

After recording, return to:
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**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR
TIMBER VALLEY ESTATES
(subject to Chapter 64.90 RCW)**

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| Grantors/Declarant: | KOOTENAI BUSINESS DEVELOPMENT, INC., a Washington corporation |
| Grantee: | TIMBER VALLEY ESTATES, a common interest community |
| Legal Description (abbreviated): | <u>Property:</u> SW 19-29-43 & SE 19-29-43 <u>Annexation Area:</u> SW and SE 19-29-43 & NW 19-29-43 Complete legal description on Exhibit A and B. |
| Parcel Nos. | <u>Property:</u> 39193.0101; 39193.0102; 39193.0103; 39193.0104; 39193.0105; 39193.0106; 39193.0107; 39193.0108; 39194.0109; 39194.0110; 39194.0111; 39194.0112; 39194.0113; 39194.0114; 39194.0115 and 39194.0116. <u>Annexation Area:</u> 39195.9002, 39202.9002 |
| Reference Nos. of Related Documents: | <hr/> |

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**DECLARATION OF COVENANTS CONDITIONS RESTRICTIONS AND EASEMENTS
FOR
TIMBER VALLEY ESTATES**

This Declaration is dated December __, 2020 and is made by the Declarant: KOOTENAI BUSINESS DEVELOPMENT, INC., a Washington corporation. All terms capitalized in these recitals but not defined will have the meanings ascribed to them in Section 1 of this Declaration.

WHEREAS, the Declarant is developing the Property as a common interest miscellaneous community, common interest miscellaneous community, or both, consisting of residential Communities and Common Areas comprised of, amongst other things, roads and entranceways; and

WHEREAS, the Declarant by this Declaration imposes those certain protective covenants, conditions, and restrictions set forth herein upon the Property; and

WHEREAS, the Declarant may impose additional covenants, conditions, and restrictions by Community Declarations on each Community in the Property; and

WHEREAS, the Declarant desires to provide for the preservation of property values, amenities and opportunities in the Property contributing to the personal and general health, safety and welfare of Owners and for the maintenance of the land and improvements thereon, and to this end desires to subject the real property included within the Property to the protective covenants, conditions, restrictions and other provisions hereinafter set forth, each and all of which is and are for the benefit of the Property and each Owner; and

WHEREAS, the Declarant has determined that initially only a certain portion of the Property shall be committed to specific Land Use Classifications under this Declaration, which Land Use Classifications are set forth and more fully described in Section 4; and

WHEREAS, the Declarant has caused the homeowners association to be formed. The Association has joined in this Declaration and there has been and will be delegated and assigned to the Association certain powers and duties of operation, administration, maintenance and repair of portions of the Property; and the collection and disbursement of the Common Expenses all as more particularly set forth herein.

1. Certain Defined Terms. The terms defined below are used in this Declaration as so defined. Terms that are defined within other sections will have the meanings ascribed to them therein.

“Act” means the Washington Uniform Common Interest Ownership Act, Chapter 64.90 RCW, as it may be amended from time to time.

“Allocated Interest” means, with respect to a Lot, the share of Common Expense liability associated with that Lot, the votes in the Association associated with that Lot and the undivided interest in the Common Areas associated with that Lot if the Common Areas are owned in common by Owners, rather than by the Association.

“Annexation Area” means the land described on Exhibit B, some or all of which may be designated by Declarant in a Supplement for annexation to the Property. Upon the making of this Declaration, no portion of the Annexation Area is included within the Property or subject to this Declaration. Upon the making of a Supplement that describes some or all of the Annexation Area and

includes it within the Property and subjects it to the Declaration, such portion of the Annexation Area shall become part of the Property and subject to this Declaration.

“ARC” means an Architectural Review Committee appointed by the Board pursuant to Section 3.7(a).

“Association” means Timber Valley Estates Homeowners Association, a Washington nonprofit corporation.

“Bed and Breakfast” means an operation involving the letting of one or more rooms in a Residence to an unrelated party where the Owner (i) is also residing and (ii) provides his or her guests with breakfast (but no other meals) as part of the lodging accommodations without additional charge.

“Board” means the Board of Directors of the Association.

“Budget” means the budget adopted by the Board and ratified by the Members pursuant to Section 7.2.

“Builder” means any Person who, together with such Person’s affiliates, owns or has a right to acquire six or more Lots for the purposes of constructing Improvements thereon.

“Common Area” means those portions of the Property more particularly described in Section 4.2. Common Areas may be improved with certain Improvements and, if and when so improved, the Common Areas will include such common Improvements.

“Common Expenses” means all actual or estimated expenses incurred, or anticipated to be incurred, in connection with improving, maintaining, operating and replacing the Common Areas, including, but not limited to, the following: (i) expenses of administration, maintenance, operation, repair or replacement of the Common Areas; (ii) premiums and deductibles for all insurance policies required or permitted by the Governing Documents; (iii) all property and other taxes and assessments on the Common Areas, or otherwise payable by the Association; (iv) utility and service charges; (v) reserves for anticipated operational shortfalls; (vi) reserves for the major maintenance, repair and replacement of the Common Areas, including any such costs that are infrequent, significant and impractical to include in a Budget; (vii) legal fees and costs; (viii) collection costs; (ix) recoupment of unpaid assessments against a foreclosed Lot; (x) fees for services provided to the ARC; (xi) fees for management services provided to the Association by the Declarant or by a professional manager; and (xii) any other expenses established from time to time as reasonably necessary by the Board.

