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DECLARATION OF COVENANTS, CONDITIONS

RESTRICTIONS AND RESERVATIONS OF EASEMENTS

FOR

A PLANNED UNIT DEVELOPMENT

LOCATED IN

SPOKANE, WASHINGTON

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DECLARATION OF COVENANTS, CONDITIONS RESTRICTIONS AND RESERVATIONS OF EASEMENTS

FOR

WHISPERWOOD

A PLANNED UNIT DEVELOPMENT

LOCATED IN

SPOKANE, WASHINGTON

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DECLARATION OF COVENANTS, CONDITIONS RESTRICTIONS AND RESERVATIONS OF EASEMENTS FOR WHISPERWOOD

THIS DECLARATION is made on this 4th day of May, 1990, by LANDRETH CONSTRUCTION, INC., (hereinafter referred to as "GRANTOR"), to establish certain Covenants, Conditions, Restrictions and Easements for WHISPERWOOD, a Planned Unit Development located in Spokane County, Washington, as follows:

A. Grantor is the Owner of certain property ("Properties") in the County of Spokane, State of Washington, described in Appendix A attached hereto and incorporated herein by reference.

B. Grantor desires to create a corporation subject to the General Nonprofit Corporation Laws 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 described in Appendix "B", attached hereto and incorporated herein by reference, and for administering and enforcing the covenants and restrictions, and collecting and disbursing the assessments and charges.

C. Grantor will create such corporation; the Members of which shall be the respective Owners of Dwelling Units on Properties.

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

E. Grantor declares that all of the Dwelling Units shall be held, sold, conveyed, encumbered, hypothectated, leased, used, occupied and improved subject to the following easements, restrictions, covenants, conditions and equitable servitudes, all of which are for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Dwelling Units, in furtherance of a general plan for protection, maintenance, improvement and sale of the Dwelling Units or any portion thereof. The covenants, conditions, restrictions, reservations, easements and equitable servitudes set forth herein shall run with the Properties and shall be binding upon all persons having any right, title or interest in the Dwelling

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Units, or any part thereof, their heirs, successors and assigns; shall inure to the benefit of every portion of the Dwelling Units and any interest therein; and shall inure to the benefit of and be binding upon Grantor, each Owner and their respective heirs, executors and administrators; and may be enforced by Grantor, by any Owner or by the Association.

ARTICLE I.

DEFINITIONS

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

Section 1.01 "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 1.02 "Common Assessment" shall mean the monthly charge against each Owner and his Dwelling Unit, representing a portion of the total, ordinary costs of maintaining, improving, repairing, replacing managing and operating the Common Area and Landscape Maintenance Areas.

Section 1.03 "Special Assessment" shall mean a charge against a particular Owner and his Dwelling Unit, 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 Dwelliing Unit not maintained as a part of the Landscape Maintenance Areas.

Section 1.04 "Reconstruction Assessment" shall mean a charge against each Owner and his Dwelling Unit, representing a portion of the cost to the Association for reconstruction of any portion of the Improvements on the Common Area pursuant to the provisions of this Declaration.

Section 1.05 "Capital Improvement Assessment" shall mean a charge against each Owner and his Dwelling Unit, representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Area or Landscape Maintenance Areas which the Association may from time to time authorize, pursuant to the provisions of this Declaration.

Section 1.06 "Association" shall mean WHISPERWOOD HOMEOWNER'S ASSOCIATION, a corporation to be formed under the General Nonprofit Corporation Laws of the State of Washington,

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its successors and assigns.

Section 1.07 "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 mortgage or beneficiary.

Section 1.08 "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.09 "By-Laws" shall mean the By-laws of the Association.

Section 1.10 "Close of Sale" shall mean the date on which a deed or real estate contract is recorded conveying a Dwelling Unit to a purchaser.

Section 1.11 "Common Area" shall mean all the real property and improvements including, without limitation, landscaped areas, recreational facilities, ponds, roadways and walksways, which are owned by the Association for the common use and enjoyment of all of the Owners. The Common Area to be so owned by the Association shall be that certain real property located in the County of Spokane, State of Washington, described in Appendix B, attached hereto.

Section 1.12 "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 unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments), including those costs not paid by the Owner responsible for payment; the costs of any commonly metered utilities and other commonly metered 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, or Landscape Maintenance Areas; the costs of fire, casualty and liability insurance, worker's compensation insurance, and other insurance all covering the Properties; the costs of bonding the members of the management body; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrances levied against the Properties for the benefit of all of the Owners.

Section 1.13 "Declaration" shall mean this instrument as it may be amended from time to time.

Section 1.14 "Deed of Trust" shall mean a mortgage or a deed of trust, as the case may be.

Section 1.15 "Dwelling Unit and Lot" shall mean a

residential building located on a Lot designed and intended for use and occupancy as a residence by a single family. "Lot" shall mean a tract of land within the "Properties" that is set aside and approved for construction of a Dwelling Unit thereon, but which Dwelling Unit has not yet been constructed.

Section 1.16 "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 not more than three (3) natural persons not all so related, who maintain a common household in a Dwelling Unit.

Section 1.17 "First Deed of Trust" shall mean the primary or priority deed of trust or mortgage recorded prior to the due date of any Common, Capital Improvement, Special or Reconstruction Assessment.

Section 1.18 "First Mortgagee" shall mean a mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency which holds or owns a first deed of trust on a Dwelling Unit.

Section 1.19 "Grantor" shall mean LANDRETH CONSTRUCTION, INC., a Washington corporation, its successors and Person to whom it shall have assigned any rights hereunder by express written instrument.

Section 1.20 "Improvement" shall mean any structure or appurtenance thereto of every type and kind, including but not limited to buildings, outbuildings, walkways, sprinkler pipes, garages, carports, ponds, cabanas, 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 1.21 "Landscape Maintenance Areas" shall mean all plantings, planted trees, shrubs, driveways and other landscaping improvements located on the Properties and extending from the Common Area to the ground level foundation lines of the Dwelling Units, and includes the exterior landscape and irrigation areas originally constructed by Grantor, as well as Areas in the Right-of-Ways.

Section 1.22 "Lease" shall mean any agreement for the leasing or rental of a Dwelling Unit.

Section 1.23 "Manager" shall mean the Person appointed by

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the Association as its agent and delegated certain duties, powers or functions of the Association.

Section 1.24 "Member" shall mean any Person holding a membership in the Association.

Section 1.25 "Mortgage", "Mortgagee", "Mortgager" shall mean any mortgage or deed of trust or other conveyance of a Dwelling Unit or other portion of the Properties to secure the performance of any obligation, which will be reconveyed upon the completion of such performance. The term "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 or her Dwelling Unit 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 1.26 "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 Bylaws.

