, through its officers, committees and agents, is hereby empowered to establish "Parking," "Guest Parking" and "No Parking" areas within the Common Area, as well as to enforce these limitations by all reasonable means, including the removal of any violating vehicles. All vehicle parking on the private streets located within the Common Area shall be restricted to temporary parking only and shall not be utilized for the parking or storage of vehicles or other materials or equipment owned by or within the control of any Owner, his/her family, tenants or guests.

Section 2.03 Easements for Vehicular Traffic. In addition to the general easements for use of the Common Area reserved herein, there shall be, and Declarant hereby reserves and covenants for himself and all future Owners within the Properties, non-exclusive easements for vehicular traffic over all private

streets within the Properties, subject to the parking provisions set forth in Section 2.02 of this Article 2.

Section 2.04 Easements for Public Service Use. In addition to the foregoing easements over the Common Area, there shall be, and Declarant hereby reserves and covenants for himself and all future Owners within the Properties, easements for public services, including but not limited to, the right of the police, firemen, mailmen and garbagemen to enter upon any part of the Common Area.

Section 2.05 Easements for Retention of Surface Water and Drainage Facilities. As indicated on the Plat Map, a portion of certain Lots and the Common Area, in each Phase, are designated and designed to act as drainage facilities for surface water control, with easements provided as necessary. In order to assure the continued effectiveness of this surface water drainage plan, the Owner of each Lot associated with such an easement and the Association, as owners of the Common Area, shall refrain from altering or obstructing the ground surface of any such area. The installation of landscaping in any swale or retention area shall be done in accordance with drainage design standards of the Spokane County Engineer's Department. The drainage easements shall be maintained by the Association.

Section 2.06 Waiver of Use. No Owner may exempt himself from the personal liability for assessments duly levied by the Association, nor release the Lot or other property owned by him from the liens and charges thereof, by waiver of the use and enjoyment of the Common Area and the facilities thereon or by abandonment of his Lot or any other property in the Properties.

Section 2.07 Title to the Common Area. Declarant covenants for itself, its successors and assigns, that it will convey to the Association fee simple title to the Common Area described in Article 1, Section 1.12 free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, and conditions then of record, including those set forth in this Declaration.

Section 2.08 Property Taxes. Each Owner shall execute such instruments and take such action as may reasonably be specified by the Association to obtain separate real estate tax assessment of each Lot. If any taxes or assessments may, in the opinion of the Association, nevertheless be a lien on the Common Area or any part thereof, they may be paid by the Association; and each Owner shall be obligated to repay or reimburse the Association for any such taxes or assessments levied by the County Assessor or other taxing authority against the Common Area and attributable to his own Lot and interest in the Common Area.

ARTICLE 3

MEMBERSHIP IN THE ASSOCIATION

Section 3.01 Membership. Every Owner of a Lot shall be a Member of the Association, Membership in the Association shall not be assignable, except to the Person to which title to the Lot has been transferred. Every membership shall be appurtenant to and may not be separated from the fee ownership of such Lot. Ownership of such Lot shall be the sole qualification for membership in the Association.

Section 3.02 Transfer of Membership. The Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except upon the sale of or encumbrance of such Lot. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class "A" Member who has transferred fee interest to his Lot or who has sold his Lot to a contract purchaser under real estate contract shall, ipso facto, be deemed to have transferred to such grantee or contract purchaser his membership rights in the Association.

ARTICLE 4

VOTING RIGHTS

Section 4.01 Classes of Voting Membership. The Association shall have two (2) classes of voting membership, as follows:

Class "A". Class "A" Members, shall originally be all Owners in a Phase of development, with the exception of the Declarant for so long as there exists a Class "B" Membership for such Phase of Development. Class "A" Members shall be entitled to one (1) vote for each Lot owned. Declarant shall become a Class "A" Member with regard to Lots owned by Declarant in any phase of Development upon conversion of Declarant's Class "B" Membership for that Phase of Development, as provided below. When more than one Person holds an interest in any Lot, all such Persons shall be Members. The vote for such a Lot shall be exercised in accordance with Article 4, Section 4.02 hereof, and in no event shall more than one (1) Class "A" vote be cast with respect to any Lot.

Class "B." The Class "B" Member shall be the Declarant, and Declarant shall be entitled to two (2) votes for each Lot owned by Declarant. The Class "B" Membership shall cease with respect to any particular Phase of Development of the Properties and be converted to a Class "A" Membership on the happening of the earliest of the following events:

(a) When the total votes outstanding in the Class "A" Membership in such Phase of Development equal or exceed the

total votes outstanding in the Class "B" Membership; or

(b) Five (5) years from the Close of Sale of the first Lot sold in that Phase of the Properties.

Section 4.02 Vote Distribution. Class "A" Members shall be entitled to one (1) vote for each Lot owned. When more than one Person ("co-owners") has an interest in any Lot, all such Owners shall be Members and may attend any meeting of the Association; but only one such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such co-owners may from time to time designate in writing one of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated of it such designation has been revoked, the vote for such Lot shall be exercised as the majority of the co-owners of the Lot mutually agree. Unless the Board receives a written objection of a co-owner, it shall be presumed that the voting co-owner is acting with the consent of his/her co-owners. No vote shall be cast for any Lot where the majority of the co-owners present in person or by proxy and representing such Lot cannot agree to said vote or other action. The non-voting co-owner(s) shall be jointly and separately responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the By-Laws, shall be deemed to be binding on all Owners, their successors and assigns. Said voting rights shall be subject to the restrictions and limitations provided in this Declaration, the Articles and By-Laws.

ARTICLE 5

JURISDICTION OF THE ASSOCIATION

The Association, acting through the Board, shall also have:

(a) The power and duty to maintain, repair and otherwise manage the Common Area, Landscape Maintenance Areas, and all facilities, Improvements and landscaping thereon, in accordance with the provisions of Article 6 and Article 9 hereof.

(b) The power and duty to maintain the private streets and walkways within the Properties, including cleaning, snow removal and periodic resurfacing or maintenance.

(c) The power and duty to maintain the private sewer systems, water systems and storm drains or drainage facilities within the Common Area and within all drainage easements.

(d) The power and duty to obtain, for the benefit of the Properties, refuse collection, gas and electric services and cable television service.

(e) The power and duty to grant easements, rights-of-way or strips of land, where necessary, for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

(f) The power and duty to maintain such policy or policies of liability and fire insurance with respect to the Common Area and personal property, if any, owned by the Association, as provided herein for furthering the purposes of protecting the interests of the Association and Members, and as directed by this Declaration and the By-Laws.

(g) The power but not the duty to employ or contract with a professional Manager to perform all or any part of the duties and responsibilities of the Association, and shall have the power to delegate its powers to committees, officers, and employees. Any such management agreement, or any agreement providing for services to the Association, shall be for a term not in excess of one (1) year, subject to cancellation by the Association for cause at any time upon not less than thirty (30) days' written notice, and without cause (and without penalty or the payment of a termination fee) at any time upon not less than ninety (90) days' written notice.