“Communications System” means a communication system that provides one or more of the following utilities and associated services: cable, data, internet, telephone or television.

“Community” means one or more, but fewer than all, Lots which are designated as such by Declarant (or by the Association after the Development Period) in a Community Declaration.

“Community Association” means any property owners association, homeowners’ association, condominium association or other such entity, its successors and assigns, responsible for administering one or more Communities.

“Community Declaration” means any covenants, conditions, restrictions and other provisions imposed by a recorded instrument executed by the Declarant (or other party to whom that

Declarant has specifically assigned such right in writing) applicable to one or more, but fewer than all, Communities.

“Community Maintenance Area” means a portion of Property designated as a specific maintenance area for a Community pursuant to this Declaration or a Community Declaration.

“Contractual Designee” means the company or companies with which the Declarant or the Association has contracted for the furnishing of System services. The Contractual Designee may be an affiliate of the Declarant.

“County” means Spokane County, Washington.

“Declaration” means this document, as it may be amended or supplemented from time to time.

“Declarant” means, KOOTENAI BUSINESS DEVELOPMENT, INC., a Washington corporation, including the successors or assigns of any or all of the entity’s rights under this Declaration, as specified by such entity pursuant to Section 10.2.

“Development Agreement” means, collectively, all development agreements entered into between the Declarant and the County, as amended from time to time. Although no Development Agreement has been executed as of the date of this Declaration, the Declarant anticipates that a Development Agreement will be executed in the future to address, among other things, off-site improvements associated with the development of the Property.

“Development Period” means the period of time expiring on the earlier of: (i) the date that is sixty days after 75% of the total number of Lots contemplated in the Plat have been conveyed to Members other than the Declarant; (ii) two years after the last conveyance of a Lot, except to a Builder; (iii) two years after any right of the Declarant to add new Lots was last exercised; or (iv) when the Declarant notifies the Association of the termination of the Development Period and records an amendment to this Declaration voluntarily surrendering all rights to appoint and remove officers and Board members.

“Disputes” is defined in Section 12.1.

“Electrical System” means a system that provides electricity and associated services.

“Entity” means any partnership, limited liability company, corporation, joint venture, trust, business trust, cooperative, association or other business organization.

“Excluded Matters” is defined in Section 12.2 and includes those matters that are not subject to mediation or arbitration pursuant to Section 12.

“First Mortgage” means a recorded mortgage, deed of trust or real estate contract encumbering a Lot that has priority over all other mortgages, deeds of trust or real estate contracts encumbering that Lot.

“First Mortgagee” means the holder and beneficiary of any First Mortgage, including the vendor under a real estate contract. The term “First Mortgagee” will not be limited to Institutional Mortgagees.

"Governing Documents" means this Declaration, the Community Declarations, the Supplements, the Articles of Incorporation of the Association, the Bylaws of the Association and the Rules, as each may be amended from time to time.

"Improvements" means that which is built or constructed, or any piece of work artificially built up or composed of parts joined together in some definite manner, the use of which requires permanent or temporary location on the ground, or which is attached to something having a permanent or temporary location on the ground. The term will be construed as if followed by the words "or part thereof."

"Institutional Mortgagee" means: (i) a lending institution having a First Mortgage upon a Lot; (ii) any secondary mortgage market institution, including the Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Administration and Veterans Administration and such other secondary mortgage market institution as the Board may approve in writing that has acquired a first mortgage lien upon a Lot; and (iii) any investors or lenders, or the successors or assigns thereof, who have loaned money to Declarant to acquire, or construct Improvements upon, the Property and who have a mortgage lien upon all or a portion of the Property securing such loan.

"Interval Owner" means the record holder of legal title to the fee simple interest in a Lot or the holder of a use right in a timeshare club, group or program subject to an Interval Ownership Plan, or interest therein. The term "Interval Owner," excludes: (i) contract purchasers or holders only of beneficial title unless the record holder has designated in a writing delivered to the Association that such contract purchaser or beneficial title holder is, until further notice, to be deemed to stand in place of the record holder; (ii) the Association; (iii) any Owner; and (iv) those having an interest merely as security for the performance of an obligation, unless and until a foreclosure or other effective transfer has been completed and all redemption periods have expired. The term "Interval Owner" will include the Declarant to the extent it is an Interval Owner or the record owner of fee simple title to a Lot subject to an Interval Ownership Plan.

"Interval Ownership Plan" means a plan that subjects real property to uses or programs of ownership or use for the operation of a timesharing, fractional ownership, fraction-sharing, or similar program: (i) where the right to exclusive use of a Lot rotates among participants in the program on a fixed or floating time schedule over a period of months or years; (ii) for the operation of a reservation or time-use system among co-owners of a Lot managed by a party other than the co-owners themselves; or (iii) for the operation of a reservation or time-use system among co-owners whereby co-owners are required as a condition of purchase of a fractional interest in the Lot to subject the fractional interest to a pre-determined reservation or time-use system among co-owners, regardless of whether or not the co-owner may later opt out of such system and regardless of whether the reservation system is recorded or unrecorded, fixed or floating.