Section 1.27 "Owner" shall mean the Person or Persons including Grantor, holding fee simple interest of record to, or the real estate contract purchaser of, any Dwelling Unit which is a part of the Properties. For purposes of Article X only, unless the context otherwise required, Owner shall also include the family, guests, invitees, licensees and lessees of any Owner.

Section 1.28 "Person" shall mean a natural individual or any other entity with the legal right to hold title to real property.

Section 1.29 "Phase" shall mean and refer to a particular parcel of property which is or may become part of the Properties pursuant to the recordation of an appropriate Declaration of annexation. The property described in Appendix A to this Declaration shall be deemed to be the First Phase of the Properties and any parcel annexed to the Properties described in Appendix A under a Declaration of Annexation shall be deemed to be a subsequent phase of the Properties.

Section 1.30 "Properties" shall mean all of the real property described in Appendix A, plus any validly annexed new real property subject to annexation as stated hereinafter.

Section 1.31 "Record"; "Recorded"; "Filed; or "Recordation" shall mean, with respect to any document, the recording of such

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document in the Office of the County Auditor of the County of Spokane, State of Washington.

Section 1.32 "Association Maintenance Funds" shall mean the accounts, created for receipts and disbursements of the Association, pursuant to Article VI hereof.

Section 1.33 "Exterior Landscaping and Perimeter Fences" shall be considered part of Common Area.

Section 1.34 "Water Company" shall mean any municipality or district providing water service to the Properties and Dwelling Units and is presently Vera Water and Power District.

ARTICLE II.

MEMBERSHIP IN ASSOCIATION

Section 2.01 "Membership". Every Owner of a Dwelling Unit, whether under construction or finished, shall be a Member of the Association. Membership in the Association shall be appurtenant to and may not be separated from the fee ownership of such Dwelling Unit. Ownership of such Dwelling Unit shall be the sole qualification for membership in the Association. Membership as to any annexed lots, as hereinafter set forth, shall occur upon the filing of a Declaration of Annexation.

Section 2.02 "Transfer". The Association membership held by any Owner of a Dwelling Unit shall not be transferred, pledged or alienated in any way, except upon the sale of or encumbrance of such Dwelling Unit, and then only to the purchaser or Mortgageee of such Dwelling Unit. Any attempt to make a prohibited transfer is void. A Class A Member who has transferred fee interest to his Dwelling Unit or who has sold his Dwelling Unit 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 III

VOTING RIGHTS

Section 3.01 "Classes of Voting Membership". The Association shall have two (2) classes of voting membership as follows:

Class A. Class A Member shall be all Owners in the Development, with the exception of the Grantor, for so long as there exists a Class B membership for the Development. Class A Members shall be entitled to one (1) vote for each Dwelling Unit owned. Grantor shall become a Class A member

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with regard to Dwelling Units owned by Grantor upon conversion of Grantor's Class B membership as provided below. When more than one person holds an interest in any Dwelling unit, all such persons shall be Members. The vote for such Dwelling shall be exercised in accordance with Article III, Section 3.02, of this Declaration, and in no event shall more than one (1) Class A vote be cast with respect to any Dwelling Unit.

Class B. The Class B member shall be the Grantor, and Grantor shall be entitled to ten (10) votes for each Dwelling Unit owned by Grantor. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following events:

a. Four (4) months after the total votes outstanding in the Class A membership in such development equal or exceed the total votes outstanding in the Class B membership including any annexed properties as hereinafter set forth; or

b. Ten (10) years from the Close of Sale of the first Dwelling Unit sold in the Properties, unless additional property is annexed to the Properties as set forth hereinafter and in that event this time fram shall automatically be extended to fifteen (15) years from Close of Sale of the first Dwelling Unit sold; or

c. Upon Grantors written relinquishment of its Class B membership.

Section 3.02 "Vote Distribution". Class A members shall be entitled to one (1) vote for each Dwelling Unit owned. When more than one person has an interest in any Dwelling Unit ("co-owner"), all such co-owners shall be members and may attend any meeting of the Association, but only one such co-owners shall be entitled to exercise the vote to which the Dwelling Unit 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 Dwelling Unit shall be exercised,if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such Dwelling Unit shall be exercised as the majority of the co-owners of the Dwelling Unit mutually agree. Unless the Board receives a written objection from a co-owner, it shall be presumed that the voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Dwelling Unit where the majority of the co-owners present in person or by proxy and representing such Dwelling Unit cannot agree to said vote or other action. The non-voting co-owner or co-owners shall be jointly and severally responsible for all of the obligations

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imposed upon the jointly owned Dwelling Unit 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 Bylaws, 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 Bylaws, Provided, However, Grantor or its assigns shall have the absolute right to appoint one (1) member to the Board of Directors irregardless, of the voting results.

ARTICLE IV.

JURISDICTION OF ASSOCIATION

The Association, acting through its Board of Directors shall also have:

a. The authority and duty to maintain, repair and otherwise manage the Common Area and Landscape Maintenance Areas and all facilities, improvements and landscaping thereon, all in accordance with the provisions of this Declaration.

b. The authority and duty to maintain the streets within the Properties, including cleaning, snow removal, and periodic resurfacing as necessary.

c. The authority and duty to maintain the sewer line systems, water systems and storm drains or drainage facilities within the Common Area.

d. The authority and duty to obtain, for the benefit of the Properties, electric services for the Common Area, water to the Properties and Common Area, and it may provide for cable television service to each unit. Refuse collection and payment therefore shall be up to each individual Unit Owner unless the regulations of the designated purveyor of said services provide to the contrary, and in that event, refuse collection shall be the responsibility of the Association.

e. The authority and duty to grant easements, rights of way, or strips of land, where necessary, for utilities over the Common Area to serve the Common Area and the Dwelling Units.

f. The authority 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 furthering the purposes of and protecting the interests of the Association and members

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and as directed by this Declaration and the Bylaws.

g. The authority 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 authority to delegate its authority to committees, officers and employees.

h. The authority but not the duty to, after Notice and hearing, without being liable to any Owner, enter any Dwelling Unit 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 on said Owner's property and shall create a lien enforceable in the same manner as other assessments as set forth in this Declaration. Said Owner shall pay promptly all amounts due for such work.

ARTICLE V.

