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Ponderosa Ridge L.L.C. c/o
Greenstone Corporation 1421 N.
Meadowwood, No. 200 Liberty
Lake, WA 99019

DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS

PONDEROSA RIDGE

CITY OF SPOKANE
SPOKANE COUNTY, WASHINGTON

Abbreviated Legal: NE 1/4 and the SE 1/4 of Section 21, Township 26 N.

Range 42 E., W.M.

Parcel Numbers: 26214.0027

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DECLARATION OF
COVENANTS, CONDITIONS,
AND RESTRICTIONS
PONDEROSA RIDGE
CITY OF SPOKANE
SPOKANE COUNTY, WASHINGTON

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS ("Declaration"), is made on the date hereinafter set forth, by PONDEROSA RIDGE, L.L.C., a Washington limited liability corporation ("Declarant"), with reference to the following facts:

A. Declarant is the holder of the exclusive development rights in that certain real property located in the City of Spokane, Spokane County, Washington, which property is more particularly described on Exhibit "A" attached and as follows (the "Property" or "Phase One"):

All property within PONDEROSA RIDGE, according to the Plat thereof recorded 23rd July, 2003, as Instrument No. 4931734 Book 29 of Plats, at pages 1,2 *et seq.*, Official Records of Spokane County, Washington.

B. Declarant's development rights are derived according to that certain Development Agreement dated 17th September 2002, between Leonard R. Volkman and Stephen K. Eugster, Trustees of the Volkman Ponderosa Ridge Trust, and the Declarant herein. Pursuant to the rights granted under such agreement. Declarant has subdivided and developed Phase One of the Property into a residential development consisting of 164 single-family Lots and appurtenant park areas (Common Area), which development shall be known as "Ponderosa Ridge."

C. The development (the First Phase and any property later annexed thereto) shall be hereinafter referred to as the "Project." The Owner of each Lot shall receive title to his or her Lot and rights of membership in the PONDEROSA RIDGE OWNERS ASSOCIATION, a Washington nonprofit corporation formed to operate and maintain the Project Common Area, and otherwise to manage the Project.

D. Declarant also has the right to develop additional land adjacent to or otherwise in the vicinity of the Property described in Recital A above, which additional property is described in Article 15 herein (the "Potential Annexation Property"). While the Declarant currently intends to develop the Property described in Recital A above (Phase One), and the Potential Annexation Property as an integrated planned unit development, this Declaration shall only encumber the Property described on Exhibit "A" (Phase One), unless and until additional property is annexed to and made a part of the Project by the recordation of one or more Declarations of Annexation, according to the annexation procedures set forth herein.

E. Declarant intends by this document to impose upon Phase One of the Property mutually beneficial restrictions under a general plan of operation for the benefit of all of the said Lots and the Owners thereof.

F. Declarant hereby declares that the Property and the Project shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the following declarations, limitations, covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, and the Project, and every part thereof, in accordance with the plan for the establishment of the Project as residential development. All of the declarations, limitations, covenants, conditions, restrictions, and easements shall constitute covenants and encumbrances

which shall run with the land and shall be perpetually binding upon Declarant and its successors-in-interest and assigns, and all parties having or acquiring any right, title, or interest in or to any part of the Property or the Project.

ARTICLE I. DEFINITIONS

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

- 1.1 Articles:** The Articles of Incorporation of the Association as restated or amended from time to time.
- 1.2 Assessment:** That portion of the cost of maintaining, improving, repairing, operating, insuring and managing the Common Area (or otherwise needed for the administration or management of the Project) which is to be paid by the Lot Owners as determined by the Association under this Declaration. Assessments may be designated as Regular Assessments, Extraordinary Assessments, or Special Assessments, as those terms are more specifically defined in Article 6 of this Declaration.
- 1.3 Association:** Ponderosa Ridge Owners Association, a Washington nonprofit corporation, formed by Declarant in conjunction with the creation of the Project, the Members of which shall be the Owners of Lots in the Project as provided herein.
- 1.4 Board or Board of Directors:** The governing body of the Association.
- 1.5 Bylaws:** The Bylaws of the Association as restated or amended from time to time.
- 1.6 Common Area:** The park area(s), and all other property owned, operated, and/or maintained by the Association for the benefit of all Lots and their Owners.
- 1.7 Common Expenses:** The actual and estimated expenses of maintenance, [^] improvement, repair, operation, insurance and management of the Common Area and of administering the Association and the Project, and any reasonable reserve for such purposes as determined by the Board, and all sums designated as Common Expenses by or pursuant to the Project Documents.
- 1.8 Declarant:** Ponderosa Ridge, L.L.C., a Washington limited liability company, and its successors-in-interest and assigns with respect to the entire Project, but excluding independent third parties purchasing completed Lots.
- 1.9 Declaration:** This Declaration of Covenants, Conditions and Restrictions, as it may be amended or restated from time to time.
- 1.10 Developer:** A single person or entity acquiring more than two (2) Lots for purposes of constructing improvements thereon for sale to third parties, and who shall be designated as a "Developer" by the Declarant in its discretion.
- 1.11 Director:** A member of the Board of Directors of the Association.
- 1.12 Lot:** Any separately numbered parcel of land shown on the Plat as a build able parcel, intended for sale to and use and enjoyment by an Owner (excluding areas designated on the Plat as Common Area).
- 1.13 Member:** A person entitled to membership in the Association as provided [^] herein.
- 1.14 Mortgage:** Includes a recorded mortgage, deed of trust, real estate contract, or other instrument creating a security interest in any Lot.
- 1.15 Mortgagee:** Includes a mortgagee, beneficiary or holder of a deed of trust, real estate contract vendor, or other holder of a mortgage (including Declarant or Declarant's assignee with respect to any purchase-money security interest retained by Declarant on sale of any Lot).
- 1.16 Mortgagor:** Includes a mortgagor, the trustor of a deed of trust, real estate contract vendee or other individual granting a security interest in any Lot.

1.17 Owner or Owners: The record holder or holders of title to a Lot in the Project. This shall include any person having a fee simple title to any Lot, but shall exclude persons or entities having any interest merely as security for the performance of any obligation. Further, if a Lot is sold under a recorded contract of sale to a purchaser, the purchaser, rather than the fee owner, shall be considered the "Owner." The Underlying Land Owner shall not be considered the Owner of a lot or lots.