"Land Use Classification" means one of the specific uses that the Declarant has determined to assign to the Property pursuant to the terms of this Declaration, a Community Declaration or a Supplement.

"Limited Common Area" means real property, and the Improvements situated thereon, which are part of the Common Areas and which are designated in this Declaration or in a Community Declaration as being for the sole or primary benefit of the Owners of a particular part of the Property. Limited Common Areas may include, without limitation, private streets, access gates, drainage or retention areas or landscape medians.

“Lot” means a parcel of land within the Property, whether improved or unimproved, intended for independent ownership and use and designated as a “lot” on a Plat and any Residence, building, structure or other Improvements situated thereon, the boundaries of which are described in Section 2.2 and shown on the Plat. A Community is not a Lot for purposes of this Declaration.

“Manufactured Home” means any dwelling unit built on a permanent chassis and attached to a permanent foundation system.

“Member” means a Person who is entitled to membership in the Association.

“Owner” means the record holder of the fee simple title to any Lot, including the Declarant, and any Interval Owner. If a Lot is conveyed under a recorded real estate contract, the purchaser rather than the seller will be considered the Owner. The term “Owner” does not include contract sellers, mortgagees and those having such an interest merely as security for the performance of an obligation.

“Person” means any individual or Entity.

“Plat” means (i) the Survey for Timber Valley Estates recorded in Spokane County, Washington on December __, 2020, under recording number _____, together with any amendments thereto and (ii) any other plats or Maps (as defined in RCW 64.90.010) that may be recorded with respect to the Property from time to time. Each document referred to in this Declaration as a “Plat” is intended to be a “Map” as defined in RCW 64.90.010.

“Property” means the real property and Improvements that are subject to this Declaration, which are legally described on Exhibit A. Upon the making of a Supplement that describes some or all of the Annexation Area and includes it within the Property and subjects it to the Declaration, “Property” means the land described on Exhibit A and the portion of the Annexation Area described in the Supplement.

“Reserve Study” means the reserve study described in RCW 64.90.545 as it may be amended or supplanted.

“Residence” means one or more rooms, occupied by one family or group of people living independently from any other family or group of people.

“Residential Property” means the Land Use Classification assigned by the Declarant to those portions of the Property designated as such in this Declaration, amendments thereto, a Supplement or a Community Declaration.

“Residential Purposes” include, but are not limited to, non-commercial occupancy of Residences, and associated uses of streets, drives, driveways, entranceways, sidewalks, open spaces, parking spaces, lawn areas, landscaping, recreational facilities (if any) and other amenities or areas appurtenant to Residences.

“Rules” means the rules and regulations adopted in accordance with this Declaration to provide administrative, enforcement, governance and operating procedures for the Association, its Members and the Common Areas.

“Sewer System” means a system that provides sewer capacity and associated services. As of the date of this Declaration, the Declarant does not intend to provide a Sewer System. Rather, Owners will install septic systems on their Lots for their individual use.

“Supplement” means a document and the exhibits thereto that, when recorded by the Declarant in the land records of the County with respect to a portion of the Property will commit such property to an assigned Land Use Classification, or for adding the any portion of the Annexation Area, as provided in Section 2.2.

“System” means, as the context requires, the Communications System, Electrical System, Sewer System or Water System.

“Visible From a Neighboring Property” means, with respect to any given Improvement, that such Improvement is or would be visible to a natural person six feet tall, standing at ground level on any part of any Lot, Common Area, any public street or other real property within or adjacent to the Property.

“Voting Representative” means the designee appointed by an Owner to vote the votes attributable to that Owner as evidenced by written notice to the Board, or an Owner appointed by Owners in a Community to vote the votes attributable to that Community, as provided in Section 3.5(a).

“Water System” means a system that provides water capacity and associated services. As of the date of this Declaration, the Declarant does not intend to provide a Water System. Rather, Owners will drill wells on their Lots for their individual use, consistent with the water rights applicable to their Lots.

2. Plan for Development

2.1 Purpose; Grant. The Declarant is developing the Property in conformity with the Plat. By recording this Declaration, the Declarant intends to subject the Property to the protective covenants, conditions, restrictions and other provisions of this Declaration, each of which are intended for the mutual benefit of future Owners and occupants. The Declarant declares that the Property is and will be owned, used, sold, conveyed, encumbered, demised, and occupied subject to the covenants, conditions, restrictions, easements, reservations, regulations, burdens, liens, and all other provisions of this Declaration, all as hereinafter set forth, which will run with the Property and be binding on all parties having any right, title or interest in the Property, or any part thereof, their heirs, successors and assigns, and inure to the benefit of each Owner.

2.2 Annexation of Additional Area. The Declarant intends to develop the Property for residential use and may, in Declarant’s sole discretion, annex some or all of the Annexation Area to the Property. Some or all of the Annexation Area may be annexed to the Property and brought within the provisions of this Declaration by Declarant, its successors or assigns, from time to time, without the approval of any Owner or the Association. The Declarant shall not be required to annex certain portions of Annexation Area to the Property in any particular order, nor shall the Declarant be required to annex all of the Annexation Area to the Property. If the Declarant elects to annex some or all of the Annexation Area to the Property, the recording of all Supplements associated therewith must occur no later than the date that is 50 years after the date that this Declaration is recorded. The foregoing notwithstanding, no more than 100 additional Lots may be created by annexation. SOME OF THE EFFECTS OF ANNEXATION INCLUDE AN INCREASE IN THE NUMBER OF LOTS, AN INCREASE IN THE NUMBER OF PERSONS USING THE COMMON AREAS, AN INCREASE IN THE NUMBER OF

MEMBERS, AN INCREASE IN THE SIZE OF THE ASSOCIATION'S BUDGET AND A CHANGE IN EACH OWNER'S VOTING POWER.