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 5.01 "Creation of the Lien and Personal Obligation of Assessments". Grantor, for each Dwelling Unit owned within the Properties, hereby covenants, and each Owner of any Dwelling Unit by acceptance of a deed or real estate contract therefore, whether or not it shall be so expressed in such deed or contract, is deemed to covenant and agree to pay to the Association (1) monthly Common Assessments for Common Expenses, (2) Capital Improvement Assessments; such assessments to be established and collected as hereinafter provided. Such assessments, together with interest at the highest rate allowed by law, costs and reasonable attorney's fees for the collection thereof, shall be a lien on the Dwelling Unit and shall be a continuing lien from the due date of the Assessment. Each such Assessment, together with such interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of the Dwelling Unit 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.

Section 5.02 "Creation of 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 5.04 of this Article.

Section 5.03 "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 improvement and maintenance of the Common Area, the exterior of the Dwelling Units and the Landscape Maintenance Areas. 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, sewer, electrical, lighting and other necesssary utility services for the Common Area and water and sewer for all Dwelling Units. Garbage and refuse collection service may also be included if the applicable purveyors regulations prohibit individual contracting for said service.

b. Maintenance and repair of the private streets, and parking areas lying within the Common Area and driveways lying within the Landscape Maintenance Areas, as well as all costs of snow removal and street cleaning related to said 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.

d. Fire and casualty insrance 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 Landscape Maintenance Area, with limits of liability to be set by the Board of Directors of the Association.

f. Worker's Compensation Insurance to the extent necessary to comply with any applicable laws, medical payments, insurance, liquor liability insurance and any

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other insurance deemed necessary by the Board of Directors or 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 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 shall determine is necessary and proper. Also painting, roofing and maintenace of the exterior of the Dwelling Units, as the Board 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 5.04 "Amount of Common Assessment". The amount of the monthly Common Assessments shall be as follows: Owners of Dwelling Units, $100.00 Dollars per month per Dwelling Unit (or in the event that said amount has been increased or decreased, the amounts as so increased or decreased); Provided, that said monthly assessment for Dwelling Units may be increased or decreased by the Association with the consent of at least two-thirds (2/3) 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 twenty (20) days nor 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 Dwelling Units at an amount less than the maximum monthly assessment. The maximum monthly assessment for Dwelling Units may be increased or decreased by the Association without the consent of two-thirds (2/3) of the members as provided in Section 5.05 of this Article V.

Section 5.05 "Increase in Monthly Assessments". From and after the close of sale of the first Dwelling Unit, the amount of the monthly Common Assessment for Dwelling Units may be increased or decreased effective as of January 1 of each year thereafter without a vote of the membership, by not more than twelve percent (12%) of the assessment amount for the most recent assessment

year.

Section 5.06 "Capital Improvement and Reconstruction Assessments". In addition to the Common Assessments authorized above, the Board of Directors of the Association 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 in part, the cost of any construction, reconstruction, repair or replacement of any 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 percent (5%) of the budgeted gross expenses of the Association for that fiscal year, such excess shall require the consent of two-thirds (2/3) of the voting power of members, voting in person or by proxy, at a meeting duly called for such purposes, written notice of which shall be sent to all members not less than twenty (20) days nor more than sixty (60) days in advance of the meeting.

Section 5.07 "Uniform Rate of Assessment and Due Date". Except as stated to the contrary herein, Common Assessments, Capital Improvement Assessments and Reconstruction Assessments provided for in this Article V must be fixed at a uniform rate for all Dwelling Units within the Properties; Provided However, that the Association may, subject to the provisions 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 due and payable on or before the first day of each month and other assessments shall be paid and collected at such frequency as the Board shall determine from time to time.

Section 5.08 "Date of Commencement of Common Assessments; Budget". The monthly Common Assessments shall commence on the first day of the month following Close of Sale of the first Dwelling Unit. Upon the closing of each initial sale, the purchaser of a Dwelling Unit shall pay a sum equal to two months of the then prevailing monthly Common Assessment to the Association as a non-refundable Association start-up fee and shall pay the current monthly Common Assessment prorated to the date of closing, so that a full months Common Assessment shall be due on the first day of the following calendar month. Written notice of any change in the amount of any monthly Common Assessment shall be sent to every Owner not less than twenty (20) 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 Dwelling

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Unit have been paid. A properly executed certificate of the Association as to the status of assessments against a Dwelling Unit is binding upon the Association as of the date of its issuance.

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 in and withdrawals from the Common Area Reserve Fund and the Operating Fund, and shall cause to be distributed a copy of each such statement to each member, and to each first Mortgagee who has filed a written request for copies of the same with the Board of Directors, in the manner provided in the Bylaws. At least sixty (60) days prior to the beginning of each 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 5.04 of this Article.

Section 5.09 "Exempt Property". The following property subject to this Declaration shall be exempt from the assessments herein.

a. All Properties dedicated to and accepted by a local public authority;

b. The Common Area; and

c. All Lots and/or Dwelling Units owned by the Grantor as long as the Grantor is a Class B Member of the Association as set forth in Section 3.01, Provided However, Grantor shall reimburse the Association as long as Grantor is a Class B Member, for its proportionate share of the actual cost of snow removal, insurance and lawn care based on the number of Dwelling Units owned by Grantor in relation to the total number of Dwelling Units in the Properties.

ARTICLE VI.

EFFECT OF NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE ASSOCIATION

Section 6.01 "Effect of Non-Payment of Assessment; Remedies

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of the Association". Any Common Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment or installment thereof not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of twelve percent (12%) per annum, and the Owner responsible therefor may also be required further by the Board of Directors to pay each month a late charge of Five Dollars ($5.00) or five percent (5%) of the amount of the delinquent assessment or installment, whichever is greater. The Association may bring an action at law against the Owner personally obligated to pay the same, and/or foreclose the lien against the Dwelling Unit. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Dwelling Unit.

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 Dwelling Unit 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 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 Dwelling Unit, and (5) the legal description of the Dwelling Unit. 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 6.02 "Notice of Assessment". No action shall be brought to enforce any assessment lien, unless at least thirty (30) days have 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 Dwelling Unit, 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 Dwelling Unit, 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 percent (12%), 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

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of this Section 6.02, an Acceleration Notice given under Section 6.01 shall be deemed to be a Notice of Assessment if recorded in the Office of the Spokane County Auditor.

Section 6.03 "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 Dwelling Unit at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

Section 6.04 "Curing of a 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 Dwelling Unit 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 and payment of a reasonable fee, to be determined by the Board.

Section 6.05 "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 judgment for unpaid assessments, as above provided.

Section 6.06 "Mortgage Protection". Notwithstanding all other provisions hereof, no lien created under Articles V or VI, nor any 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 Dwelling Unit made in good faith and for value; provided that after such Beneficiary or some other Person obtains title to such Dwelling Unit by judicial foreclosure or by means of the powers set forth in such Deed of Trust, such Dwelling Unit 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.