1.18 Person: Any individual or any corporation, joint venture, limited partnership, partnership, firm, association, trust, or other similar entity or organization.

1.19 Phase: Any separately platted parcel of land that is subjected to the terms of this Declaration. The Property described in Recital A above constitutes Phase One of the Project. Subsequent Phases shall be brought within the coverage of this Declaration by the recordation of one or more Declarations of Annexation pursuant to this Declaration.

1.20 Plat: The recorded final subdivision plat (or plats) of the Project, as amended or expanded from time to time by the annexation of additional Phases. The Plat shall identify each Lot in the Project and shows its relative location and dimensions.

1.21 Project Documents: This Declaration, the Final Plat Map (for any Phase), and the Articles, Bylaws and rules and regulations of the Association, as each shall be restated or amended from time to time.

1.22 Property: The land described in Recital A in this Declaration, and any property annexed thereto in accordance with this Declaration, together with all buildings, improvements or structures thereon, and every easement or right appurtenant thereto, and all personal property intended for use in connection therewith or for the use, benefit or enjoyment of the Owners.

1.23 Underlying Land Owner: The Underlying Land Owner shall be Leonard Volkman in his capacity as the seller of the Property to the Declarant, and his heirs and assigns. The Underlying Land Owner shall not be considered and Owner of a Lot.

ARTICLE II. VOTING MGHTS AND ASSOCIATION, ADMINISTRATION, MEMBERSHIP

2.1 Organization of Association. The Association is or shall be incorporated under the name of Ponderosa Ridge Owners Association, as a nonprofit corporation under the Washington Nonprofit Corporation Act.

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

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

2.4 Transferred Membership. Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership of the Lot to which it is appurtenant, and then only to the new Owner. Any attempt to make a prohibited transfer is void. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his or her name to the purchaser of the Lot, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

2.5 Classes of Membership. The Association shall have two (2) classes of voting membership, established according to the Articles.

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

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

Directors shall be elected by the Members according to the Bylaws; provided that, for so long as the Declarant retains a substantial ownership interest in the Project (as provided in the Bylaws), the Declarant shall reserve the right to control the Board by appointing a majority of the Directors.

2.8 Use of Agent. The Board of Directors, on behalf of the Association, may contract with a professional management agent for the management and oversight of maintenance and repair of the Common Area, and for conducting other activities on behalf of the Association, as may be determined by the Board. Any contract for professional management services must contain term and termination provisions, and must allow termination without penalty, on advance notice of not more than ninety (90) days, and shall otherwise be subject to such limitations as may be set forth in the Bylaws.

Notwithstanding the foregoing, where the Declarant holds at least 15% of the total voting power of the Association, the Board may contract with the Declarant or an affiliate of the Declarant, for management services, without regard to the term and termination provisions above. In such event, the agreement shall be reasonably standard in the industry.

ARTICLE III. RIGHTS IN COMMON AREA

3.1 Common Area. The Common Area shall include all park and open space areas (identified as "Tracts" on the Plat), all streets providing access to Lots within the Project (other than Sundance Drive, which is dedicated as a public street), all sewer and water lines and facilities within the Project, all drainage easements designated on the Plat, all common improvements within the Property, and all easement rights and equipment necessary to the operation and maintenance of such areas, as set forth in Paragraph 1.6 above. Each Lot Owner shall have a nonexclusive right to use the Common Area in accordance with the purposes for which it is intended without hindering the exercise of or encroaching upon the lawful rights of any other Lot Owners, subject to rules and regulations enacted by authority of the Board as provided herein.

3.2 No Separate Conveyance of Rights. The right of each Owner to use the Common Area shall be appurtenant to such Owner's Lot, and may not be assigned or conveyed (except to a tenant during the term of the tenancy). The Common Area shall be dedicated to the exclusive use and enjoyment of the Owners of Lots within the Project (and their tenants, guests and invitees); shall have no independent value; and shall not be converted to any use other than as Common Area, or sold or transferred without the prior written consent of the City of Spokane. To the extent possible, the Declarant and the Association shall take all reasonable measures to assure that the Common Area is not separately assessed for real estate tax purposes, but that the value of the use and enjoyment of the Common Area shall be reflected in the assessment of the individual Lots.

3.3 Regulation of Common Area Use. The rights and easements of use and enjoyment of the Common Area created by this Declaration shall be subject to such rules and regulations as may be adopted by the Board of Directors from time to time.

3.4 Damage by Member. Each Owner shall be liable to the Association for any damage to the Common Area not fully reimbursed to the Association by insurance, if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper use of such Common Area by the owner of any family member, guest, tenant, employee or invitee of the Member. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association. The cost of correcting the damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against the Lot and may be enforced as provided hereby for the enforcement of other Assessments.

ARTICLE IV. ARCHITECTURAL CONTROL

4.1 Prohibition of Alteration and Improvement. Subject to the exemption of Declarant hereunder, no building, sign, fence, wall, landscaping, or other improvement or structure of any kind, which would be visible from the public right of way or any other area outside of any Lot itself, shall be constructed, installed, painted or maintained upon the Property, nor shall any alteration or improvement of any kind be made thereto unless and until the same has been approved in writing by the Declarant, the Board, or the Architectural Control Committee (the "Committee") appointed as provided in this Article.

4.2 Plans and Approval. Plans and specifications showing the nature, kind, shape, color, size, materials and location of any such improvements or alterations, shall be submitted to the Committee for approval as to quality of workmanship and design. Any application submitted to the Committee pursuant to this Article shall be deemed approved, unless written disapproval or a request

for additional information or materials by the Committee shall have been transmitted to the applicant within thirty (30) days after the date of receipt by the Committee of all required materials.

4.3 Architectural Control Committee. Until the Declarant, in its discretion and in writing, turns over the function of architectural control to the Board, all functions of the Committee described in this Declaration shall be undertaken by the Declarant (or agents of the Declarant appointed for such purpose), and all references herein to the Committee shall be deemed to refer to the Declarant. Once turned over to the Board, such functions shall be undertaken by the Board, unless and until the Board determines to appoint an independent Committee. If a Committee is thereafter appointed, all members thereof shall be appointed by the Board from the membership of the Association. There shall be not less than three (3) nor more than five (5) members of the Committee, as determined by the Board.