(h) The power but not the duty to, after Notice and Hearing, without being liable to any Owner, enter upon any Lot for the purpose of enforcing by peaceful means the provisions of this Declaration, or for the purpose of maintaining or repairing any such area if for any reason whatsoever the Owner fails to maintain or repair any such area as required by this Declaration. Said cost shall be a Special Assessment and shall create a lien enforceable in the same manner as other assessments as set forth in this Declaration. The Owner shall pay promptly all amounts due for such work.

Notwithstanding the foregoing paragraphs (a) through (h), the Association shall have no responsibility to provide any maintenance or repair services with respect to any Improvement which is acceptable for maintenance by the City or County of Spokane or any other state, local or municipal governmental agency or entity. Prior to any such acceptance, the City or County of Spokane has no duty to provide any maintenance or repair services to any Improvement in the Common Area.

ARTICLE 6

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 6.01 Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed or real estate contract therefor, whether or not it shall be so expressed in such deed or contract, is deemed to covenant and agrees to pay the Association: (1) monthly Common Assessments for Common Expenses; (2) Capital Improvement Assessments; such as assessments to be established and collected as herein after provided. Such assessments shall be a lien on the Lot and shall be a continuing lien from the due date of the assessment. Each such assessment shall also be the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation of the Owner shall not pass to his successors in title unless expressly assumed by them; provided however, that in the case of a sale or a contract for sale of (or an assignment of a contract) purchaser's interest in any Lot which is charged with the payment of an assessment(s) payable in installments, the Owner immediately prior to the date of any such sale, contract or assignment shall be personally liable only for the amount of the assessment or installments due prior to said date and the new Owner shall be personally liable for the assessment or installments which become due on and after said date.

Section 6.02 Creation of the Fund. The Board of Directors shall establish a separate account (the "Association Maintenance Fund") into which shall be deposited all Common Assessments paid to the Association and from which disbursements shall be made in performance of functions by the Association. The Association Maintenance Fund shall include: (1) an operating fund for current common expenses; and (2) a reserve fund for common expenses which would not reasonably be expected to recur on an annual or less frequent basis. If an operating fund or reserve fund proves at any time to be inadequate for any reason, the Board may at any time levy a supplemental Common Assessment, subject to the provisions of Section 6.05 of this Article.

Section 6.03 Purpose of Common Assessments. The Common Assessments levied by the Association shall be used exclusively to promote the common health, safety, benefit, recreation and welfare of the Owners and for the Improvements and maintenance of the Common Area, Landscape Maintenance Areas, drainage easements, roads and streets. Nothing in this Declaration shall be construed in such a way as to permit the Association to use any Assessments to abate any nuisance or annoyance emanating from outside the boundaries of the Properties. Common Assessments shall include, and the Association shall acquire and pay for out of the applicable funds derived from said Common Assessments, the following:

(a) Water, electrical, lighting and other necessary utility service for the Common Area.

(b) Maintenance and repair of the private streets, walkways, parking areas, and drainage facilities lying within the Common Area and other drainage easements. Drainage facilities shall be maintained in substantial conformance with the approved plans on file at the County Engineer's Office (including the appurtenant access areas).

(c) Landscape planting and maintenance by the Association of all landscaping and planted areas within the Common Area and the Landscape Maintenance Areas, including commonly-metered irrigation and lighting costs of such areas.

(d) Fire and casualty insurance, with extended coverage as provided herein, covering the full insurable replacement cost of the Common Area Improvements.

(e) Liability insurance, as provided herein, insuring the Association, its Directors and Officers, against any liability to the public or to any Owner, their invitees or tenants, incident to their occupation and use of the Common Areas and Landscaped Maintenance Areas, with limits of liability to be set by the Board of Directors of the Association. Such limits and coverage to be reviewed at least annually by the Association, and increased or decreased in its discretion.

(f) Worker's compensation insurance to the extent necessary to comply with any applicable laws, medical payments insurance, liquor liability insurance and any other insurance deemed necessary by the Board of Directors of the Association.

(g) Standard fidelity bonds covering all Members of the Board of Directors of the Association and other employees and volunteers of the Association as and in an amount as determined by the Board of Directors, but not less than two (2) times the sum of the annual Common Assessments of the Association.

(h) Painting, maintenance, repair and replacement of all buildings, equipment, fences, and landscaping in, on and of the Common Area, as the Board of Directors shall determine is necessary and proper.

(i) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Association is required to secure or pay for pursuant to the terms of this Declaration or by law or which, in the opinion of the Association's Board of Directors, shall be necessary or proper for the operation of the Common Area or for the enforcement of these restrictions.

Section 6.04 Damage to Common Area by Owners. The foregoing maintenance, repairs or replacements within the Common Area or

Landscape Maintenance Areas arising out of or caused by the willful or negligent act of any Owner, his family, guests or invitees, shall be done at said Owner's expense or, after Notice and Hearing, a Special Assessment therefor shall be made by the Board against the Owner and his Lot.

Section 6.05 Amount of Common Assessment. The amount of the monthly Common Assessment shall be as follows:

(a) Owners of undeveloped Lots _____ dollars (\$ _____) per month per Lot; and,

(b) Owners of developed Lots _____ dollars (\$ _____) per month per Lot (or in the event that said amount has been increased, the amounts as so increased); provided, that said monthly assessment for Developed Lots may be increased by the Association with the consent of at least two-thirds (2/3rds) of the voting power of members, voting in person or by proxy, at a meeting duly called for such 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. After consideration of current maintenance costs and future needs of the Association, the Board of Directors may fix the monthly assessment for Developed Lots at an amount less than the maximum monthly assessment. The maximum monthly assessment for Developed Lots may be increased by the Association without the consent of two-thirds (2/3rds) of the members as provided in Section 6.06 of this Article 6.

Section 6.06 Increase in Monthly Assessments. From and after _____, 19____, the amount of the monthly Common Assessment for Developed Lots may be increased effective as of January 1 of each year thereafter without a vote of the Membership by not more than the greater of: (1) Twelve (12) percent; or (2) by the amount determined as follows:

(a) If the Average Monthly Level for such twelve month period exceeds the Base Level, the excess divided by the Base Level shall constitute the "Percentage of Increase"

(b) The monthly Common Assessment provided in Section 6.05 (b) shall be multiplied by the Percentage of Increase.

Section 6.07 Capital Improvement and Reconstruction Assessments. In addition to the Common Assessments authorized above, the Board of Directors may levy, in any assessment year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that year only for the purpose of defraying, in whole or part, the cost of any construction, reconstruction, repair or replacement of an Improvement or other such addition upon the Common Area or Landscape Maintenance Areas, including fixtures and personal property related thereto; provided that whenever the aggregate Capital Improvement Assessments in any fiscal year exceed five (5) percent of the budgeted gross

expenses of the Association for that fiscal year, such excess shall require the consent of two-thirds (2/3rds) of the voting power of Members, voting in person or by proxy, at a meeting duly called for such purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting.