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ARTICLE VII.

ARCHITECTURAL CONTROL

Section 7.01 "Approval by the Board". No building, fence, wall or other structure shall be commenced, erected or maintained upon the Properties, nor shall an exterior addition to or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the Board of Directors. In the event said Board fails to approve or disapprove such design and location, or request additional information or material, within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have fully complied with.

Section 7.02 "Standards". The Board shall have the right to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design, and existing materials of the Improvements of the Properties.

The Board may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee payable to the Association to accompany each application for approval, or additional factors which it will take into consideration in reviewing submissions.

Section 7.03 "No Waiver of Future Approvals". The approval of the board to any proposals or plans and specificiations or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Board, 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 whenever subsequently or additionally submitted for approval or consent.

Section 7.04 "Inspection of Work". Inspection of work and correction of defects therein shall proceed as follows:

a. Upon the completion of any work for which approved plans are required under this Article VII, the Owner shall give written notice of completion to the Board.

b. Within sixty (60) days thereafter, the Board or its duly authorized representative may inspect such improvement. If the Board finds that such work was not done in

substantial compliance with the approved plans, it shall notify the Owner in writing of such noncompliance within such sixty (60) day period, specifying the particulars of noncompliance, and shall require the Owner to remedy the same.

c. If upon the expiration of thirty (30) days from the date of such notification the Owner shall have failed to remedy such noncompliance and after affording such Owner Notice and Hearing, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date of announcement of the Board ruling. If the Owner does not comply with the Board ruling within such period, the Board, at its option, may peacefully remove the noncomplying improvement or otherwise peacefully remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a Special Assessment against such Owner for reimbursement.

d. If for any reason the Board fails to notify the Owner of noncompliance within sixty (60) days after receipt of said written notice of completion from the Owner, the improvement shall be deemed to be in accordance with said approved plans.

Section 7.05 "Nonliability of Board Member". Neither Grantor, nor any member of the Board, nor their representative, 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 Board's duties hereunder, unless due to the willful misconduct or bad faith of the Board.

ARTICLE VIII.

MAINTENANCE AND REPAIR OBLIGATIONS

Section 8.01 "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 architectural approval, to maintain, repair, replace, 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, 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

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of such Owner to maintain, to fall in 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 Dwelling Unit 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 8.02 "Party Walls". Each wall which is built as a part of the original construction of the homes upon the Properties and placed on the dividin line between the Dwelling Units shall constitute a party wall and, to the extent no inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

a. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

b. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

c. Notwithstanding any other provision of this Section, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

d. The right of any Owner to contribution from any other Owner under this Section, shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 8.03 "Exterior Maintenance". In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Dwelling Unit which is subject to assessment hereunder, as follows: paint, repair, replacement and care of roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

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In the event that the need for maintenance or repair of a Dwelling Unit or the improvements thereon is caused through the willful or negligent acts of its Owner, or though the willful or negligent acts of the family, guests or invitees of the Owner of the Dwelling Unit needing such maintenance or repair, the cost of such exterior maintenace shall be added to and become part of the assessment to which such Dwelling Unit is subject.

The extent of exterior maintenance provided by the Association may be expanded, reduced or modified by a vote of two-thirds (2/3) of each class of Owners.

The Association and its agent or contractors selected by it for the purpose of maintenance shall and are hereby granted an easement to the Dwelling Units and over and across the Properties to accomplish the above purposes.

ARTICLE IX.

CHARGES FOR UTILITY SERVICES

Section 9.01 "Direct Charges". Charges to the individual Dwelling Units for natural gas, power or electricity will be made directly by the utility company (Vera Water and Power Company) to the Dwelling Unit Owner beginning with the first occupancy of the said Dwelling Unit. First occupancy means when the first individual service is requested for an Owner or renter of the Dwelling Unit. Charges for telephone, cable television and individual security services will be similarly charged directly to owner for the service.

Section 9.02 "Charges to be Paid Through the Association". Water, and garbage service, except where other arrangments have been made, will be collected from the individual Dwelling Unit Owners and paid to the entity furnishing the service by the Association. Utility charges will be imposed by the Association and create a lien upon the Dwelling Units using the service.

Section 9.03. "Solid Waste Disposal - Garbage". If the applicable purveyor will allow individual garbage/waste disposal billings, the Association shall require the Owner of each occupied Dwelling Unit to provide solid waste and garbage disposal containers for the use of such Dwelling Unit, and charges will be made directly by the purveyor providing the service.

If individual billing is or becomes unavailable, the Association may elect to require individual disposal containers or provide dumpsters at specified locations to service the dwellings as well as the Common Areas. Then the Association will

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charge each Dwelling Unit beginning with first occupancy a utility charge for the solid waste and garbage service. After first occupancy, each Dwelling Unit will be charged for the utility charge whether the dwelling be thereafter occupied or not. The utility charge is to be determined by dividing the cost of service to all dumpsters or pick-up points located on the Properties by the number of individual Dwelling Units. The Owner of each Dwelling Unit after first occupancy of such Dwelling Unit shall pay his or her proportionate share.

Section 9.04 "Water Charges". The Water Company (Vera Water and Power Company) is not responsible for water delivery except up to the master meters for the property, nor is it responsible for the construction, repair or maintenance of the water lines within the Properties. The Association is responsible for repair and maintenance of water lines within the project for the individual Dwelling Units and Common Area.

The Board or any other entity or person selected hereafter by the Association shall collect fees for water service and make the payment to the Water Company.

The Water Company makes two charges for bulk water service; (1) meter service fees; and (2) a consumption fee. The meter service fees can be charged by the Water Company as soon as a meter is installed and water comes on line whether water is used or not. The consumption fee is based on the number of units of water used, a unit being 100 cubic feet.

That part of the water bill charged a meter service fee by the Water Company to the Association shall be charged as an assessment to all Dwelling Units within the Properties. Whenever water repair or maintenance is required on the Properties after the initial warranty on the installation shall have expired, the costs of such service will be considered as a common expense and included within the annual or special assessments as determined by the Association. Service shall include service to the individual dwellings. If because of negligence an occupant shall cause otherwise unnecessary repair and services, the Owner of the Dwelling Unit shall be charged an extra utility charge (also a lien) equal to the cost of repair. The negligence of the occupant shall be determined solely by the Association after due examination of the evidence and due deliberation.

The consumption fee shall be treated as a utility charge and becomes a lien on each dwelling after first occupancy. The consumption fee will be equal for each Dwelling Unit within the Properties. Such fee will be collected by the Association and delivered to the Water Company with the other water charges.