The members of the Committee shall receive no compensation for services rendered, other than reimbursement for authorized expenses incurred by them in the performance of their duties hereunder. Neither the Committee nor any member of the Committee shall be liable in damages or otherwise for decisions made in good faith pursuant to the authority granted in this Article.

4.4 Architectural Guidelines. It is the intent of this Declaration to create of community with architectural quality and harmony of design and appearance as determined by the Committee. In furtherance of this objective, the Committee shall have the authority to adopt Architectural Guidelines, and to augment, amend, or otherwise modify such Guidelines from time to time; provided that they shall at all times be consistent with the remaining Project Documents and building restrictions imposed by law.

4.5 Construction Completion Requirements. Any dwelling or other structure erected or placed on any Lot shall be completed as to external appearance, including finished painting and front and side yard landscaping, pursuant to approved plans and specifications, as soon as reasonably practicable, and in any case within one (1) year from the date of commencement of construction. Rear yard landscaping must be completed within one (1) year of initial occupancy.

ARTICLE V.

REPAIR AND MAINTENANCE

5.1 Repair and Maintenance Rights and Duties of Association. Subject to provisions in this Declaration pertaining to eminent domain and destruction of improvements, the Association shall maintain, repair and replace the Common Area and all elements thereof, or shall contract for such maintenance, repair and replacement a keep in good condition, reasonable wear and tear excepted.

Additionally, in the event an Owner fails to maintain his or her Lot as provided herein in a manner which the Board deems necessary to preserve the appearance and value of the Property, the Board may notify the Owner of the work required and request it be done within sixty (60) days from the giving of such notice. In the event the Owner fails to carry out such maintenance within such period, the Board may cause such work to be done and may specially assess the cost thereof to such Owner, and, if necessary, lien his or her Lot for the amount thereof.

For the purpose of performing the maintenance, repair or replacement of the Common Area as authorized by this Article, or for purposes of making emergency repairs necessary to prevent damage to the Common Area or to any Lots, or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Board (and its agents and employees) shall have the irrevocable right, after reasonable notice to the Owner, and at reasonable Hours, to enter upon any Lot.

5.2 Repair and Maintenance Rights and Duties of Owners. Except for those portions of the Project which the Association is required or elects to maintain and repair, each Lot Owner shall, at his or her sole cost and expense, maintain and repair his or her Lot and all improvements thereon, keeping the same in good condition.

ARTICLE VI.

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

6.1 Creation of the Lien and Personal Obligation of Assessments. The

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

- (a) Regular Assessments;
- (b) Utility and Private Road Assessments;
- (c) Extraordinary Assessments; and
- (d) Special Assessments.

All Assessments, together with interest, costs, penalties and actual attorneys' fees, shall be a charge and a continuing lien upon the Lot against which each Assessment is made, the lien to become effective upon recordation of a Notice of Assessment Lien by the Board (limited as provided by law). Each such Assessment, together with interest, costs, penalties and actual attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the Assessment fell due. No Owner of a Lot may exempt himself or herself from liability for his or her contribution toward the Common Expenses by waiver of the use or enjoyment of any of the Common Area or any other part of the Project, or by the abandonment of his or her Lot. The Underlying Land Owner shall not be considered a lot Owner and shall not be liable for any assessments for land or lots being held for pending transfer to the Declarant.

6.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of all the Owners of Lots in the entire Project and/or for the operation, maintenance, improvement, repair, and replacement of the Common Area for the common good of the Project.

6.3 Regular Assessments. Until a new Assessment shall be established according to this Declaration, immediately following the closing of the sale of the first Lot in the Project, the annual maximum Regular Assessment per Lot shall be such amount as is set forth in the Project budget prepared by Declarant, payable in installments as determined by the Board. Each Lot's share for the first year shall be prorated based on the number of months remaining in that fiscal year. Thereafter, the Board shall determine and fix the amount of the maximum annual Regular Assessment against each Lot, on a yearly basis, at least thirty (30) days in advance of the effective date of the new Assessment; provided, however, that the maximum annual Regular Assessment may not be increased by more than twenty percent (20%) above the maximum annual Regular Assessment for the immediately preceding year, without the vote or written assent of a majority of the total voting power of the Association (plus the consent of the Declarant, where the Declarant holds at least 15% of the total voting power of the Association).

6.4 Utility and Private Road Assessments. In addition to the Regular Assessments described above, the Board shall levy a Utility and Private Road Assessment, applicable to those Lots which front on a private road within the Project, and which therefore utilize the private elements of the water and sewer systems which service the Project. The Utility and Private Road Assessments shall cover the cost of snow removal, street cleaning, routine street maintenance, routine utility line and equipment maintenance, and long term repair and replacement of the private roads and private utility systems. Each Lot subject to the Utility and Private Road Assessments shall pay an equal amount for such Assessment as established by the Board.

Lots not directly serviced by the private roads and private utilities shall nevertheless be charged a portion of the expenses relating thereto, based on any benefit of those utilities to the Common Area. The Board shall prepare a formula for allocating a portion of these private utility costs as part of the Regular Assessment. In the absence of a formula approved by the Board, five percent (5%) of the private road and utility costs shall be allocated to and included within the Regular Assessment for such purpose.

6.5 Extraordinary Assessments. In addition to the Regular Assessments and the Road and Utility Assessments authorized above, the Board may levy, in any fiscal year, an Extraordinary Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement element

of the Common Area, including fixtures and personal property related thereto, or to defray any unanticipated or underestimated Regular Assessment expenses; provided, however, that the aggregate Extraordinary Assessments for any fiscal year shall not exceed twenty percent (20%) of the budgeted gross expenses of the Association (excluding reserves) for that fiscal year, without the vote or written assent of a majority of the total voting power of the Association (plus the consent of the Declarant, where the Declarant holds at least 15% of the total voting power of the Association)

6.6 Special Assessments. Also, in addition to the Assessments authorized above, the Board may levy Special Assessments (without limitation as to amount or frequency) against an individual Lot and its Owner to reimburse the Association for costs incurred in bringing that Owner and his or her Lot into compliance with the provisions of the Project Documents, including interest, penalties, actual attorneys' fees and costs.