Section 6.08 Uniform Rate of Assessment; Due Date. Common Assessments, Capital Improvement Assessments and Reconstructon Assessments provided for in this Article 6 must be fixed at a uniform rate for all Lots within the Properties; provided, however, that the Association may, subject to the provisions of Section 6.04 of this Article, levy Special Assessments against selected Owners who have caused the Association to incur special expenses due to willful or negligent acts of said Owners, their guests or agents. All Common Assessments shall be payable on or before the first (1st) day of each month. Other Assessments shall be paid and collected at such frequency as the Board shall determine from time to time.

Section 6.09 Date of Commencement of Common Assessments; Changes Thereto. The monthly Common Assessments shall commence to each Phase of Development of the Properties on the first (1st) day of the month following Close of Sale of a Lot within such Phase of development. Writtnen notice of any change in the amount of any monthly Common Assessment shall be sent to every Owner not less than thirty (30) days prior to the effective date of such change. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

Section 6.10 Direct Charges. Charges to the individual Lots for natural gas, electricity, telephone, garbage removal, cable television and other services requested by the Lot Owner, will be made directly by the respective utility company to the Lot Owner, beginning with the first occupancy of the Dwelling on said Lot. First occupancy shall begin when the first individual service is requested by the Owner or renter of the Unit.

Section 6.11 Charges to be Paid Through the Association. Charges for water (including meter service and consumption fee), sewer, maintenance service, Common Area lighting and irrigation, and other fees adopted by the Board shall be collected from the individual Owners. Payment shall then be made by the Association to the entity furnishing the respective service, subject to the provisions of paragraphs 6.12 and 6.13 below.

Section 6.12 Solid Waste Disposal-Garbage. If the Board elects to provide garbage dumpsters at specified locations to serve the Units as well as the Common Area, the Association will charge each Unit, beginning with first occupancy, a utility charge for this service, whether the Unit be thereafter occupied

or not. The utility charge is to be determined by dividing the total cost of service by the number of individual Units subject to the utility charge.

Section 6.13 Sewer Charges. Once a Unit is first occupied, the City of Spokane will charge the Association a service charge for such Unit. The Association shall then so charge the Owner of each Unit, whether the Unit is occupied or not. The Association shall report to the City periodically, as requested, the occupancy status of Units within the Properties.

Section 6.14 Water Charges. The City of Spokane is not responsible for water delivery except to the master meters of the Properties. Water for domestic use (including irrigation) and fire protection will be master-metered by the City of Spokane.

SPECIAL NOTE: The City of Spokane shall not be responsible for sewer and water repair or maintenance within the Properties. Whenever such repair or maintenance is required, after the initial warranty on the installation shall have expired, the cost of such service will be considered a Common Expense and included within the Regular Assessments as reserves (or as an Extraordinary Assessment, if necessary). Service shall include service to the individual Units. If, because of negligence, an occupant shall cause otherwise unnecessary repair or service, the Owner of the Unit shall be charged an extra utility charge equal to the cost of repair as a Special Assessment. The negligence of the occupant shall be determined solely by the Board after due examination of the evidence and due deliberation.

The water fee charged by the City, after first occupancy, shall be treated as a utility charge to be collected as a Regular Assessment. The consumption fee will be equal for each Unit within the Properties, except that an extra fee may be charged for Units with private swimming pools, consistent with the extra usage.

Section 6.15 Resolution of a Utility Charges Complaint. If the sums to be paid for sewer, water and/or garbage service should appear to be unfair to any Owner, that Owner, including the Declarant and any Builder, shall have a right of review by arbitrators appointed as follows: one by each of the protagonists, who shall select a third.

Section 6.16 Exempt Property; Annual Budget. The following property, shall be exempt from assessments:

- (a) All Properties dedicated to and accepted by a local public authority;
- (b) The Common Area and facilities; and
- (c) All other Properties owned by the Association.

The Board of Directors shall cause to be prepared an annual balance sheet and operating statement, reflecting income and expenditures of the Association for each fiscal year, including deposits into and withdrawals from the Common Area Reserve Fund and Operating Fund. The Board shall cause to be distributed a copy of each such statement for each Member and First Mortgagee who has filed a written request for copies of the same with the Board of Directors, in the manner provided in the By-Laws. At least sixty (60) days prior to the beginning of the fiscal year, the Board of Directors shall prepare and distribute to the Membership of the Association, a written itemized estimate (budget) of the income and expenses of the Association during such year in performing its functions under this declaration (including a reasonable provision for contingencies and deposits into the Common Area Reserve Fund, less any expected income and accounting for any surplus from the prior year). If the estimated sums prove inadequate for any reason, including non-payment of any Owner's Common Assessment, the Board may at any time levy supplemental Common Assessments subject to the provisions of Section 6.05 of this Article.

ARTICLE 7

EFFECT OF NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE ASSOCIATION

Section 7.01 Enforcement of Unpaid Assessment; Penalties.

Any Common Assessment, Capital Improvement Assessment, Special Assessment, Reconstruction Assessment or installment thereof, not paid within thirty (30) days after the due date shall bear interest from the due date until paid at the rate of twelve (12) percent per annum. If any such Assessment or installment thereof is not paid within thirty (30) days after it is due, the Owner responsible therefor may be required further by the Board of Directors to pay each month a late charge of Five Dollars (\$5.00) or five (5) percent of the amount of the delinquent Assessment or installment, whichever is greater. The Association may bring an action at law against such a delinquent Owner and/or foreclose the ln against the Lot. In which case, the Association shall be entitled to recover the highest interest allowed by law, along with costs and reasonable attorney's fees for such a collection. No Owner shall waive or otherwise escape liability for the Assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

If any installment of an Assessment is not paid within thirty (30) days after its due date, the Board may mail an acceleration notice to the Owner and to each First Mortgagee of a Lot which has requested a copy of the notice. The notice shall specify: (1) the fact that the installment is delinquent; (2) the action required to cure the default, which action shall include paying all installments coming due during the period allowed to

cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default must be cured; (4) that failure to cure the default on or before the date specified in the notice will result in acceleration of the balance of the installments of the Assessment for the then current fiscal year and sale of the Lot; and (5) the legal description of the Lot. If the delinquent installments of Assessments and any charges thereon are not paid in full on or before the date specified in the notice, the Board may, at its option without further demand, enforce the collection of the full Assessment and all charges thereon in any manner authorized by law and this Declaration.

Section 7.02 Notice of Assessment. No action shall be brought to enforce any assessment lien, unless at least thirty (30) days has expired following the date a Notice of Assessment is deposited in the United States mail, certified or registered, postage prepaid to the Owner of the Lot, and a copy thereof has been recorded by the Association in the office of the Spokane County Auditor. The Notice of Assessment must recite a good and sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (which may at the Association's option include interest on the unpaid assessment at twelve (12) percent per annum, plus reasonable attorney's fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant. Such Notice of Assessment shall be signed and acknowledged by an officer of the Association. For the purposes of this Section 7.02, an Acceleration Notice given under Section 7.01 shall be deemed to be a Notice of Assessment if recorded in the office of the Spokane County Auditor.