Should the Water Company's rules change or be different, the

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same concept of allocation as described above, shall be implemented as nearly the same as possible.

ARTICLE X.

USE RESTRICTIONS

All real property within the Properties shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Grantor in Article XVI hereof.

Section 10.01 "Single Family Dwelling Unit Leases". Each Dwelling Unit shall be used as a residence for a single family and for no other purpose. No unit shall be leased or rented for less than thirty (30) days.

Section 10.02 "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 Grantor, its successor or assigns, may use any portion of the Properties for a model home site, and display a sales office during the construction and/or 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 Dwelling Unit or the Common Area, nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any other Owner. The Board of Directors shall have the right to determine in accordance with the Bylaws if any noise, odor, interference or activity producing such noise, odor or interference constitutes a nuisance. No Dwelling Unit Owner or tenant/guest thereof shall be allowed to store any boat, unused vehicle, camper, trailer or the like anywhere on the Properties, except within the Dwelling Unit garage, for more than 48 hours. Parking for passenger vehicles, are to be in each Dwelling Unit's garage or driveway or in front of each Dwelling Unit on the private street.

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 Dwelling Units, except signs, regardless of size, used by Grantor, its successors and assigns to advertise the Properties during construction and sale or lease period. The Association shall have the authority to provide one central advertising board not larger than four (4) feet square for use by any Dwelling Unit Owner to post For Sale or For Rent notices thereon. The Association may determine the location and establish rules for use of the

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advertising board, and be responsible for maintenance thereof.

Section 10.05 "Unlawful Activity". No immoral, improper, offensive or unlawful use shall be made of the Properties nor any part thereof and all valid laws, zoning ordinances and the regulations of all governmental bodies having jurisdiction thereof shall be observed.

Section 10.06 "Animal Restrictions". No insects, reptiles, poultry or animals of any kind shall be raised, bred or kept in or on any Dwelling Unit or the Common Area, except usual and ordinary dogs, cats, fish, birds and other household pets (excluding, without limitations, equine, bovine, sheep, swine and goats) may be kept within the Dwelling Units, provided that they are not kept, bred or maintained for commercial purposes or in unreasonable quantities, nor in violation of the rules and regulations adopted by the Association as provided in the Bylaws. As used in this Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per household; Provided, However, that the Association (or the Board or such other person or entity as the Association may from time to time designate) may determine that a reasonable number in any instance may be more or less. 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 or guest thereof. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure or on a leash being held by a person capable of controlling the animal. Furthermore, any Owner shall be absolutely 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 of an animal to clean up after such animals which have used any portion of the Common Area or Dwelling Units. Absolutely no dog runs or kennels will be allowed anywhere on the Properties.

Section 10.07 "Trash"; "Firewood Storage". No rubbish, trash or garbage or other waste material shall be kept or permitted upon any Dwelling Unit 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 Dwelling Units only when set out for a reasonable period of time (not to exceed twelve (12) hours) before and after scheduled trash collection hours. Additionally, all firewood, coal, presto-logs, etc., of any kind

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shall be stored within the Dwelling Unit or garage and not in view of the public. Each Owner of a Dwelling Unit shall be responsible for cleaning the fireplace chimney flue of said Dwelling Unit on a timely basis, and failure to do so shall give the Association the right to clean said flue and charge said Owner by means of a Special Assessment immediately upon completion.

Section 10.08 "Insurance Rates". Nothing shall be done or kept in the Properties which will increase the rate of insurance on any property insured by the Association without 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 10.09 "Drainage". There shall be no interference with the established drainage pattern over any Dwelling Unit within the Properties, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Board. For the purposes hereof, "established" drainage is defined as the drainage which exists at the time that such Dwelling Unit is conveyed to a purchaser from Grantor, or that which is shown on any plans approved by the Board, which may include drainage from the Common Area over any Dwelling Unit or Dwelling Units in the Properties.

Section 10.10 "Violation of Governing Instruments". There shall be no violation of the restrictions of this Declaration or of the rules and regulations of the Association adopted in accordance with the provisions of the Bylaws. If any Owner, his family, guest, licensee, lessee or invitee violates any such restrictions, the Board may impose a reasonable suspension of voting privileges of such Owner as further provided in the Bylaws, as well as reasonably suspend the rights of said person to use the Common Area facilities. Additionally, the Board may seek any other remedies provided herein or by law.

Section 10.11 "No Warranty of Enforceability". While Grantor has no reason to believe that any of the restrictive covenants contained in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Grantor makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenants. Any Owner acquiring a lot or Dwelling Unit in the Properties in reliance of one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring a lot or Dwelling Unit, agrees to hold Grantor harmless therefrom.

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ARTICLE XI.

EASEMENTS

Section 11.01 "Common Area". Each Dwelling Unit and the Common Area shall be subject to an easement for encroachments created by construction, settling and overhangs of the buildings or other improvements as designed or constructed. A valid easement for said encroachments and for the maintenance of same for so long as they stand shall and does exist.

Section 11.02 "Blanket Easement". There is hereby created a blanket easement upon, through and across and over and under all of said Properties for ingress, egress, installation, replacing, repairing and maintaining all utilities and service lines and systems, including but not limited to, water, sewer, gas, telephone, electricity and heat pump lines and a master antenna system and/or cable television system. By virtue of this easement, it shall be expressly permissible for the companies providing electrical, water, sewer, gas, master television antenna, cable television, telephone service, alarm systems and/or heat pump lines to install, erect and maintain all necessary pipes and conduit underground and other necessary equipment at above or below grade on said Properties and to affix and maintain electrical, cable television and/or telephone wires, gas lines, heat pump lines, circuits and conduits on, above, across and under the roofs and exterior walls and through party wall of townhouses or other buildings and meters and shut-offs at or inside and/or outside said buildings. An easement is further granted to all police, fire protection, ambulance and all similar persons, companies or agencies performing emergency service to enter upon the Dwelling Units and Common Area in the performance of their duties. Further, an easement is hereby granted to the Association, its officers, agents, employees and to any management company selected by the Association to enter into or to cross over the Common Area and the Dwelling Units and to enter any building during reasonable hours and upon request when occupied (except in an emergency when request may be dispensed with), to inspect and to perform the duties of maintenance and repair of the buildings or Common Area as provided herein. Notwithstanding anything to the contrary contained in this paragraph, no sewers, electrical lines, water lines, gas lines, heat pump lines or other utilities may be installed or relocated on said Properties except as initially programmed and approved by the Grantor or thereafter approved by Grantor or the Association's Board of Directors. Should any utility or organization furnishing a service covered by the general easement above request that a specific easement be provided by a separate recordable document, Grantor shall have the right to grant such easement on said Properties provided it not be broader than the

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terms hereof. The easement provided for in this Section shall in no way affect any other recorded easement on said premises.