6.7 Allocation of Assessments. Each Lot, including Lots owned by Declarant but excluding lots owned by the Underlying Land Owner pending sale to the Declarant, shall bear an equal share of each of the aggregate Assessments (subject to the special allocation of Private Road and Utility Assessments as set forth above, and subject to the right of the Declarant to defer the commencement of Assessments against Lots owned by the Declarant or any Developer as provided in Paragraph 6.8 below).

6.8 Date of Commencement of Assessments; Due Dates. The Regular Assessments provided for herein, and the Private Road and Utility Assessments, shall commence as to all Lots in the Project on the first day of the month following closing of the sale of the first Lot in the Project. Due dates of Assessments shall be the first day of every calendar month, or otherwise as determined by the Board. No notice of such Assessments shall be required other than an annual notice setting forth the amount and frequency of such Assessments for the following year.

Notwithstanding the foregoing, Declarant shall have the right to defer the commencement of such Assessments with respect to any Lot owned by Declarant or a Developer, until the earlier of: (i) the occupancy of the building improvements on such Lot; or (ii) one (1) year from the date of completion of the building improvements on the Lot. This exemption shall only apply to such portion of the Assessments which pertains to operation, maintenance, repair, and insurance of the Common Area, and shall be available only for so long as the Declarant and/or the Developers subsidize all actual maintenance and repair of the Common Area to the extent such maintenance and repair is not covered by Assessments against Lots not owned by the Declarant or Developers.

6.9 Working Capital Fund. A working capital fund shall be established to meet unforeseen expenditures or to purchase any additional equipment or services reasonably required in the discretion of the Board, with the initial fund to be established by deposits at the closing of the sale of each Lot by the Declarant, in the amount of the greater of: (i) two (2) months' Regular Assessments; or (ii) Fifty Dollars (\$50.00). Amounts paid into the fund shall be considered reserve funds, and shall not be considered as advance payments of the monthly Regular Assessments. The Declarant shall have no right to use the working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while the Declarant retains voting control over the Association. In the case of the sale of a Lot to a Developer, the Declarant may waive the deposit, if the Developer agrees to collect and deposit the required amount on sale of the Lot to a third party.

6.10 Transfer of Lot by Sale or Foreclosure. The sale or transfer of any Lot shall not affect any Assessment lien, or relieve the Lot from any liability therefor, whether the lien pertains to payments becoming due prior or subsequent to such sale or transfer. Notwithstanding the foregoing, the sale or transfer of any Lot pursuant to foreclosure or by deed in lieu of foreclosure of a recorded first mortgage given in good faith and for value shall extinguish the lien of all such Assessments as to payments which became due prior to such sale or transfer. Sale or transfer pursuant to mortgage foreclosure shall not, however, affect the personal liability of the Owner for unpaid Assessments. Any Assessments for which the liens are extinguished pursuant to this Paragraph shall be deemed to be Common Expenses collectible from all of the Lots including the Lot for which the lien was extinguished. In a voluntary conveyance of a Lot, the grantee of the same shall be jointly and severally liable with the grantor for all unpaid Assessments by the Association against the latter for his or her share of the Common Expenses (and for his or her obligation for individual Special Assessments) up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee thereof. However, any such grantee shall be entitled to a statement from the Board, setting forth the amount of the unpaid Assessments due the Association, and such grantee shall not be liable for, nor shall the Lot

conveyed be subject to a lien for, any unpaid Assessments made by the Association against the grantor in excess of the amount set forth in the statement; provided, however, the grantee shall be liable for any such Assessment becoming due after the date of any such statement.

6.11 Enforcement of Assessment Obligation: Priorities; Discipline. If any part of any Assessment is not paid and received by the Association or its designated agent within ten (10) days after the due date, an automatic late charge equal to ten percent (10%) of the Assessment (but not less than \$10.00) shall be added to and collected with the Assessment. Additionally, if any part of any Assessment is not paid and received by the Association or its designated agent within thirty (30) days after the due date, the total unpaid Assessment (including the late charge) shall thereafter bear interest at the rate of eighteen percent (18%) per annum until paid. Each unpaid Assessment, whether Regular, Utility and Private Road, Extraordinary, or Special, shall constitute a lien on each respective Lot prior and superior to all other liens recorded subsequent to the recordation of the Notice of Assessment Lien, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (2) labor or materialmen's liens arising under Washington law (timely and duly filed) if the legal effective date is prior to the recording of the Notice of Assessment Lien. Such lien, when delinquent, may be enforced by sale by the Association (acting through the Board), its attorney or other person authorized by this Declaration or by law to make the sale, after failure of the Owner to pay such Assessment, in accordance with the provisions of Washington law applicable to the exercise of powers of sale in deeds of trust (with the Board having the right and authority to appoint an independent trustee), or by judicial foreclosure as a mortgage, or in any other manner permitted by law. The Association, acting on behalf of the Lot Owners, shall have the power to bid for the Lot at the foreclosure sale, and to acquire and hold, lease, encumber and convey the same. The foreclosing party shall have the right to reduce or eliminate any redemption rights of the defaulting Owner as allowed by law. Suit to recover a money judgment for unpaid Assessments, rent, interest, costs, penalties, and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same. The Board may impose reasonable monetary penalties including actual attorneys' fees and costs and may temporarily suspend the Association membership rights (including without limitation, voting rights and the rights to use the Common Area) of a Lot Owner who is in default in payment of any Assessment, after notice and hearing according to the Bylaws.

6.12 Payment of Taxes Assessed Against Common Area or Personal Property of Association. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than against the Lots, said taxes shall be included in the Assessments made under the provisions of this Article, and, if necessary, an Extraordinary Assessment may be levied against the Lots in an amount equal to said taxes (regardless of the limitation on Extraordinary Assessments set forth in Paragraph 6.5 above).

ARTICLE VII. EASEMENTS AND UTILITIES

7.1 Common Area Easements. Declarant expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements as necessary to maintain and repair the Common Area, and to perform all other tasks in accordance with the provisions of this Declaration.

7.2 Encroachment and Utility Easements. Each Lot within the Property is hereby declared to have an easement over all adjoining Lots for the purpose of accommodating any encroachment due to engineering errors, errors in original construction or reconstruction, repair, shifting, settlement or other movement of any portion of the improvements. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners.

Declarant also expressly reserves for the benefit of itself and its successors-in-interest and assigns, including the Association, easements over and under the entire Property (together with the right to grant and transfer the same) for the installation, repair, and maintenance of sanitary sewer, water, drainage facilities, electric, gas, telephone, television and other utility lines and services, as may be deemed appropriate to service the Project or any portion thereof. Without limiting the generality of the foregoing.