Section 7.03 Foreclosure Sale. Any such sale provided for above may be conducted by the Board of Directors, its attorneys or other persons authorized by the Board in accordance with the provisions of the laws of the State of Washington for judicially foreclosing mortgages. The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

Section 7.04 Curing of Default. Upon the timely curing of any default for which a Notice of Assessment or Acceleration Notice was filed by the Association, the officers thereof shall record an appropriate Release of Lien, upon payment by the defaulting Owner of a fee to be determined by the Association, but not to exceed One Hundred Fifty Dollars (\$150.00), to cover the cost of preparing and recording such release. A certificate, executed and acknowledged by any two (2) members of the Board, stating the indebtedness secured by the lien upon any Lot created hereunder shall be conclusive upon the Association and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee to be determined by the Board.

Section 7.05 Cumulative Remedies. The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgement for unpaid assessments, as above provided.

Section 7.06 Mortgage Protection. Notwithstanding all other provisions hereof, no lien created under Articles 6 or 7, nor may breach of this Declaration, nor the enforcement of any provision hereof, shall defeat or render invalid the rights of the Beneficiary under any recorded first Deed of Trust upon a lot made in good faith and for value; provided that after such Beneficiary or some other Person obtains title to such Lot by judicial foreclosure or by means of the powers set forth in such Deed of Trust, such lot shall remain subject to the Declaration and payment of all Assessments accruing subsequent to the date such Beneficiary or other Person obtains title and claims for a share of unpaid assessments reallocated to all Units, including each Unit foreclosed.

ARTICLE 8

ARCHITECTURAL CONTROL

Section 8.01 Members of the Committee. The Architectural Committee, sometimes referred to in this Declaration as the "AC" shall consist of three (3) Members. The initial members shall be representatives of Declarant. Subject to the following provisions, Declarant shall have the right and power at all times to appoint and remove a majority of the members of the AC or to fill any vacancy of such majority until the "turnover date," which shall be the date on which either: (1) ninety (90) percent of the Lots in the Properties have been sold and the deed or contracts recorded ("Close of Sale"), or (2) five (5) years following the Close of Escrow of the first Lot in Phase 1, whichever occurs earlier.

Section 8.02 Review of Plans and Specifications. The AC shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the AC. Except for the original Improvements constructed on the Properties by Declarant, no construction, alteration, addition, modification or reconstruction of an Improvement in the Properties shall be commenced until the plans and specifications therefor showing the nature, kind, shape, height, width, exterior color and materials, location of same on the Lot shall have been submitted to the AC and approved in writing by the AC. The AC shall approve plans and specifications submitted for its approval only if it deems that construction, alterations or additions contemplated thereby

in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, that the structure, and that the construction thereof, will not detract from the beauty, wholesomeness and attractiveness of the Common Area or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden for the Association. The AC may require such detail in plans and specifications submitted for its review as it deems proper. Decisions of the AC and the reasons therefore shall be transmitted by the AC to the applicant at the address set forth in the application for approval, within thirty (30) days after receipt by the AC of all materials required by the AC. Any application submitted pursuant to this Section 8.02 shall be deemed approved unless written disapproval or a request for additional information or material by the AC shall have been transmitted to the applicant within thirty (30) days after the date of receipt given by the AC for such application or additional information.

Section 8.03 Committee Guidelines. Prior to commencement of construction, each Lot Owner must submit for approval a complete site plan to the Architectural Committee including but not limited to a site plan, the exterior elevations, irrigation design and planting scheme. Prior to submittal, the Owner must conform to these guidelines when design services are being performed:

(a) Placement of the structure on site:

1. All structures are to be centered on the Lot in order to provide the maximum amount of open space on each side line.
 - a. Sideyard setback shall be a minimum of five (5) feet from each side line, EXCEPT that Lot 1, Block 1 (as to its north sideyard) and Lot 1, Block 2 (as to its east sideyard) will have a minimum of twenty-five (25) feet of setback.
2. Backyard setback shall be a minimum of five (5) feet from each back lot line, EXCEPT that Lots 1,2,3,4 and 5 of Block 1, Lots 1,2,3,4,5,6,7 and 8 of Block 2, Lots 1,2 and 3 of Block 3 and Lots 6,7 and 8 of Block 4 shall have a minimum of twenty-five (25) feet setback.
3. Front yard setback shall be a minimum of twenty (20) feet on all Lots.

(b) Structures:

1. The finished main floor living area of the Dwelling Units, exclusive of open porches and garages, shall not be less than one thousand two hundred (1,200) square feet for one-level homes. Two-level homes shall be not less than eight hundred (800) square

- feet of main floor living area, as determined above, with a minimum of an additional four hundred (400) square feet on the second level(s).
2. All Dwelling Units shall have a double garage (20 feet x 20 feet minimum), equipped with an automatic garage door opener and shall be sheet-rocked to the Spokane County Fire Code.
 3. All Dwelling Units shall have a roof covering and exterior siding that is of uniform material with the AC's initial selections.
 4. All roof overhangs shall be a minimum of one (1) foot, six (6) inches.
 5. All Dwelling Units shall have asphalt or other hard surface driveways as determined by the AC.

(c) Landscaping:

1. All planting schemes shall conform to the overall design of the development.
2. Each Lot Owner shall install, within sixty (60) days of first occupancy, all landscaping with an automatic irrigation system, except where prevented by adverse weather conditions.
3. All areas indicated as sewer, water or drainage easements on the Lots of MOUNT VERNON PLACE Plat Map shall be landscaped and maintained as grass areas only.
4. Each Dwelling Unit shall have an operating yard light (with photocell control), installed alongside each driveway in a uniform manner with other such exterior yard lights. The AC will designate the location of each such yard light when it reviews the applicant's plans.

Section 8.04 Meeting of the AC. The AC will meet as necessary to perform its duties hereunder. The AC may, from time to time, by resolution unanimously adopted in writing, designate an AC Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the AC. In the absence of such designation, the vote of any two (2) members of the AC taken with or without a meeting, shall constitute an act of the AC.