Section 11.03 "Blanket Easement to Correct Drainage". For a period of ten (10) years from the date of conveyance of the first Dwelling Unit within the Properties, the Grantor reserves a blanket easement and right, but not an obligation for itself, its successors, and the Association on, over and under the ground within the Properties to maintain and to correct drainage or surface water in order to maintain reasonable standards of health, safety and appearance. Such right expressly includes the right to cut any trees, bushes, or shrubbery, make any gradings of the soil or to take any other similar action reasonably necessary following which the Grantor, its successors or the Association shall restore the affected property to its original condition as near as practicable. Reasonable notice of intent to take such action shall be given to all affected Owners, unless an emergency appears to exist which precludes such notice.

ARTICLE XII.

OWNER'S PROPERTY RIGHTS

Section 12.01 "Owner's Easements of Enjoyment". Every Owner shall have a non-exclusive right of ingress and egress to and over the Common Area and a non-exclusive right of enjoyment to the Common Area which shall be appurtenant to and shall pass with title to every Dwelling Unit, subject to the following provisions:

a. The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area, to enforce all parking restrictions within the Common Area as set forth in Section 12.02 of this Article XII, to charge reasonable admission and other fees for the use of any recreational facility situated in the Common Area, to reasonably limit the number of guests of Owners using the Common Area, facilities, and to reasonably restrict access to areas of the Common Area.

b. Subject to the provisions of Article XV of this Declaration, 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 conveyance of easements for utilities serving the Common Area, the Common Area shall not be sold, transferred or conveyed by the Association without this Declaration being validly amended to provide for the same.

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c. The right of Grantor 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 property as provided herein, until the Close of Sale of all of the Dwelling Units in the Properties; Provided, However, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners.

d. 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 in the Common Area, for any period during which the payment of any Common, Special, Capital Improvement or Reconstruction Assessment against such member and his/her Dwelling Unit remains delinquent, and, after Notice and Hearing, to suspend such rights and easements for the period set forth in the Bylaws for any violation of the Declaration, Articles, Bylaws or rules and regulations of the Association, it being understood that any suspension for either nonpayment 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.

e. The rights and reservations of Grantor as set forth in Article XVI of this Declaration.

f. The right of the Association (by action of the Board) to reconstruct, replace or refinish any improvement or 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.

g. 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.

h. The rights of First Mortgagee as set forth in Article XV of this Declaration.

i. Non-exclusive easements appurtenant for vehicular traffic over all private streets within the Properties, subject to the parking provisions set forth in Section 12.02 of this Article XII.

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j. 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 12.02 "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 parking limitations by all reasonable means, including the removal of any violating vehicles, Provided However, no storage of any items of personal property of any kind will be allowed by any Owner or tenant/guest of a Dwelling Unit on any driveway, streets or Common Areas.

Section 12.03 "Delegation of Use". Any Owner may delegate, in accordance with the Bylaws, his right to enjoyment of the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property. Any guests of any Owner, his tenants or contract purchaser must be accompanied by said Owner, tenant or contract purchaser when using any part of the Common Area.

Section 12.04 "Waiver of Use". No Owner may exempt himself from personal liability for assessments duly levied by the Association, nor release the Dwelling Unit or other property owned by him from liens and charges hereof, by waiver of the use and enjoyment of the Common Area and the facilities thereon or by abandonment of his Dwelling Unit or any other property in the Properties.

Section 12.05 "Title to the Common Area". Grantor covenants for itself, its successors and assigns, that it will convey to the Association fee simple title to the Common Area described in Article I, Section 1.11, 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 12.06 "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 Dwelling Unit. 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 pay or to reimburse the Association for the taxes and assessments assessed by the County Assessor or other taxing authority against the Common Area and attributable to his own Dwelling Unit and interest in the Common Area, Provided, However, that it is the intent of the Grantor

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that this Declaration serve to allow the Spokane County Assessor to assess the Common Area taxes to the Dwelling Units/Owners equally in lieu of establishing a separate tax parcel for the Common Area.

ARTICLE XIII.

INSURANCE

Section 13.01 "Casualty Insurance on Common Area". The Association shall keep all insurable improvements and fixtures of the Common Area insured against loss or damage by fire 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 fire 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.

Section 13.02 "Liability and Other Insurance". The Association may obtain general comprehensive public liability insurance and worker's compensation insurance, insuring the Board, the Association, the Owners, Grantor and managing agent, if any, against any liability to the public or the Owners of Dwelling Units and their invitees or tenants incident to the ownership of the Common Area. 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 provisions 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 National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), and the Federal Home Loan Mortgage Corporation ("FHLMC"), so long as any of which is a Mortgagee or an Owner of a Dwelling Unit in the Properties, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

Section 13.03 "Casualty Insurance on Dwelling Units". In addition to casualty insurance on the Common Area, the

Association, through the Board, shall obtain and continue in effect, on behalf of all Owners, adequate blanket casualty and fire insurance in such form as the Board deems appropriate in an amount equal to the full replacement value, without deduction for depreciation or co-insurance, of all of the Dwelling Units, including the structural portions and fixtures thereof, owned by such Owners. The insurance coverage with respect to the Dwelling Units shall be written in the name of, and the proceeds thereof shall be payable to, the Association as Trustee for the members. Each Owner of a Dwelling Unit may be named as an additional insured. Any insurance on personal property and effects of any Owner shall be the sole responsiblity of that Owner and not of the Association.

Section 13.04 "Insurance Obligations of Owners". In the event the Association cannot maintain blanket casualty insurance upon the Dwelling Units, then and in that event: 1) Each owner shall insure his entire Dwelling Unit, including the structural portion of his Dwelling Unit, against loss or damage by fire or by any other casualty, under the standard form of extended endorsement now in use in the State of Washington or under such other insurance as may be required by any Mortgagee of the Dwelling Unit; 2) All such insurance shall be in an amount as near as practicable to the full replacement value of the Dwelling Unit, wihout deduction for depreciation or co-insurance; 3) Each Owner shall, within thirty (30) days after Close of Sale of his Dwelling Unit from Grantor 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. 4) 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 the existence or non-existence of an assignment of such insurance maintained by said Owner upon the Close of Sale of his Dwelling Unit.