(a) Rights and Obligations of Owners of Annexation Area. Upon the recording of a Supplement as to any portion of the Annexation Area, all provisions contained in this Declaration, and all functions, powers and jurisdiction of the Association, shall apply to such portion of the Annexation Area in the same manner as they apply to the Property initially subjected to this Declaration, subject to such modifications, changes and deletions as may be generally applicable to the Property under the Supplement, and subject also to the reallocation of Allocated Interests among all Lots within the Property after the annexation on the same basis as Allocated Interests are allocated in this Declaration. The Owners of Lots within the Annexation Area shall become members of the Association and shall become liable for their allocated share of Common Expenses.

(b) Method of Annexation. The addition of any portion of the Annexation Area to the Property shall be made by filing of record in the office of the Spokane County Recorder a Supplement or other similar instrument with respect thereto, which shall be executed by Declarant. A Supplement may include appropriate provisions that are reasonably desirable or necessary to complete the integration of the relevant portion of the Annexation Area into the Property. Any provision of this Section 2.2 to the contrary notwithstanding, (i) the rights of Owners prior to the annexation shall not be impaired by the annexation or other provisions in the Supplement and (ii) any amendment of the Governing Documents shall be subject to the limitations and requirements of Section 13.1.

2.3 Lot Boundaries. The Declarant shall establish the boundaries of Lots within the Property by recording Plats in the real property records of the County. The Declarant may, in its sole discretion, partition, subdivide or combine Lots. No other Person may partition or combine Lots. The Owner of two or more contiguous Lots, however, may build a single Residence on the contiguous lots, upon complying with applicable County requirements and the provisions of this Declaration. If a single Residence is constructed on one or more contiguous lots then, for purposes of voting and assessments, such Lot will be deemed to consist of one Lot.

2.4 Allocated Interests. Exhibit C sets forth the Allocated Interests of each Lot.

2.5 Communities. Lots may be located in one or more Communities. Each such Lot will be the subject of a Community Declaration and each Community will have a separate a Community Association.

2.6 Views Not Preserved. Although certain Lots located on the Property may, at any point in time, have particular views, no express or implied rights or easements for views exist under or are established by this Declaration. Neither the Association nor the Declarant makes any representation or warranty whatsoever, express or implied, regarding the view from any Lot. Any view that exists at any point in time from a Lot may be impaired or obstructed by further construction within or outside the Property, including by construction of Improvements (including landscaping) by the Declarant, the Association, a Community Association, a Builder or other Owners, and by the natural growth of landscaping. No third party, including any broker or salesperson, has any right to bind the Association with respect to the preservation of any view from any Lot or any view of a Lot from any other property.

2.7 Property Management and Other Services. The Declarant may own, finance, lease, acquire, operate, maintain or otherwise be responsible for a property management company or service that, via contract, engages in property management activities for the benefit of the Association or

the Owners, including, but not limited to, association management services, the care of private residences and other services that generally relate to the management of private or commercial properties.

3. The Association; Governance. Pursuant to the Act, the Declarant has formed the Association. Declarant confirms the delegation and assignment to the Association, subject to the provisions of this Declaration, of the power and authority to own, operate, maintain and administer the Common Areas, to administer and enforce this Declaration, to collect and disburse the assessments and charges described in this Declaration and to promote the health, safety and welfare of the Owners and occupants.

3.1 Organization. The Association is a Washington nonprofit corporation and has the powers and duties described in the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Washington law. No Governing Document, other than this Declaration, may be amended, modified or interpreted so as to be inconsistent with this Declaration.

3.2 Membership. Each Owner will be a Member of the Association. If a Lot is owned by more than one Person, all co-Owners will share the privileges of membership, subject to reasonable Board regulation and the restrictions on voting described in Section 3.5, and all such co-Owners will be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of a non-individual Entity may be exercised by any officer, director, partner, member, manager or trustee, or by the individual designed from time to time by the Owner in a written instrument provided to the Association. Membership in the Association is appurtenant to, and may not be separated from, the ownership of each Lot to which it relates. Membership in the Association may not be transferred, pledged or alienated in any way, except upon either the transfer of ownership of the Lot to which it is appurtenant, and then only to the new Owner, or the transfer to a First Mortgagee. Any attempt to make a prohibited transfer will be void. If any Owner fails or refuses to transfer the membership registered in such Owner's name to the purchaser of the Lot, the Association may record the transfer upon its books and thereupon the old membership outstanding in the name of the seller will be void.