Section 8.05 No Waiver of Future Approvals. The approval by the AC of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the AC, shall not be deemed to constitute a waiver of any right to withhold

approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

Section 8.06 Compensation of Members. The members of the AC shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

Section 8.07 Nonliability of AC Members. Neither Declarant, the AC nor any member of the AC, the Board nor their duly authorized representatives, shall be liable to the Association, or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the AC's duties hereunder, unless due to the willful misconduct or bad faith of the AC. The AC shall review and approve or disprove all plans submitted to it for any proposed improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Properties generally. The AC shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, exterior color schemes, finishes and materials and other similar features. The AC's approval or disapproval shall be based solely on the considerations set forth in this Article 8; and the AC shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

ARTICLE 9

OWNER MAINTENANCE AND REPAIR OBLIGATIONS

Section 9.01 Maintenance Obligations of Owners. It shall be the duty of each Owner, at his sole cost and expense, subject to the provisions of this Declaration regarding the Architectural Committee's approval, to maintain, repair, and restore areas subject to his exclusive control in a neat, sanitary and attractive condition. Areas subject to the exclusive control of an Owner shall be deemed to include, without limitation, the Owner's Dwelling Unit and areas of the Lot, if any, which are not defined as a portion of the Landscape Maintenance Areas. In the event that any Owner shall permit any Improvement, which is the responsibility of such Owner to maintain, to fall into disrepair or not to be so maintained so as to create a dangerous, obstructed, unsafe, unsightly or unattractive condition, or to otherwise violate this Declaration, the Board shall have either the right to seek any remedies at law or in equity which it may have, and the right, but not the duty, after Notice and Hearing, to enter upon such Owner's Lot to make such repairs or to perform such maintenance, and the cost thereof shall be charged to the Owner. Said cost shall be a Special Assessment and shall create a lien

enforceable in the same manner as other Assessments as set forth in this Declaration.

Section 9.02 Duty to Rebuild Resulting from Damage to or Destruction of Dwelling Units. If all or any portion of any Lot or Dwelling Unit is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of said Lot or Dwelling Unit to rebuild, repair or reconstruct said Lot or Dwelling Unit in a manner which will restore it substantially to its appearance and condition immediately prior to the casualty.

Section 9.03 Time Limitation. The Owner or Owners of any damaged Dwelling Unit, the Association and the AG shall be obligated to proceed with all due diligence hereunder, the responsible party shall commence reconstruction within three (3) months after the damage occurs and complete reconstruction within six (6) months after damage occurs, unless prevented by causes beyond their reasonable control.

Section 9.04 Condemnation. The taking or partial taking of any Lot or the Common Area by condemnation or threat thereof shall be negotiated by the party whose property is affected thereby, and such party shall be entitled to receive all compensation paid by the condemning authority. In the event of a taking or partial taking of the Common Area, the Board shall be authorized to negotiate the condemnation award, which shall be deposited into the general funds of the Association, subject to disbursement or other use according to an agreement supported by two-thirds (2/3rds) of the voting power of the Association.

ARTICLE 10

USE RESTRICTIONS

All real property within the Properties shall be held, used and enjoyed subject to the following limitations and restriction, subject to the exemption of Declarant in Section 10.11 hereof:

Section 10.1 Single Family Dwelling Unit. Each Unit shall be used as a residence for a single family and for no other purpose; and no Unit shall exceed two (2) stories in height.

Section 10.2 Business or Commercial Activity. No part of the Properties shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storage, vending or other such non-residential purposes; except Declarant, its successors or assigns, may use any portion of the Properties for a model home site, and display a sales office during construction and sales period.

Section 10.03 Nuisances. No noxious or offensive activity (including but not limited to the repair of motor vehicles) shall be carried on, in or upon any Lot or the Common Area, nor shall

anything be done therein which may be or become an unreasonable annoyance or nuisance to any other Owner. The Board of Directors shall have the right to determine in accordance with the By-Laws if any noise, odor, interference or activity producing such noise, odor or interference constitutes a nuisance.

Section 10.04 Signs. No sign, poster, display, billboard or other advertising device of any kind shall be displayed to the public view on any portion of the Properties or any Lot, without the prior written consent of the AC, except (a) one sign for each Dwelling Unit, of not larger than five (5) square feet, advertising the Dwelling Unit for sale or rent, or (b) signs regardless of size, used by Declarant, its successors or assigns to advertise the properties during construction and sale period. All signs and billboards and the conditions promulgated for the regulation thereof shall conform to the requirements of all applicable governmental ordinances.

Section 10.5 Parking and Vehicular Restrictions. No Owner shall park, store or keep on his Lot or in the Common Areas any large commercial-type vehicle, inoperable vehicle or any other vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board, so as to be visible from anywhere in the Properties. No Owner of a Lot shall conduct repairs or restoration of any motor vehicle, boat, trailer or other vehicle upon any portion of any Lot or upon the Common Areas, except wholly within the Owner's garage; provided, however, that such activity shall at no time be permitted if it is determined by the Board or its agent to be a nuisance. Vehicles owned, operated or within the control of any Owner shall be parked in the garage of such Owner.

Section 10.06 Animals. No animals or birds of any kind shall be raised, bred or kept on any Lot or in the Common Area, except that no more than two (2) usual and ordinary household pets (such as dogs, cats or birds) may be kept within the Dwelling Units, provided that they are not kept, bred or maintained for commercial purpose or in unreasonable quantities, nor in violation of the rules and regulations adopted by the Association as provided in the By-Laws. The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must either be kept within an enclosure or on a leash being held by a person capable of controlling the animal. Furthermore, any Owner shall absolutely be liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by an Owner or by members of his family, his tenants or his guests; and it shall be the absolute duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Common Area or Lot.

Section 10.07 Trash. No rubbish, trash, garbage or other waste material shall be kept or permitted upon any Lot or Common Area, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Properties, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed twelve (12) hours) before and after scheduled trash collection hours.

Section 10.08 Completion of Construction. Each Dwelling constructed on any Lot shall be completed as to external appearance, including finished painting, within nine (9) months after excavation of the Lot was commenced.

Section 10.09 Temporary Buildings. No outbuilding, basement, tent, shack, shed or other temporary building or improvement of any kind shall be placed upon any portion of the Properties either temporarily or permanently. No garage, trailer, camper, motor home or recreation vehicle shall be used as a residence in the Properties, either temporarily or permanently.

Section 10.10 Common Area Facilities. Nothing shall be altered or constructed in or removed from the Common Area or Landscape Maintenance Area except upon the written consent of the Association.

Section 10.11 Outside Installation. No radio station or shortwave operators of any kind shall operate from any Lot or Dwelling Unit. No exterior radio antenna, "C.B." antenna or satellite antenna shall be permitted on the Properties. No fence or wall shall be erected, altered or maintained on any Lot in the Properties, except with the prior approval of the AC. No exterior clothes lines shall be erected or maintained on the Properties.

Section 10.12 Adverse Effect on Insurance Coverage. Nothing shall be done or kept in the Properties which will increase the rate or adversely effect insurance on any property insured by the Association with out the approval of the Board, nor shall anything be done or kept in the Properties which would result in the cancellation of insurance on any property insured by the Association or which would be in violation of any law.