Declarant expressly intends to grant such easements to the City of Spokane, Avista Utilities, AT&T Cable Services, and Quest Communications, for the installation, maintenance, and repair of utility facilities to be owned and operated by such entities.

7.3 Drainage Easements. Drainage facilities within the drainage easement areas as shown on the final plat shall be maintained by the Association as Common Area in accordance with the City of Spokane's "208" storm drainage standards. No alteration shall be allowed within the drainage easement area that is contrary to the City of Spokane's "2Q8" storm drainage standards.

7.4 Owners' Rights and Duties With Respect to Utilities. The rights and duties of the Owners of Units within the Project with respect to utilities shall be as follows:

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

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

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

ARTICLE VIII. **USE RESTRICTIONS**

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

8.1 Single-Family Residential Use. No Lot shall be occupied and used except for single-family residential purposes by the Owner and his or her family, or by a single-family tenant.

8.2 Animals. Other than two (2) domestic cats and/or two (2) domestic dogs, no animals shall be raised or maintained within any Lot. No animals may be maintained on any Lot for breeding or other commercial purposes.

8.3 Temporary Structures. No trailer, tent, shack, camper, or other outbuilding or structure of a temporary nature shall be used as a residence. As used in this Paragraph the term "residence" shall mean substantially continuous occupancy for any period of two (2) weeks or longer.

8.4 Accessory Buildings. Accessory buildings such as storage structures and detached garages, which are incidental to a primary residence, may be constructed only with the written consent of the Architectural Review Committee. If allowed, such structures shall be architecturally consistent with the primary residence.

8.5 Further Subdivision Prohibited. No Lot shall be further subdivided, and no Owner shall bring any action for partition or division of any Lot. Judicial partition by sale of a single Lot owned by two or more persons and division of the sale proceeds is not prohibited hereby (but physical partition of a single Lot is prohibited).

8.6 Lot Maintenance. Each Lot and all improvements and landscaping thereon shall be maintained in a clean, neat and orderly condition and in good repair at all times. All rubbish, trash, and garbage shall be regularly removed from the Project, and shall not be allowed to accumulate thereon. Trash, garbage, and other waste shall not be kept except in sanitary containers, which shall be kept screened and concealed from the view of other Lots, the Common Area, and the public right of way.

8.7 Nuisances. No noxious, illegal, or offensive activities shall be carried on in any Lot, or in any part of the Property, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the Owners of his or her respective Lot.

8.8 Vehicle and Equipment Restrictions. No utility trailer, boat trailer, camper or other trailer, mobile home, commercial vehicle, bus, truck (other than standard size pickup truck), inoperable automobile, boat, or similar equipment, and no vehicle which is in an ' extreme state of disrepair, shall be permitted to remain on any street in the Project, or on any Lot other than temporarily (as for purposes of loading and unloading of passengers or personal property), unless placed within an enclosed garage or placed in the rear yard and screened from view. No noisy or off-road, unlicensed motor vehicles shall be maintained or operated upon the Property, except such recreational vehicles as may have been approved by the Board.

8.9 Sidewalks and Pathways. It shall be the responsibility of each Lot Owner to maintain the sidewalks, walkways, and paths that are located within their individual Lots. Maintenance shall include repairs, snow removal, and ensuring no obstructions or barriers exist across or adjacent to sidewalks and pathways.

8.10 Signs. Signs advertising Lots for sale or rent may be displayed on the Lot without prior approval of the Board provided that such signs shall be of reasonable and customary size. Except as expressly permitted by this Paragraph, no signs shall be displayed to the public view on any Lots or on any portion of the property, unless first approved by the Architectural Control Committee in its discretion. Political signs are an expression of free speech and are permitted. Such signs shall be removed within 24 hours of the election for which they were intended.

8.11 Leasing of Lots. Any Owner may lease his or her Lot to any tenant or lessee under such terms and conditions as they may agree, except that no lease or rental agreement shall relate to less than the whole of any Lot. Any lease or rental agreement shall be in writing and shall by its terms provide that it is subject in all respects to the Project Documents. Any failure by a lessee or tenant to comply with the terms of the Project Documents shall be a default under the lease, whether or not it is expressed therein, and the Owner shall be liable for any costs incurred which result from the lessee's or tenant's actions.

8.12 Radio and Television Antennas. No Owner maybe permitted to construct, use, or operate his own external radio, television antenna, or other electronic antenna without the consent of the Architectural Review Committee. All "Dish" antennas shall be approved for size and shall be located in a non-conspicuous location as designated by the Committee.

8.13 Clothes Lines. No exterior clotheslines shall be erected or maintained without the consent of the Architectural Review Committee.

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

ARTICLE IX. **INSURANCE**

9.1 Duty to Obtain Insurance: Types. **The Association shall obtain and maintain** the following policies of insurance: ,

(a) **Hazard Insurance.** With respect to the Common Area, a policy of hazard insurance covering loss or damage to all parts of the Common Area in the amount of the full replacement value thereof, providing protection against all direct causes of loss. The policy shall name the Association (for the use and benefit of the individual Owners), as the named insured and shall contain the standard mortgage clause, naming the holders of first mortgages (and their successors and assigns) as the mortgagees.

(b) Liability Insurance. With respect to the Common Area, a comprehensive general liability insurance policy with policy limits and endorsements deemed appropriate by the Board (but having a combined single limit of liability of not less than \$1,000,000), covering all occurrences relating to the operation of the Common Area.

(c) Fidelity Bonds. If required by any first mortgagee, blanket fidelity bonds for anyone who either handles or is responsible for funds which are held or administered by the Association, whether or not they receive compensation for such services.

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

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

9.4 Notice of Expiration Requirements. If available, all of the policies of insurance maintained by the Association shall contain a provision that said policy or policies shall not be canceled, terminated or expired by their terms, without thirty (30) days prior written notice to the Board, Declarant, Owners and their respective first mortgagees (provided that such persons shall have filed written requests with the carrier for such notice)

9.5 Insurance Premiums. Insurance premiums for any policies carried by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association and collected from the Owners.

9.6 Trustee for Policies. The Association, acting through the Board, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Paragraph 9.1 above shall be paid to the Board as Trustee.