3.3 Joint Ownership; Joint and Several Liability. If an Owner's interest in a Lot or an Interval Owner's interest in a Lot pursuant to an Interval Ownership Plan is held by more than one Person (in tenancy in common, as joint tenants or otherwise), the membership appurtenant to that Lot will be shared by all such Persons in the same proportionate interest and by the same type of ownership as the Lot or Interval Ownership Plan is held, subject to reasonable Board regulation and restrictions on voting described in Section 3.5. All such Persons will be jointly and severally liable under the Governing Documents and will be jointly and severally obligated to perform the responsibilities of the specific Owner or Interval Owner, as the case may be. In a multiple interest owner situation, if more than one Person seeks to exercise the vote, the voting privilege will be suspended. Neither the Association nor the Declarant will have any obligation to confirm, as among such multiple interest owners, which of the Persons has the right to vote.

3.4 Board Appointments; Special Declarant Rights. During the Development Period, the Declarant will have the right to appoint and remove the directors of the Board and the officers of the Association; *provided*, that: (i) not later than 60 days after conveyance of 25% of the Lots that may be created to Owners other than the Declarant, at least one member and not less than 25% of the members of the Board must be elected by the Members other than the Declarant; and (ii) not later than 60 days after conveyance of 50% of the Lots that may be created to Owners other than the Declarant, not less than one-third of the members of the Board must be elected by Owners other than the Declarant. During the Development Period, the Declarant may: (a) veto or approve a proposed action of the Board or the

Association; (b) control any construction or design review process (including, without limitation, the ARC); (c) attend meetings of Members and meetings of the Board (except during executive session of the Board); and (d) have access to the records of the Association to the same extent as a Member. Within 30 days after the termination of the Development Period, the Board must schedule a transition meeting, as contemplated in RCW 64.90.415(4) and elect members to the Board.

3.5 Voting

(a) Voting Representatives. Each Community shall elect a Voting Representative. Except as provided in the Bylaws of the Association or this Declaration, the Voting Representative will be responsible for casting all votes attributable to Lots owned by Members in that Community, with respect to matters put to a vote of the Members. Members may not cast individual votes separate from the vote cast by the Voting Representative. Until a Voting Representative is appointed for a Community, all Owners within that Community will be entitled to cast the votes attributable to their Lots on Association matters submitted to a Member vote.

(b) Appointment and Removal of Voting Representatives. A Voting Representative must be appointed within one year after the conveyance of Community by a Community Declaration. Each Member who owns a Lot in the Community of that Community Association will be entitled to cast one vote for each Lot owned by that Member. The candidate who receives the greatest number of votes will be the Voting Representative. The candidate who receives the next greatest number of votes will be the alternative Voting Representative, who shall vote on Association matters when the Voting Representative is unable to do so. Voting Representatives are appointed for a one-year term. A Community Association Voting Representative may be removed by majority vote of the Members who own Lots in that Community. If a Community fails to appoint a Voting Representative as required in this Section, the Board may appoint a Voting Representative until such time as the Community makes its own appointment. A Board-appointed Voting Representative must be an Owner in the Community for which that Person is appointed the Voting Representative.

3.6 Association Powers and Duties. The Association, through its Board, may acquire, hold and dispose of tangible and intangible personal property and real property. The Declarant may convey to the Association personal property and fee title, leasehold or other property interests in any of the Property, improved or unimproved. The Association shall accept and maintain such portions of the Property at its expense for the benefit of its Members. The Association shall repair, maintain and replace the Common Areas and the Improvements thereon and ensure that they comply with all applicable laws, statutes, ordinances and regulations of any governmental authority. The Association's repair, maintenance and replacement obligations are subject to Section 7.8. The Association may provide public health and safety services within or for the benefit of the Property; *provided*, that it obtains all required licenses to do so. The Association may provide for the collection, removal and disposal of solid wastes from the Property. The Association may promote the Timber Valley Estates community as a whole. In the discharge of its duties and the exercise of its powers, but subject to the limitations set forth in this Declaration, the Board may borrow funds on behalf of the Association and, to secure the repayment of such funds, assess each Lot (and the Owner thereof) for said Lot's pro rata share of said borrowed funds. The obligation to pay the pro rata share is a lien against each Lot. The Owner of a Lot may remove the Owner's Lot from the lien by payment of the assessment. Subsequent to any such payment, discharge, or satisfaction, the Lot will be free and clear of the liens so paid, satisfied, or discharged. Such partial payment, satisfaction, or discharge does not prevent the lienor from proceeding to enforce the lienor's rights against any Lot for any lien not so paid, satisfied, or discharged. The Association shall effectuate the purposes of this Declaration, including, but not limited to: (i) adopting and enforcing Rules;

(ii) adopting Budgets, (iii) conducting Reserve Studies; (iv) controlling and administering the Association's funds; (v) levying assessments and (vi) enforcing the covenants set forth in the Governing Documents.

3.7 Architectural Review. Each Owner, by accepting a deed or other instrument conveying any interest in any portion of the Property, acknowledges that, as a developer of the Property and as an Owner of the Property, Declarant has a substantial interest in ensuring that the Improvements within the Property enhance that Declarant's reputation as a community developer and do not impair that Declarant's ability to market, sell or lease its property. Therefore, each Owner agrees that no Improvements may be commenced, constructed or installed on such Owner's Lot unless and until the Declarant or its designee has given its prior written approval for such work. All work must strictly conform to plans and specifications approved by the Declarant or its designee.