Section 10.13 Further Subdivision; Leasing. No Owner shall further partition or subdivide his Lot; provided, however, that this provision shall not be construed to limit the right of an Owner to: (1) rent or lease all of his Dwelling Unit by means of a written lease or rental agreement subject to the restrictions of this Declaration, so long as the Unit is not leased for transient or hotel purposes; (2) sell his Unit; or (3) transfer or sell his Unit to more than one person or as community

property. The terms of any such lease or rental agreement shall provide that it is subject in all respects to the provisions of this Declaration and the Articles of Incorporation or By-Laws of the Association. Any failure by the lessee of a Unit to so comply shall constitute a default under the lease or rental agreement. An Owner's failure to pay a duly charged assessment may be cured by payment of the lessee without default.

Section 10.14 Drainage. There shall be no interference with the established drainage pattern over any Lot within the Properties (as provided for in Section 2.05 hereof), unless an adequate alternative provision is made for proper drainage and is first approved in writing by the AC. For the purposes hereof, "established drainage" is defined as the drainage which exists at the time that such a Lot is conveyed to a purchaser from Declarant, or that which is shown on the Plat Map or any plans approved by the AC, which may include drainage from the Common Area over any Lot(s) in the Properties.

Section 10.15 Violation of Governing Instruments. There shall be no violations of the restrictions of this Declaration or of the rules and regulations of the Association adopted in accordance with the provisions of the By-Laws. If any Owner, his family, guest, licensee, lessee or invitee violates any such restrictions, the Board may impose a reasonable Special Assessment upon such Owner for each violation and may suspend the voting privileges of such Owner as further provided in the By-Laws. Such Special Assessment shall be collectable in the same manner as Common Assessments hereunder, but the Board shall give such Owner Notice and Hearing before invoking any such Special Assessment or suspension.

Section 10.16 No Warranty of Enforceability. While Declarant has no reason to believe that any of the restrictive covenants contained in this Article 10, or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Unit in the Property on reliance of one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring the Unit agrees to hold Declarant harmless therefrom.

ARTICLE 11

DAMAGE, DESTRUCTION OR CONDEMNATION OF COMMON AREA

Section 11.01 Damage or Destruction. Damage to or destruction of all or any portion of the Common Area shall be handled in the following manner:

- (a) In the event of damage or destruction to the Common Area, and the insurance proceeds are insufficient to effect

total restoration, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed.

(b) If the insurance proceeds are within Five Thousand Dollars (\$5,000) of being sufficient to effect total restoration to the Common Area, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed, and the difference between the insurance proceeds and the actual cost shall be levied as a Reconstruction Assessment equally against each of the Lot Owners, in accordance with the provisions of Article 6, Section 6.07 of this Declaration.

(c) If the insurance proceeds are insufficient by more than Five Thousand Dollars (\$5,000) to effect total restoration to the Common Area, then by written consent or vote of a majority of both classes of the voting power (present in person or by proxy at a meeting duly called for such purpose, written notice of which shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting) of the Association, the Members shall determine whether to: (1) rebuild and restore in substantially the same manner as the Improvements existed prior to damage and to raise the necessary funds over the insurance proceeds by levying equal Reconstruction Assessments against all Lots; (2) rebuild and restore in a way which utilizes available insurance proceeds and an additional amount not in excess of Five Thousand Dollars (\$5,000) and which is assessable equally to all Owners but which is less expensive than replacing these Improvements in substantially the same manner as they existed prior to being damaged; or (3) subject to the provisions of Article 13, not rebuild and to distribute the available insurance proceeds equally to the Owners and Mortgagees of Lots as their interest may appear.

(d) Each member shall be liable to the Association for any damage to the Common Area not fully reimbursed to the Association by insurance proceeds which may be sustained by reason of the negligence or willful misconduct of said Member or the Persons deriving their right and easement of use and enjoyment of the Common Area from said Member, or of his respective family and guest, both minor and adult. The Association reserves the right, acting through the Board, after Notice and Hearing, to (1) determine whether any claim shall be made upon the insurance maintained by the Association, and (2) charge a Special Assessment equal to the increase, if any, in the insurance premium directly attributable to the damage caused by such Member or the person for whom such Member may be liable as described herein. In the case of joint ownership of a Lot, the liability of such Owners shall be joint and several, except to the extent that the Association has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing,

the cost of correcting such damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against the Lot and may be collected as provided herein for the collection of Common Assessments.

Section 11.02 Condemnation. If all or any part of the Common Area shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the provisions of this section shall apply. The Board shall provide each Owner and First Mortgagee with a written notice of the commencement of any such condemnation proceeding and of any proposed sale or deposition in lieu or in avoidance of such proceeding.

All compensation, damage or other proceeds therefrom the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Association. In the event that all of the Common Area is taken or condemned or sold or otherwise disposed of in lieu of or in avoidance thereof, the Condemnation Award shall be divided equally among the Owners and Mortgagees of the Lots as their interest may appear.

In the event that less than the entire Common Area is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the rights, title interests, privileges, duties and obligations of an Owner and Mortgagee in, to or with respect to the Common Area not so taken or condemned shall continue in full force and effect as provided in this Declaration.

Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Section 11.01 above.

ARTICLE 12

INSURANCE

Section 12.01 Casualty Insurance. The Association shall keep all building improvements and fixtures of the Common Area insured against loss or damage by fire and extended coverages for the full insurance replacement cost thereof, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fires and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area shall be written in the name of, and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are Common Expenses included in the Common Assessments made by the Association.

Section 12.02 Insurance Obligation of Owners. In the event the Association does not maintain blanket casualty insurance upon the Dwelling Units, then each Owner shall insure his entire Dwelling Unit, including the structural portion of his Dwelling Unit, against the loss or damage by fire and extended coverage or by any other casualty, under the standard form of extended endorsement now in use by the State of Washington or under such other insurance that may be required by any Mortgagee of the Dwelling Unit. All such insurance shall be in an amount as near as practicable to the full replacement value of the Dwelling Unit, without deduction for depreciation or coinsurance. Each Owner shall, within thirty (30) days after Close of Sale of his Lot from Declarant and thereafter at least ten (10) days prior to the expiration, termination, cancellation or modification of any existing policy, furnish to the Association duplicate copies of policies or certificates thereof, showing that such insurance is currently in force certified by the insurance company or by its duly authorized agent. All such policies shall contain a provision that the same shall not be cancelled or terminated except upon at least thirty (30) days written notice to the Association and each Owner shall notify the Association of such existence or non-existence of an assignment of such insurance maintained by said Owner upon the Close of Sale of his Lot.

Section 12.03 Replacement or Repair of Property. 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, or distribute such insurance proceeds, subject to the provisions of Article 11 of this Declaration. If such insurance proceeds are insufficient 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 Owners, in accordance with the provisions of Article 6, Section 6.05 and Article 11 of this Declaration.

Section 12.04 Waiver of Subrogation. All policies of physical damage insurance maintained by the Association shall provide, if reasonably possible, for waiver of: (1) any defense based on co-insurance; (2) any right of setoff, counter-claim, apportionment, proration or contribution by reason of other insurance not carried by the Association; (3) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors or employees of any insured; (4) any rights of the insurer to repair, rebuild or replace, and, in the event any Improvement is not repaired, replaced or rebuilt following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured or the fair market value thereof; or (5) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot. As to each policy of insurance maintained by the Association

which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss.