ARTICLE X.

DESTRUCTION OF IMPROVEMENTS

10.1 Damage to Common Area. In the event of any destruction of any element of the Common Area, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article 9 hereof shall be used for such purpose, unless otherwise provided herein.

It shall be presumed that the Association is authorized to levy an Extraordinary Assessment to collect any expense of restoration and repair not covered by insurance, and to proceed forthwith with the restoration and repair. However, within thirty (30) days of the date of destruction, by the vote or written consent of the Declarant (so long as the Declarant owns any Lot) and not less than seventy-five percent (75%) of the total voting power of the Owners other than the Declarant, together with the approval of at least seventy-five percent (75%) of the first mortgagees of record, the Owners may decide to proceed other than by restoring and repairing the Common Area.

10.2 Damage to Lots. Restoration and repair of any damage to the improvements on any individual Lot shall be made by and at the individual expense of the Owner of the Lot so damaged. Such repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Review Committee as provided herein.

ARTICLE XI.
EMINENT DOMAIN

11.1 Taking of Lots. In the event of any taking of any Lot in the Project by eminent domain (including actual condemnation or sale under threat of condemnation), the Owner of such Lot shall be entitled to receive the award for such taking (subject to the rights of any mortgagee thereof), and after acceptance thereof, he or she and the mortgagee(s) of the Lot shall be divested of all interest in the Project if such Owner shall vacate the Lot as a result of such taking. The remaining portion of the Project shall be resurveyed, if necessary, and this Declaration shall be amended to reflect such taking and to readjust the interests of the remaining Owners in the Project.

In the event of a taking by eminent domain of more than one Lot at the same time, the Board shall participate in the negotiations, and shall propose the method of division of the proceeds of condemnation, where Lots are not valued separately by the condemning authority or by the court. In the event any Lot Owner disagrees with the proposed allocation, he or she may have the matter submitted to arbitration under the rules of the American Arbitration Association.

11.2 Taking of Common Area. In the event of any taking of all or any portion of the Common Area by eminent domain (including actual condemnation or sale under threat of condemnation), the Association shall be entitled to receive the award for such taking. The proceeds of the condemnation shall be used to restore and repair the Common Area as necessitated by the taking. However, within thirty (30) days of the date of the taking, by the vote or written consent of the Declarant (so long as the Declarant owns any Lot) and not less than seventy-five percent (75%) of the total voting power of the Owners, together with the approval of at least seventy-five percent (75%) of the first mortgagees of record, the Owners may decide to proceed other than by restoring and repairing the Common Area.

ARTICLE XII.
RIGHTS OF MORTGAGEES

In order to induce various lenders and lending agencies, including without limitation, The Mortgage Corporation ("TMC"), the Government National Mortgage Association ("GNMA"), the Federal National Mortgage Association ("FNMA"), the Veterans Administration ("VA") and/or the Federal Housing Administration ("FHA") to participate in the financing of the sale of residential Lots within the Project, this Article 12 is included in this Declaration. To the extent these added provisions, pertaining to the rights of such lenders and lending agencies conflict with any other provisions of this Declaration or any other of the Project Documents, these added restrictions shall control. For purposes of this Article 12, the terms "Eligible Holder" and "Eligible Insurer or Guarantor" refer to a holder, insurer or guarantor of any first mortgage on a Lot, who has provided a written request to the Association, to be notified of any proposed action requiring the consent of a specified percentage of such holders, insurers, or guarantors.

12.1 Notwithstanding any other provision of Project Documents, no amendment or violation of the Project Documents shall operate to defeat or render invalid the rights of any mortgagee of a Lot made in good faith and for value, provided that after the foreclosure of any such mortgage, such Lot shall remain subject to the Project Documents.

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

12.3 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 financial reports and other financial data (audited in the discretion of the Board); (3) receive written notice of all meetings of the Owners; and (4) designate, in writing, a representative to attend all such meetings.

12.4 Each Owner hereby authorizes the first mortgagee of a first mortgage on his or her Lot to furnish information to the Board concerning the status of the first mortgage and the loan which it secures.

12.5 Lot Owners shall have the right to amend the Project Documents in accordance with Article 13 below, subject to the rights of Eligible Holders to participate in the amendment process as provided in this Paragraph. Amendments of a material nature shall be agreed to by (i) the Declarant (so long as the Declarant owns any Lot in the Project); (ii) Lot Owners representing at least sixty-seven percent (67%) of the total allocated votes in the Association, excluding votes held by the Declarant; and (iii) Eligible Holders representing at least fifty-one percent (51%) of the votes of Lots that are subject to mortgages held by Eligible Holders. A change to any of the provisions governing the following would be considered as material:

Voting rights;

Increases in Assessments that raise the previously assessed amount by more than 25%, assessment liens, or the priority of assessment liens;

Reductions in reserves for maintenance, repair and replacement of the Common Area;

Responsibility for maintenance and repairs;

Reallocation of rights in the Common Area;

Redefinition of any Lot boundaries;

Convertibility of Lots into Common Area or vice-versa;

Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project;

Hazard or fidelity insurance requirements;

Imposition of any restrictions on the leasing of Lots;

Imposition of any restrictions on a Lot Owner's right to sell or transfer his or her Lot;

A decision by the Association to establish self-management if professional management had been required previously by the project Documents or by an Eligible Holder;

Restoration or repair of the Project (after damage or partial condemnation) in a manner other than that specified in the Project Documents;

Any provisions that expressly benefit mortgage holders, insurers, or guarantors.

12.6 Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs shall be agreed to by: (i) the Declarant (so long as the Declarant owns any Lot in the Project); (ii) Lot Owners representing at least sixty-seven percent (67%) of the total allocated votes in the Association, excluding votes held by the Declarant; and (iii) Eligible Holders representing at least fifty-one percent (51%) of the votes of Lots that are subject to mortgages held by Eligible Holders. When Lot Owners are considering termination of the legal status of the Project for reasons other than substantial destruction or condemnation, approval must be obtained from Eligible Holders representing at least sixty-seven percent (67%) of the votes of residential Lots that are subject to mortgages held by Eligible Holders.

12.7 Implied approval of an Eligible Holder under Paragraph 12.5 or 12.6 may be assumed when the Eligible Holder fails to submit a response to any written proposal for an amendment or for termination of the legal status of the Project, within thirty (30) days after it receives proper notice of the proposal, provided the notice was delivered by certified or registered mail, with a "return receipt" requested.