(a) Declarant Authority; Delegation. Until the expiration of the Development Period, the Declarant will have the sole authority to review and approve any Improvements to be constructed on the Property. No approval, disapproval or other action or inaction by the Declarant (or its designee, including the ARC) will be deemed to constitute any warranty or representation regarding: (i) compliance with laws, regulations or ordinances; (ii) compliance with guidelines, plans or designs; or (iii) workmanship. Each Owner shall be solely responsible for such compliance – including, without limitation, compliance with any operations and maintenance manuals prepared by or for a Declarant or the Association that relate to Systems (which manuals will be made available by the Association to Owners). From time to time prior to the expiration of the Development Period, the Declarant may, but will not be obligated to, delegate all or a portion of its reserved rights under this Section 3.7 to the ARC. Any such delegation must be in writing, specifying the scope of responsibilities delegated, and shall be subject to (a) the Declarant's right to revoke such delegation at any time and to reassume jurisdiction over matters previously delegated and (b) the Declarant's right to veto any decision that Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. After the expiration of the Development Period, the ARC will have the powers reserved to the Declarant under this Section 3.7 and the Declarant will be deemed to have irrevocably designated such powers.

(b) ARC. Subject to the Declarant's rights in Section 3.7(a), the Board shall establish and continuously maintain the ARC and appoint its members. Members of the ARC may include members of the Board, but need not be Owners. The ARC shall develop and enforce rules and guidelines, criteria, fees and procedures intended to control the architectural, landscaping and aesthetic features of the Property. The ARC shall review the external design of proposed Improvements and approve or disapprove the details and written plans and specifications showing the nature, kind, shape, materials, color, architectural character and location of proposed Improvements and exterior additions to or changes or alterations in any of the foregoing. Guidelines developed by the ARC must provide that the ARC will approve or disapprove plans and specifications within 30 days of notice to the Owner that the ARC has received all required submissions and, if ARC approval or disapproval is not given within such 30-day period, the plans and specifications will be deemed approved.

3.8 Insurance

(a) In General. The Board shall procure for the Association, and continuously maintain, as a Common Expense, one or more policies of insurance as follows: (i) insurance against property loss or damage by fire or other hazards covered by the standard extended coverage endorsement in an amount as near as practicable to the full insurable replacement value (without deduction for depreciation) of Common Areas that are insurable, or such other fire and casualty insurance

as the Board determines will give substantially equal or greater protection; (ii) commercial general liability insurance for the Association, the Owners, the Declarant and any agents, guests, invitees, licensees, or others, incident to the use and ownership of the Common Areas with a "severability of interest" endorsement; (iii) fidelity coverage naming the Association to protect against dishonest acts by the Board or any officers, agents or other persons responsible for handling Association funds; (iv) worker's compensation insurance to the extent required by applicable laws; (v) insurance against loss of personal property to the Association by fire, theft and other losses and (vi) any other insurance the Board deems advisable. The Board will determine the appropriate deductibles associated with any policies of insurance maintained by the Association. The Association shall endeavor to maintain insurance that satisfies the requirements of Institutional Mortgagees.

(b) 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 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.

(c) Trustee for Policies. The Association, acting through its Board, is hereby appointed and is 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 will be paid to the Board as a trustee. The Board has full power to receive and to receipt for the proceeds and to deal therewith as provided herein. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two directors may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures are binding on all the named insureds.

3.9 Casualty; Condemnation. The Board shall notify the Owners of any event of substantial damage to any Common Area, or of any threatened acquisition of a Common Area by eminent domain or other proceedings. All insurance proceeds, condemnation proceeds, damages or other proceeds will be paid to the Association. Except as provided in this Section 3.9, as soon as practicable after an event causing damage to a Common Area, the Association shall diligently pursue to completion the repair and reconstruction of the Common Area. Assessments will not be abated as a result of any such damage. If the Declarant elects, during the Development Period, and at all other times, Members representing at least 67% of the Association agree in writing, not to repair damage to a Common Area and no alternative Improvements are authorized, then the damaged Property will be restored to its natural state and maintained as an undeveloped portion of the Common Area by the Association in a neat and attractive condition.

3.10 Approval of Association Proceedings. Except as provided in this Section 3.10, the Association shall not commence a judicial or administrative proceeding, including, without limitation, any proceeding described in Section 12, without the approval of the Members representing at least 67% of the total votes in the Association. This Section 3.10 will not apply to (i) actions brought by the Association to enforce the Governing Documents (including, without limitation, the foreclosure of liens), (ii) the collection of assessments; (iii) proceedings involving challenges to ad valorem taxation; (iv) counterclaims brought by the Association in proceedings instituted against it; or (v) actions brought by the Association against any contractor or vendor arising out of a contract for services or supplies between the Association and such contractor or vendor. This Section 3.10 cannot be amended unless such amendment is approved by the percentage of votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

3.11 Implied Rights and Obligations. The Association shall perform all of the duties and obligations imposed on it expressly by the Governing Documents, together with every other duty or obligation reasonably to be implied by the express provisions of the Governing Documents or reasonably necessary to satisfy any such duty or obligation. The Association may exercise any other right or privilege (i) given to it expressly by the Governing Documents, (ii) reasonably to be implied from the existence of another right or privilege given expressly by the Governing Documents or (iii) reasonably necessary to effectuate any such right or privilege.