Section 12.05 Liability and Other Insurance. The Association shall have the power and the duty to, and shall obtain, comprehensive public liability insurance, including medical payments, liquor liability insurance, and malicious mischief, for at least \$1,000,000.00 per occurrence, insuring against liability for bodily injury, death and property damage arising out of the activities of the Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Association may also obtain, through the Board, Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Lot Owner and the Association, Board of Directors and Manager, from liability in connection with the Common Area. Landscape Maintenance Areas, the premiums for which are a Common Expense included in the Common Assessments made against the Owners. All insurance policies shall be reviewed at least annually by the Board of Directors and the limits increased at its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity bonds and other insurance as it deems advisable, insuring the Board, the officers of the Association and the Manager and any volunteers against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. Notwithstanding any other provision herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the requirements for planned unit developments established by the Federal Nation Mortgage Association ("FNMA"), the Government Nation Mortgage Association ("GNMA"), and The Mortgage Corporation ("TMC"), Veterans' Administration ("VA") and/or the Federal Housing Administration ("FHA") so long as any of which is Mortgagee or an Owner of a Lot in the Properties, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA, TMC, VA and/or FHA as applicable.

Section 12.06 Waiver of Claim Against Association. As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors and Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said persons.

ARTICLE 13

MORTGAGE PROTECTION CLAUSE

Notwithstanding any and all provisions hereof to the contrary, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of the Declaration, these added provisions shall control):

(a) Each First Mortgagee of a Mortgage encumbering any Lot, at its written request, is entitled to written notification from the Association of any default by the Mortgagor's obligations under this Declaration, the Articles of Incorporation of the Association or the By-Laws, which default is not cured within thirty (30) days after the Association learns of such default.

(b) Each Owner, including every First Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage, or by foreclosure of such Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal."

(c) Unless at least seventy-five (75) percent of First Mortgagees have given their prior written approval, neither the Association nor the Owner shall:

(1) subject to Washington nonprofit corporation law to the contrary, by act or omission seek to abandon, partition, alienate, subdivide, release, hypothecate, encumber, sell or transfer the Common Area and the Improvements thereon which are owned by the Association;

NOTE: The granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the Association shall not be deemed a transfer within the meaning of this clause.

(2) change the method of determining the obligations, assessments dues or other charges which may be levied against a Lot Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design of the exterior appearance of the Dwelling Units, the maintenance of the exterior walls or common fences and driveways, or the upkeep of lawns and plantings in the Properties;

(4) fail to maintain Fire and Extended Coverage on insurable Common Area property on a current replacement cost basis in an amount as near as possible to one hundred (100) percent of the insurance value (based on current replacement cost);

(5) use hazard insurance proceeds for losses to any Common Area property for other than the repair, replacement or reconstruction of such Improvements;

(6) amend this Declaration or the Articles of Incorporation or By-Laws of the Association in such a manner that the rights of any First Mortgagee will be adversely affected.

(d) First Mortgagees, upon written request, shall have the right to: (1) examine the books and records of the Association during normal business hours; (2) require from the Association the submission of annual financial reports and other financial data within ninety (90) days following the end of any fiscal year of the Association; (3) receive written notice of all meetings of the Members; and (4) designate in writing a representative to attend all such meetings.

(e) All First Mortgagees shall be given: (1) thirty (30) days written notice prior to the effective date of any proposed, material amendment to this Declaration or the Articles of Incorporation or By-Laws of the Association, prior to any abandonment or termination of the Properties, and prior to effective date of any termination of any agreement for professional management of the Properties following a decision of the Owners to assume self-management of the Properties; and (2) immediate notice following any damage to or destruction, the Common Area or any Dwelling Unit if such loss or destruction exceeds Ten Thousand Dollars (\$10,000.00) and as soon as the Board learns of any threatened condemnation proceeding or proposed acquisition of any portion of the Common Area of any Dwelling Unit.

(f) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area and may pay any overdue premiums on hazard insurance coverage on the lapse of a policy, for such property, and First Mortgagee making such payments shall be owed immediately reimbursement thereof from the Association.

(g) The Common Area Reserve Fund described in Article 6 must be funded by regularly scheduled monthly payments rather than by large Special Assessments.

(h) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including but not limited to, employees and volunteers of any professional Manager.

In addition to the foregoing, the Board of Directors may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the FNMA, GNMA, TMC, VA and/or FHA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be by such entities of first Mortgages encumbering Lots with Dwelling Units thereon. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their Dwelling Units, if such agencies approve the Properties as a qualifying Planned Unit Development under their respective policies, rules and regulations, adopted from time to time, Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

ARTICLE 14

DECLARANT EXEMPTION

Declarant, its successors or assigns will undertake the work of developing all of the Lots, Common Areas and Landscape Maintenance Areas included within the Properties. The completion of that work is essential to the establishment and welfare of the Properties as a first-class residential community. In order that said work may be completed and the Properties be established as fully-occupied residential community as rapidly as possible, no Owner nor the Association shall do anything to interfere with, and nothing in this Declaration shall be understood or construed to prevent Declarant, its representative, successors, assigns or its contractors and subcontractors from:

(a) Doing on any Lot owned by it whatever it determines to be necessary or advisable in connection with the completion of said work; or

(b) Erecting, constructing and maintaining on any Common Area or any Lot or portion thereof owned or controlled by Declarant, such structures as may be reasonably necessary for the conduct of its or their business of completing said work and establishing the Properties as a residential community and disposing of the same in Lots by sale; or

(c) Conducting on any Lot, owned or controlled by Declarant, its business of developing, grading and installing Improvements in the Properties as a residential community; or

(d) Maintaining such sign or signs on the Common Area or any Lot owned or controlled by Declarant as may be necessary in connection with the sale, lease or other marketing of Lots and Dwelling Units in the Properties; or

(e) Establishing at any time prior to acquisition of title to a Lot in a Phase of Development by a purchaser from Declarant, additional licenses, reservations and rights-of-way of itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Properties.

ARTICLE 15

GENERAL PROVISIONS

Section 15.01 Enforcement. This Declaration, the Articles of Incorporation and the By-Laws may be enforced as follows:

(a) Breach of any of the covenants contained in the Declaration or the By-Laws and the continuation of any such breach may be enjoined, abated or remedied by appropriate legal proceedings by any Owner, including Declarant, or by the Association or the successors-in-interest of the Association. Any judgement rendered in any action or proceeding pursuant hereto shall include a sum for attorney's fees in an amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs.

(b) The result of every act or omission whereby any of covenants contained in this Declaration or the By-Laws are violated in whole or in part is hereby declared to constitute a nuisance, and every remedy allowed by law or equity against a nuisance either public or private shall be applicable against every such result and may be exercised by any Owner, by the Association or its successors-in-interest.