12.8 Each Eligible Holder and each Eligible Insurer or Guarantor, upon written request therefor, is entitled to timely written notice of the following:

Any condemnation or casualty loss that affects either a material portion of the Project or the Lot securing its mortgage;

Any sixty (60) day delinquency in the payment of Assessments owed by the Owner of any Lot on which it holds the mortgage; A lapse, cancellation or material modification of any insurance policy maintained by the Association; and Any proposed action that requires the consent of a specified percentage of Eligible Holders.

12.9 In addition to the foregoing, the Board shall have the power and authority, without the vote of the Association, to enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the VA, FHA, TMC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first mortgages encumbering Lots. 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 Lots, if such agencies approve the property as a qualifying Project under their respective policies, rules and regulations as adopted from time to time.

ARTICLE XIII.

DURATION AND AMENDMENT

13.1 Duration. This Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods often (10) years, unless a Declaration of Termination is recorded, meeting the requirements of a material amendment to this Declaration as set forth in Paragraph 13.2.

13.2 Amendment Procedures. Notice of the subject matter of proposed amendment to this Declaration, in reasonably detailed form, shall be included in the notice of any meeting of the Association at which the proposed amendment is to be considered. A resolution adopting a proposed amendment may be proposed by an Owner at a meeting of the Members of the Association. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than sixty-seven percent (67%) of the total voting power of the Association (plus the consent of the Declarant, where the Declarant holds at least 15% of the total voting power of the Association).

Notwithstanding the foregoing, the following special voting provisions shall apply:

- (a) Amendments of a material nature shall be enacted in compliance with the provisions of Article 12 of this Declaration;
- (b) The specified percentage of the voting power necessary to amend a specific provision of this Declaration shall be not less than the percentage of affirmative votes prescribed for action to be taken under that provision; and
- (c) The Declarant shall have the right to amend this Declaration, without the vote or consent of the membership, where required by an agreement for the benefit of one or more Project lenders, as contemplated under Paragraph 12.9; above.

A certificate, signed and sworn to by two (2) officers of the Association, that the record Owners of the required number of Lots (and the required number of first mortgagees, where applicable) have either voted for or consented in writing to any amendment adopted as provided above, when recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years.

ARTICLE XIV.

DECLARANT'S RIGHTS AND RESERVATIONS

Declarant is undertaking the work of construction of the Project. The completion of that work and the sale, rental, and other disposal of the Lots are essential to the establishment and welfare of the Project. In order that said work may be completed and

said Property be established as a fully occupied Project as rapidly as possible, nothing in this Declaration shall be understood or construed to:

14.1 Prevent Declarant or any Developer, or their respective contractors **or** subcontractors from doing on the Property or within any Lot, whatever is reasonably necessary or advisable in connection with the completion of the work; **or**

14.2 Prevent Declarant or any Developer or their representatives from erecting, constructing and maintaining on any part or parts of the Property, such structures as may be reasonable and necessary for the conduct of their business of completing said work and establishing said Property as a residential development project, and disposing of the Lots by sale, lease or otherwise; or

14.3 Prevent Declarant or any Developer from maintaining such sign or signs on any of the Property as may be necessary for the sale, lease or disposition thereof.

So long as Declarant, its successors-in-interest and assigns, owns one or more of the Lots established and described in this Declaration, and except as otherwise specifically provided herein. Declarant, its successors and assigns, shall be subject to the provisions of this Declaration.

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

ARTICLE XV. ANNEXATION OF ADDITIONAL PROPERTY

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

15.1 Annexation Pursuant to Plan. All or any portion of any land located within Section 21, Township 26 North, Range 42 East, W.M., Spokane County, Washington (the "Potential Annexation Property") may be annexed to and become a part of the Project described herein, subject to this Declaration and subject to the jurisdiction of the Association, without the assent of the Association or its Members on condition that:

- (a) Any annexation pursuant to this subparagraph shall be made prior to fifteen (15) years from the date of recordation of this Declaration;
- (b) The Project (all Phases) shall not comprise more than 300 Lots;
- (c) All infrastructure improvements (streets and utilities) within a particular Phase shall be substantially installed prior to annexation of such Phase;
- (d) Improvements in future Phases shall be consistent with the initial improvements in structure type and quality of construction; and
- (e) A Declaration of Annexation shall be recorded by Declarant covering the property to be annexed. Said Declaration shall incorporate this Declaration by reference and may contain such complementary additions and modifications of the covenants and restrictions contained herein as may be necessary to reflect the different character, if any, of the added property and as are not inconsistent with the scheme of this Declaration.

15.2 Annexation Pursuant to Approval. Upon the vote or written assent of Declarant (while Declarant has any interest in the Project or retains the right to annex additional Phases under Paragraph 15.1), and of fifty-one percent (51%) of the total voting power of the Association, other than the Declarant, the owner of any property adjacent (including being across any public right-of-way) to the Property described herein, who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may record a Declaration of Annexation covering the property to be annexed. Said Declaration shall incorporate this Declaration by reference and may contain such complementary additions and modifications of the covenants and restrictions contained herein as maybe necessary to reflect the different character, if any, of the added property, and as are not inconsistent with the general scheme of this Declaration.

Upon annexation of additional property under either method described above, the annexed property shall become subject to this Declaration without the necessity of amending individual sections hereof. The Owners of the Lots in the original Project will continue to have the same easements, rights, and interests therein and will acquire similar easements, rights, and interests in the annexed property. Owners of Lots in the annexed portion of the Project will likewise acquire similar easements, rights, and interest in all portions of the Project and will become members of the Association.

ARTICLE XVI.
GENERAL PROVISIONS

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

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

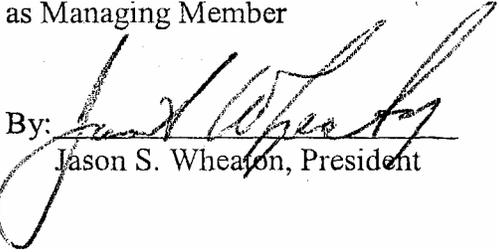
16.3 Conflict of Project Documents. If there is any conflict among or between the Project Documents, the provisions of this Declaration shall prevail; thereafter, priority shall be given to Project Documents in the following order: the Plat; Articles; Bylaws; and rules and regulations of the Association.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

The undersigned, being the Declarant herein, has executed this Declaration on December 17th, 2003.