Section 13.05 "Manner of Apportioning Assessment for Insurance". Premiums for fire and casualty coverage of Common Area property and general liability coverage insuring the Board, the Association, the Owner, Grantor and managing agent, if any, against liability incident to the ownership and management of the Common Area, and premiums for blanket insurance coverage of Dwelling Units, if any, shall all be borne equally by all Owners and thus included in the regular Common Assessments of the Owners as levied by the Association.

Section 13.06 "Annual Review of Policies". All insurance policies shall be reviewed at least annually by the Board of

Directors in order to ascertain whether the coverage contained in the policies is sufficient to make any necessary repairs or replacement of the property which may have been damaged or destroyed.

ARTICLE XIV.

DAMAGE, DESTRUCTION OR CONDEMNATION

Section 14.01 "Damage or Destruction of Common Area". 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 sufficient 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 ($5,000.00) or less of being sufficient to affect 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 Dwelling Unit Owners, in accordance with the provisions of Article V, Section 5.06, of this Declaration.

c. If the insurance proceeds are insufficient by more than Five Thousand Dollars ($5,000.00) to effect total restoration to the Common Area, then by written consent or vote of a majority of the members of the Association, the members shall determine whether (1) to 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 Dwelling Units, (2) to rebuild and restore in a way which utilizes all available insurance proceeds and an additional amount not in excess of Five Thousand Dollars ($5,000.00) 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 XV, to not rebuild and to distribute the available insurance proceeds equally to the Owners and Mortgagees of Dwelling Units 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

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Association by insurance proceeds arising out of or caused by the willful or negligent act of any Owner, his family, guests or invitees. Repair or replacement shall be done at the Owner's expense or, after Notice and Hearing a Special Assessment therefore shall be made by the Board against the Owner and his Dwelling Unit.

Section 14.02 "Replacement and Repair of Dwelling Units". In the event that the Association is maintaining blanket casualty and fire insurance on the Dwelling Units, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the cost of repair or replacement of the property damaged or destroyed or if there be no insurance for any reason, it shall be the duty of the Owner of the damaged or destroyed Dwelling Unit to rebuild, repair, or reconstruct said Dwelling Unit in a manner which will restore it substantially to its appearance and condition immediately prior to the casualty.

Section 14.03 "Time Limitations". The Owner of any damaged Dwelling Unit and the Association shall be obligated to proceed with all due diligence hereunder, and 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 14.04 "Condemnation of Common Area". Except as provided herein, 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 each First Mortgagee with a written notice of the commencement of any such condemnation proceeding and of any proposed sale or disposition in lieu of or in avoidance of such proceeding.

All compensation, damages, 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 Mortgagee of the Dwelling Units and Lots as their interests 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.

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Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Section 14.01 above.

ARTICLE XV

MORTGAGEE 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 Dwelling Unit, at its written request, is entitled to written notification from the Association of any default by the Mortgagor of such Dwelling Unit in the performance of such Mortgagor's obligations under this Declaration, the Articles of Incorporation of the Association or the Bylaws, which default is not cured within thirty (30) days after the Association learns of such default.

b. Unless at least seventy-five percent (75%) of First Mortgagees have given their prior written approval, neither the Association or the Owner shall:

1. subject to Washington non-profit 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;

(The granting of easements for public utilities or for other public purposes or, consistent with the intended use of such property by the Association as provided in this Declaration, 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 Dwelling Unit 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 planting in the Properties;

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4. fail to maintain fire insurance on insurable Common Area property on a current replacement cost basis in an amount as near as possible to one hundred percent (100%) 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 Bylaws of the Association in such a manner that the rights of any First Mortgagee will be adversely affected.

c. 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.

d. 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 Bylaws of the Association, prior to any abandonment or termination of the Properties, and prior to the 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 of, 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 or Dwelling Unit.

e. 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 policies or secure new hazard insurance coverage on the lapse of a policy, for such property, and First Mortgagees making such payments shall be owed immediately reimbursement therefore from the Association.

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f. 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 FHLMC, the FNMA, or the GNMA 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, as adopted from time to time. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any mortgage encumbering a Dwelling Unit.

ARTICLE XVI

GRANTOR EXEMPTION

Grantor or its successors or assigns will undertake the work of developing all of the Dwelling Units included within the Properties. The completion of that work and sale 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 a 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:

a. Prevent Grantor, its successors or assigns, or its or their contractors or subcontractors, from doing on any Dwelling Unit owned by them whatever they determine to be necessary or advisable in connection with the completion of said work; or

b. Prevent Grantor, its successors or assigns, or its or their representatives, from erecting, constructing and maintaining on any Common Area or any Dwelling Unit or portion thereof owned or controlled by Grantor, or its successors or assigns or its or their contractors or subcontractors, 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 Dwelling Units by sale; or

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c. Prevent Grantor, its successors or assigns, or its or their contractors or subcontractors, from conducting on any Dwelling Unit, owned or controlled by Grantor, or its successors or assigns, its or their business of developing, grading and constructing Dwelling Units and other improvements in the Properties as a residential community and of disposing of Dwelling Units thereon by sale; or

d. Prevent Grantor, its successors or assigns or its or their contractors or subcontractors, from maintaining such sign or signs on the Common Area or any Dwelling Unit owned or controlled by any of them as may be necessary in connection with the sale, lease or other marketing of Dwelling Units in the Properties; or

e. Prevent Grantor, at any time prior to acquisition of title to a Dwelling Unit by a purchaser from Grantor, to establish on that Phase 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. All aspects of such additional Phases shall be reasonably consistent with the initial improvements in terms of quality of construction.

ARTICLE XVII

ANNEXATION OF ADDITIONAL PARCELS

Section 17.01 "Additional Parcels of Real Property". Additional parcels of real property may be annexed to the Properties and become subject to this Declaration by either of the following methods:

a. Annexation Pursuant to Plan. The real property described in Appendix C, or any portion thereof, may be annexed to and become a part of the Properties, subject to this Declaration, and subject to the jurisdiction of the Association, without the assent of the Association or its members, on condition that:

1. Any annexation pursuant to this Subparagraph shall be made prior to ten (10) years from the date of recordation of this Declaration.

2. A Declaration of Annexation shall be recorded by Grantor or its transferees or assigns (and by the owner of the annexed parcel, of other than Grantor) covering the applicable portion of the property to be annexed. Said Declaration shall incorporate this Declaration by

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reference and may contain such complementary additions and modifications of the covenants and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property, and as are not inconsistent with the scheme of this Declaration.

b. Annexation Pursuant to Approval. Upon the vote or written assent of Grantor (while Grantor is an Owner) and of two-thirds (2/3) of the total votes residing in members of the Association other than Grantor, the Owner of any property who desires to add it to the scheme of this Declaration and subject it to the jurisdiction of the Association, may record a Declaration of Annexation in the manner described in the preceding subparagraph.