(c) The remedies herein provided for breach of the covenants contained in this Declaration or in the By-Laws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) The failure of the Association or any Owner to enforce any of the covenants contained in this Declaration or in the By-Laws shall not constitute a waiver of the right to enforce the same thereafter.

(e) A breach of the covenants, conditions or restrictions contained in this Declaration or in the By-Laws shall not affect or impair the lien or charge of any bona fide First Mortgage or Deed of Trust made in good faith and for value on any residential Lot or the improvements thereon;

provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether such Owner's title was acquired by foreclosure in a trustee's sale or otherwise.

Section 15.02 Severability. Invalidation of any of these covenants or restrictions by judgement or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 15.03 Term. The covenants and restrictions of this Declaration shall run with and bind the Properties, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successive Owners and assigns, for a term of twenty-five (25) years from the date this Declaration is recorded, after which time said covenants, conditions, reservation of easements, equitable servitudes and restrictions shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Amendment or Termination meeting the requirements of an amendment to this Declaration as set forth in Section 15.05 of this Article has been recorded, agreeing to change or terminate said covenants and restrictions in whole or part.

Section 15.04 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of the Landscape Maintenance Areas and the Common Areas. The article and section heading have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction, the singular shall include the plural and the plural the singular and the masculine, feminine and neuter shall each include the masculine, feminine and neuter.

Section 15.05 Amendments. Except as provided in Section 15.03 of this Article, this Declaration may be amended only by the affirmative vote or written consent of not less than seventy-five (75) percent of the voting power of each class of Members; provided, however, that the prior written approval of at least seventy-five (75) percent of all First Mortgagees must be obtained also, before Article 13 may be amended; and provided, further, that the prior written approval of Declarant must be obtained before Article 14 may be amended. Notwithstanding the foregoing, until the Close of Sale of the first Lot in the Properties, Declarant shall have the right to terminate or modify this Declaration by recordation of a supplement hereto setting forth such termination or modification. Any supplement or amendment to this Declaration must be signed by at least two (2) officers of the Association, indicating that the requisite approvals have been obtained, and such amendment or supplement must be recorded in the Office of the Spokane County Auditor.

Section 15.06 No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Properties to the public or for any public use.

Section 15.07 Constructive Notice and Acceptance. Every Person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Properties does and shall be conclusively deemed to have consented and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such Person acquired an interest in the Properties, or any portion thereof.

Section 15.08 Reservation of Easements. Reciprocal, nonexclusive easements (as indicated on the Plat Map) are hereby reserved for the benefit of the adjoining Lot Owners for the control of Lot surface water, and maintenance and repair of the utilities. Declarant expressly reserves for the benefit of all of the real property in the Properties and the Owners of the Association reciprocal, nonexclusive easements for access, ingress and egress over all Lots, and over the Common Area, for the purposes and the enjoyment of the Lots in accordance with this Declaration, including without limitations, for installation and repair of utility services, for drainage over, across and upon adjacent Lots for surface water control resulting from the normal use of adjoining Lots and the private roads and for maintenance and repair of the Landscape Maintenance Areas.

Section 15.09 Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered forty-eight (48) hours after of copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

Section 15.10 No Representation or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents or employees in connection with the Properties or any portion of the Properties or any Improvement thereon, its physical condition, zoning, compliance with applicable law, fitness for intended use, or in connection with the subdivision, sale operation, maintenance, cost of maintenance, taxes or regulation thereof as a Planned Unit Development, except as specifically and expressly set forth in this Declaration.

ARTICLE 16

SPECIAL PROVISIONS

Section 16.01 Outside Extension of Sewer Service. The Property's sewer system has the capacity to serve additional lots outside its boundaries, At the Declarant's request, the Association shall authorize certain additional connections to the Property's sewer lift pump or pressure main by written agreement with the legal owner(s) of said additional lots. Such an agreement shall provide that the Association's use of its sewer system shall not be impaired or unnecessarily interrupted during such extension and that the additional lot owner(s) shall pay all costs in accomplishing such an extension, while also being responsible for any damage caused to the Properties during said extension.

Section 16.02 Provision for Cessation of Need for Sewer Lift Pump. As determined by the installation of a public sewer main adjacent to the Properties, the need for use of the Property's sewer lift pump will be eliminated. Upon approval by the City of Spokane for direct gravity flow connection to said public sewer main, the existing sewer lift pump shall be removed by and at the expense of the Declarant. It is understood that Declarant is the sole owner of the sewer lift pump and has allowed the Association to use it without charge and with the understanding that the Association will maintain said equipment in good condition so long as it is needed at MOUNT VERNON PLACE. When such equipment need ceases, the Declarant shall have the option to remove and dispose of the sewer lift pump. Such removal shall include all of City of Spokane required alterations to the lift pump well and a return of the property surrounding the pump to its prior conditions in a timely manner.

Section 16.03 Participation in Future R.I.D. Assessment. Upon the formation of a Road Improvement District ("R.I.D.") petition for the purpose of further improvement of Mount Vernon Road or Cook Street (as shown on the Plat Map) or 57th Avenue, the Owners of Lots agree to authorize the County of Spokane to place their names on such a document, using the petition or resolution method pursuant to Chapter 36.88 R.C.W., which method precludes any Lot Owner from objecting to such a petition by signing of a ballot against such a petition. If an R.I.D. is formed in accordance with Chapter 36.88 R.C.W., each Lot Owner further agrees that: (1) the improvement contemplated within the R.I.D. shall be feasible; (2) the benefits to be derived from the R.I.D. together with the amount of any county participation, exceed the cost and expense of the formation of the R.I.D.; and (3) the property within the proposed R.I.D. is sufficiently developed. Provided, further, that the Lot Owners shall retain the right, as provided in Chapter 36.88.090 R.C.W., to object to any assessments for improvements included in an R.I.D. formation under either the petition or resolution method of Chapter 36.88 R.C.W.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has set his hand and seal on this 27th day of June, 1989.

DECLARANT:

S. and S. LAND COMPANY, a Washington general partnership

By: T.S.J. Investment Company, Incorporated, a Washington Corporation, as Partner

By: Terence A. Sullivan
Terence A. Sullivan, President

By: The Swanson Family Partnership, a Washington limited partnership, as Partner

By: Thomas G. Swanson
Thomas G. Swanson, General Partner

STATE OF WASHINGTON)
County of Spokane)

ss.

Subscribed and sworn to before me this 27th day of June, 1989 by Terence A. Sullivan, as President of T.S.J. Investment Company, Incorporated.

Cynthia L. Day
Notary Public of State of Washington
Residing at Spokane.

My appointment expires 07-18-92

Subscribed and sworn to before me this 27th day of June, 1989 by Thomas G. Swanson, as General Partner of the Swanson Family Limited Partnership.

James P. Francalanga
Notary Public of State of Washington
Residing at Bellevue.

My appointment expires 3-1-93

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