4. Land Use Classifications; Easements. The following Land Use Classifications and provisions describing ownership, use, and maintenance will be applicable to the Property, which will be conveyed and occupied subject thereto.

4.1 Residential Property. Residential Property is the Land Use Classification assigned to that portion of the Property upon which Residences may be constructed. Except for Improvements related to construction, development, sales and rental activities permitted on Residential Property, Residential Property must include only Residences and improvements associated with Residential Purposes and uses. No commercial operations of any nature may be carried on in the Residential Property except: (i) as provided in Section 5.4 or Section 5.17(c); (ii) the construction, development and sale or rental of the Residential Property or portions thereof (including, but not limited to, Residences constructed thereon); and (iii) direct accessory services to the Residential Property or for Residential Purposes such as utilities, maintenance, and such other services as the Declarant or the Board may by written consent thereto deem appropriate. In addition to the provisions of this Declaration, any applicable Supplement and the Rules, the Residential Property may also be subject to the terms of Community Declarations. Community Declarations may further restrict the property being designated pursuant thereto including, but not limited to (a) the type of Residences that may be constructed thereon and (b) the establishment of such other amenities, benefits, covenants, easements, restrictions or provisions as the Declarant may deem appropriate. The entity responsible for the administration, management, operation, and maintenance of Residential Property will be set forth in the Community Declaration to which such Residential Property is subject, if any, or otherwise by the Declarant.

4.2 Common Areas. Those portions of the Property assigned Land Use Classifications by the Declarant of "Drainage/Utility Areas," "Entranceways," "Landscape Areas," and "Roadways," in the aggregate; and all easements or tracts conveyed or dedicated to the Association and all use rights appurtenant thereto, all as indicated in this Declaration, a Supplement, or any other Governing Documents, comprise the Common Areas. All such areas must be designated by the Declarant. Certain Common Areas are hereby designated as Limited Common Areas, as described in Exhibit C.

(a) Use; No Public Dedication. Except as may be otherwise specifically provided in this Declaration, the Common Areas will be for the sole and exclusive use of the Declarant, the Association, the Community Association (as applicable), the Owners, and their family members, guests, licensees, invitees and lessees (and their family members, guests and invitees). Any real property conveyed, leased, or the use of which has been granted by Declarant or any third party to the Association as Common Areas is not and will not by such conveyance, lease or grant be deemed dedicated for use by the general public but is, and will be, deemed restricted for the common use and enjoyment of the Persons granted easement rights under this Declaration.

(b) Administration. The administration, management, operation and maintenance of Common Areas will be the responsibility of the Association, as provided in this Declaration, a Supplement or any other Governing Documents. The Association may contract with third

parties to operate facilities or conduct activities on the Common Areas, which third parties may charge user fees for the use of such facilities or participation in such activities, or the Association may, in lieu thereof, operate such facilities or activities and likewise charge such fees. Neither the operation of any such facilities or activities, nor the fact that a charge is made for the use of any such facilities will be deemed a commercial use or activity in violation of the provisions of this Declaration with respect to the use of the Common Areas as long as the use of such Common Areas is consistent with the provisions of this Declaration.

(c) Turnover. The Declarant shall convey to the Association fee simple title to the Common Areas and the personal property and Improvements appurtenant thereto, subject to the terms and provisions of this Declaration, all applicable Supplements and Governing Documents; real estate taxes; all applicable zoning ordinances; such facts as an accurate survey would show; and all covenants, easements, restrictions and reservations then of record. Declarant shall convey to the Association by quitclaim deed all portions of the Common Areas not previously conveyed to the Association within 30 days after the transition meeting described in Section 3.4 and shall deliver to the Board the materials required to be delivered under RCW 64.90.420. At the time of the conveyance of any Common Areas, the Association must accept the Common Areas, and the personal property and Improvements appurtenant thereto. The Association agrees to accept such property in its "AS IS" condition at the time of conveyance. The Declarant may convey property to the Association in either an improved or an unimproved condition, with or without any specific restrictions on its use. All costs and expenses of the conveyance will be paid for by the Association.

(d) Boundaries. Notwithstanding anything to the contrary in this Declaration, during the Development Period, the Declarant may, in its sole discretion alter the boundaries of Common Areas and construct, develop or modify the Common Areas and any improvements, easements and use rights thereon or appurtenant thereto in a manner determined appropriate by the Declarant for the best interest of the Owners, without the consent of the Association, any Community Association or the Owners.

(e) Drainage/Utility Areas. Drainage/Utility Areas include drainage easements, utility easements, water management tracts, canals, or canal easements that must be kept and maintained for irrigation, drainage or beautification purposes and for the installation, maintenance, construction, and repair of underground utility facilities serving the Property from time to time. Such facilities may include, without limitation, electricity, communication, sewer, water, gas, stormwater and lighting. The Declarant, however, is not under any obligation to provide all such facilities (and intends to provide only electricity and certain communication facilities). Notwithstanding the foregoing, the location of the drainage pattern may not be modified or relocated without the prior written consent, where applicable, of any governmental agency regulating same. In the event of a dissolution or termination of the Association, the administration and maintenance of the Drainage/Utility Areas will be conveyed only to another not-for-profit corporation or dedicated to an appropriate governmental agency agreeing to accept such conveyance or dedication.