Section 17.02 "Annexation of New Real Property (New Phase)". Upon annexation of new real property (new phase), pursuant to either Section 17.01 (a) or (b), the annexed parcel shall become subject to this Declaration without the necessity of amending individual sections hereof. The Owners of the Dwelling Units in a new phase will automatically become members of the Association, and shall be entitled to all applicable benefits and subject to all applicable responsibilities associated with such membership, including but not limited to, use and enjoyment of all designated Common Area amenities and all Common Area amenities in the newly annexed phase shall be a part of and subject to management by the Board. Grantor hereby reserves to itself, its successors and assigns, the right to, and agrees that it will, grant to the Owners of Dwelling Units in any new phase, such nonexcluive easements as may be necessary to the completion of the development of a new phase and the annexation thereof into the Propeties in accordance with the intent of this Declaration; Provided, However, that any easements of ingress and egress shall be limited to dedicated streets within the Properties and to areas owned or maintained by Grantor or the Association.

Section 17.03 "De-Annexation of Parcels". Any parcel of real property annexed to the Properties pursuant to the plan of Grantor, in accordance with Section 17.01 (a) (1) above, may be de-annexed by Grantor and removed from the Properties and the jurisdiction of this Declaration and the Association at any time by the recordation of an appropriate Declaration of De-annexation; Provided that such de-annexation shall take place (1) before any lot in the annexed parcel has been sold by Grantor to a member of the general public; and (2) before any vote has been exercised on behalf of any such lot.

ARTICLE XVIII

GENERAL PROVISIONS

Section 18.01 "Enforcement". This Declaration, the Articles of Incorporation and the Bylaws may be enforced as follows:

a. Breach of any of the covenants contained in the Declaration or the Bylaws and the continuation of any such breach may be enjoined, abated or remedied by appropriate legal proceedings by an Owner, including Grantor, or by the Association or the successors-in-interest of the Association. Any judgment 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, interest thereon, costs of collection and Court costs.

b. The result of every act or omission whereby any of the covenants contained in this Declaration or the Bylaws are violated in whole or in part is hereby declared to be and constitutes 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 Bylaws 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 Bylaws 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 Bylaws 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 Dwelling Unit 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 18.02 "Severability". Invalidation of any of these covenants or restrictions by judgment or Court order shall in no way affect any other provisions which shall remain in full force

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and effect.

Section 18.03 "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, reservations of easements, equitable servitudes and restrictions shall be automatically extended for successive period 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 18.05 of this Article XVII has been recorded, agreeing to change or terminate said covenants and restrictions in whole or in part.

Section 18.04 "Interpretations". 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 headings 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 include the masculine, feminine and neuter.

Section 18.05 "Amendments". The provisions of Section 18.03 of this Article, this Declaration may be amended only by the affirmative vote or written consent of not less than seventy-five percent (75%) of the voting power of each class of members; Provided, However, that the prior written approval of at least seventy-five percent (75%) of all First Mortgagees must be obtained also, before Article XV may be amended; and provided, further, that the prior written approval of Grantor must be obtained before Article XVI may be amended. Notwithstanding the foregoing, until the Close of Sale of the first Dwelling Unit in the Properties, Grantor 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 18.06 "No Public Right of 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

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for any public use.

Section 18.07 "Constructive Notice and Acceptance". Every person who owns, occupies or acquires right, title, estate or interest in or to any Dwelling Unit 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 those restrictions is contained in the instrument by which such person acquire an interest in the Properties, or any portion thereof.

Section 18.08 "Reservation of Easement". Reciprocal, nonexclusive easements are hereby reserved for the benefit of adjoining Dwelling Unit Owners for the control, maintenance and repair of the utilities of adjoining Dwelling Unit Owners. Grantor expressly reserves for the benefit of all of the real property in the Properties, and the Owners and the Association, reciprocal, nonexclusive easements for access, ingress and egress to all Dwelling Units, and over the Common Area, for the purposes and the enjoyment of the Dwelling Units in accordance with this Declaration, including without limitation, for installation and repair of utility services, for drainage over, across and to adjacent Dwelling Units for water resulting from the normal use of adjoining Dwelling Units, and for maintenance and repair of the Landscape Maintenance Areas.

Section 18.09 "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 made by mail, it shall be deemed to have been delivered forty-eight (48) hours after a 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 18.10 "No Representation or Warranties". No representations or warranties of any kind, express or implied, have been given or made by Grantor 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 laws, 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.

Section 18.11 "Arbitration". In the event of any dispute

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arising under this Declaration, each party shall choose one arbitrator, and such arbitrators shall choose one arbitrator, and the decision shall be by a majority of all arbitrators.

Section 18.12 "Compliance with FHLMC and FNMA Regulations". The Grantor intends that the Properties and everything related thereto shall comply with all requirements of the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA) pertaining to the purchase by FHLMC and/or FNMA of conventional home loans. Grantor and all Dwelling Unit Owners therefore agree that, in the event the Properties or any documents related thereto do not comply with FHLMC/FNMA requirements, the Board shall have the power to enter into any agreements with FHLMC/FNMA or its designee or the Mortgagees of the Dwelling Units reasonably required by FHLMC and/or FNMA or the Mortgagee's to allow the Properties to comply with such requirements.

Section 18.13 "Termination of any Responsibility of Grantor". In the event that Grantor shall convey all of its right, title and interest in and to the Properties to any partnership, individual or individuals, corporation or corporations, then in such event, Grantor shall be relieved of the performance of any further duty or obligation hereunder; provided that, except in the event of foreclosure, in order for Grantor to be so relieved of liability, such transferee shall expressly assume all such duties and obligations and shall first be approved by any lender of Grantor holding a mortgage on all or any portion of the Properties (which approval shall not be unreasonably withheld).

Grantor has executed this Declaration on the date first above written.

GRANTORS:

LANDRETH CONSTRUCTION, INC.

By: T. Scott Landreth
T. SCOTT LANDRETH,
It's President

By: Nancy J. Simms
NANCY J. SIMMS,
It's Vice President

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STATE OF WASHINGTON)
) ss.
County of Spokane)

On this 4th day of May, 1990, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared T. SCOTT LANDRETH and NANCY J. SIMMS, to me known to be the President and Secretary/Treasurer of LANDRETH CONSTRUCTION, INC., the corporation that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute the said instrument and that the seal affixed is the corporate seal of said corporation.

GIVEN under my hand and official seal the day and year last above written.

Betty Wacenske
Notary Public in and for the State of Washington, residing at
My Commission Expires:

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