DECLARANT :

PONDEROSA RIDGE, L.L.C., A Washington limited liability company

By: GREENSTONE CORPORATION, a Washington Corporation,
as Managing Member

By: 
Jason S. Wheaton, President

STATE OF WASHINGTON
County of Spokane

On this 17th day of December, 2003, before me, Charity A. Smith . Notary Public in and for the State of Washington, personally appeared JASON S. WHEATON, known or identified to me to be the President of GREENSTONE CORPORATION, the corporation that executed the forgoing instrument as the Managing Member of PONDEROSA RIDGE, L.L.C., the limited liability company that executed such instrument, and the person who executed the instrument on behalf of said corporation and company, and acknowledged to me that such corporation and company executed the same.

WITNESS my hand and official seal hereto
affixed the day and year first above written.

Charity A. Smith

Notary Public My commission expires: May 9, 2004.

CONSENT AND SUBORDINATION

The undersigned, being the owner of the Property described in the document to which this Consent is attached, hereby acknowledges the right of the Declarant identified therein to develop such Property, and hereby consents to the recordation of the Declaration, acknowledging that the interest of the undersigned in the Property shall be and is hereby subordinated to the encumbrance of the Declaration. Except for such Consent and Subordination with respect to Phase One of the Property, this Consent shall not be deemed a waiver of any of the other rights of the undersigned under the Development Agreement described in the Recitals to the foregoing Declaration.

LEONARD R. VOLKMAN, Trustee

STATE OF WASHINGTON

County of Spokane

On this 11th day of August, 2003 before me Linda Milliken a Notary Public in and for the State of Washington, personally appeared LEONARD R. VOLKMAN, known or identified to me to be the Trustee of the VOLKMAN PONDEROSA RIDGE TRUST, the trust that executed the forgoing instrument, and the person who executed the instrument in their capacities as Trustee, and acknowledged to me that such trust executed the same.

WITNESS my hand and official seal hereto affixed the day and year first above written.

Linda Sue Milliken

Notary Public

My Commission expires: 6/27/07

**EXHIBIT "A" TO
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS**

PONDEROSA RIDGE

Legal Description of Phase One:

Located in the Northqast one-quarter and the Southeast one-quarter of Section 21, Township 26 North, Range 42 East, W.M., Spokane County, Washington, more particularly described as follows:

COMMENCING at a brass cap marking the Northeast comer of said Section 21 this point also being the **TRUE POINT OF BEGINNING**; thence South 00°38'28" West along the East line of said Northeast one-quarter a distance of 224.11 feet to the beginning of a non-tangent curve concave to the South having a radius of 467.50 feet from which a radial line bears South 86°59'31" East; thence southerly along said curve through a central angle of 3°47'14" an arc distance of 30.90 feet to the beginning of a curve concave northwesterly having a radius of 532.50 feet; thence southerly along said curve through a central angle of 23°20'59" an arc distance of 217.01 feet; thence South 22°34'14" West a distance of 187.07 feet; thence South 89°35'00" East a distance of 108.49 feet to a point on the East line of said Northeast one-quarter; thence continuing South 00°38'28" West along said East line a distance of 545.03 feet to the Northeast corner of the South 140 feet of the East 140 feet of the Southeast one-quarter of the Northeast one-quarter of said Northeast one-quarter of Section 21; thence South 89°46'13" West along the North line of said South 140 feet of the East 140 feet of the Southeast one-quarter of the Northeast one-quarter of the Northeast one-quarter of said Section 21 a distance of 140.02 feet to the Northwest comer of said South 140 feet of the East 140 feet of the Southeast one-quarter of the Northeast one-quarter of the Northeast one-quarter of Section 21; thence South 00°38'28" West along the West line of said South 140 feet of the East 140 feet of the Southeast one-quarter of the Northeast one-quarter of Northeast one-quarter of Section 21 distance of 140.02 feet to the Southwest corner of said South 140 feet of the East 140 feet of the Southeast one-quarter of the Northeast one-quarter of the Northeast one-quarter of Section 21; thence North 89°46'13" East along the South line of said South 140 feet of the East 140 feet of the Southeast one-quarter of the Northeast one-quarter of the Northeast one-quarter of Section 21 a distance of 140.02 feet to a point on said East line of the Northeast one-quarter of Section 21; thence South 00°38'28" West along said East line a distance of 1325.23 feet to the East one-quarter comer of said Section 21; thence South 34°36'34" West a distance of 1154.70 feet to a point on the Northerly line of Spokane & Inland Empire Railroad Co. right-of-way (vacated); thence North 42°17'40" West along said Northerly line a distance of 447.53 feet to a curve concave Northeasterly with a radius of 2142.01 feet; thence Northwesterly along said curve and along said Northerly line through a central angle of 17°05'33", an arc distance of 639.00 feet; thence North 00°25'28" East a distance of 2730.79 feet to a point on the North line of said Northeast one-quarter of Section 21; thence North 89°35'06" East along said North line a distance of 746.14 feet; thence South 00°24'24" East a distance of 372.58 feet; thence South 07°27'42" West a distance of 54.97 feet; thence South 75°44'33" East a distance of 141.38 feet; thence South 30°57'46" East a distance of 42.26 feet; thence South 75°44'33" East a distance of 150.64 feet; thence South 20°32'20" West a distance of 24.82 feet; thence South 67°25'46" East a distance of 118.45 feet; thence North 22°34'14" East a distance of 180.25 feet to the beginning of a curve concave to the east having a radius of 467.50 feet; thence easterly along said curve through a central angle of 23°20'59' an arc distance of 190.52 feet to the beginning of a reverse curve concave to the west having a radius of 532.50 feet; thence along said curve through a central angle of 16°57'40" an arc distance of 157.63 feet to the beginning of a reverse curve concave to the northwest having a radius of 367.50 feet; thence along said curve through a central angle of 15°48'11" an arc distance of 101.36 feet to a point on the North line of said Northeast one-quarter of Section 21; thence North 89°35'06" East along said North line a distance of 32.50 feet to the Northeast comer of Section 21 to the **TRUE POINT OF BEGINNING**.