(f) Entranceways. Entranceways include the entry points to the Property and all Improvements thereon which may include, without limitation, gates, landscaping, streetlights, wall structures, fountains, signs, guardhouses and related facilities. Entranceways will be kept and maintained by the Association or its designee for all proper and normal purposes related thereto. No Improvement of any kind may be placed, kept, or suffered anywhere on an Entranceway without the prior written consent of the Declarant. Nothing in this Section 4.2(f), however, is intended to prevent any Owner with a Lot

adjacent to Montgomery Road from creating access points to Montgomery Road, consistent with County requirements. No such access points will be kept or maintained by the Association.

(g) Landscape Areas. Landscape Areas include areas that are grassed, planted, irrigated landscaped, or paved in accordance with the improvement thereof by the Declarant or the requirements of any applicable governmental agencies. The Association or its designee will keep, maintain, repair and replace the Landscape Areas. The Declarant, for as long as it owns any portion of the Property, will have the absolute right, in its sole discretion, to modify its plan for beautification of the Property and specifically to modify the appearance of Landscape Areas and thereafter the Association will have the same right as long as the general quality of such beautification plan is not materially and detrimentally changed.

(h) Roadways. Roadways include roads and all Improvements thereon including, but not limited to, utility lines, street lights (if any), and walkways, and will be kept and maintained by the Association or its designee, which designee may be a Community Association or member thereof as private roadways to provide a means of ingress and egress: (i) to and from publicly-dedicated streets; (ii) to and from private streets, and (iii) between and among all portions of the Property for the use of the Declarant and the Association and their designees, the Community Associations, the Owners and their family members, guests, invitees, licensees, lessees (and their family members, guests and invitees) and all governmental and quasi-governmental agencies and service entities having valid jurisdiction over the Property while engaged in their respective functions. Streetlights, walkways, and utility lines appurtenant to the Roadways will be installed as the Declarant or the Association or the Association's designee from time to time shall determine necessary or in accordance with the requirements of the applicable governmental agencies. All Roadways will be fire lanes, usable by governmental, quasi-governmental and private entities for fire protection and suppression services.

4.3 Easements. The Declarant hereby reserves, declares, grants and conveys to the Owners, the Association, the Community Associations (as applicable) and the other Persons described below, and reserve unto themselves and their designees the right, on behalf of themselves and the Association, to grant the following exclusive and nonexclusive easements on, upon, over, above, across, through and under all portions of the Property for the purposes and uses specified below:

(a) Common Areas. Perpetual nonexclusive easements in favor of the Declarant, the Association, the Community Associations (as applicable), the Builders, their employees or other designees, and the Owners and their family members, guests, invitees and lessees to use the Common Areas for all proper and normal purposes including, but not limited to, ingress, egress and access for the furnishing of services and for such use of the facilities as for which the same are reasonably intended in accordance with the terms of this Declaration, a Supplement, or any other Governing Documents.

(b) Limited Common Areas. Perpetual nonexclusive easements in favor of the Declarant, the Association, the Community Associations (as applicable), the Builders, their employees or other designees, the Owners whose Lots are benefitted by a Limited Common Area and their family members, guests, invitees and lessees to use the relevant Limited Common Areas for all proper and normal purposes including, but not limited to, ingress, egress and access for the furnishing of services and for such use of the facilities as for which the same are reasonably intended in accordance with the terms of this Declaration, a Supplement, or any other Governing Documents.

(c) Drainage. Nonexclusive easements in favor of the Declarant, the Association, the Community Associations (as applicable), the Builders, their employees or other

designees, and the Owners for the use of Drainage/Utility Areas established throughout the Property and an easement for ingress, egress, and access to enter any portion of the Property in order to construct, maintain or repair any Drainage Areas and facilities thereon and appurtenances thereto.

(d) Encroachments. Easements for encroachment in favor of the Declarant, the Association, the Community Associations (as applicable), the Builders, the Owners, and all persons entitled to use that portion of the Property in the event any portion of the Improvements located on any portion of the Property as a result of minor inaccuracies in survey, construction, or reconstruction or due to settlement or movement encroaches upon any other portion of the Improvements located on any other portion of the Property. Any easements for encroachment will include easements for the maintenance and use of the encroaching Improvements in favor of the Declarant, the Association, the Community Associations (as applicable), the Builders, the Owners and all their designees.

(e) Snow Clearance. Easements in favor of the Declarant, the Association, the Community Associations (as applicable), the Builders, their employees or other designees for the storage and deposit of snow; *provided*, that the Person so storing or depositing the snow will use reasonable efforts to avoid unreasonable interference with one's ability to access a Lot.

(f) Utilities and Services. Nonexclusive easements to provide for installation, service, repair and maintenance of the power, electric transmission, cable, light, telephone, data, security, gas, water, sewer, garbage, drainage, and other utilities and governmental or private services including police and fire protection and postal service including rights of ingress, egress, and access for persons and equipment necessary for such purposes for the benefit of the Declarant and the Association and all appropriate utility companies, agencies, franchises, governmental authorities or service providers.

(g) Right-of-Way. Nonexclusive perpetual easements over and upon the Entranceways and Roadways to provide ingress, egress and access to and from, through and between the Property and publicly dedicated streets, private streets and from portions of the Property, and for maintenance in favor of the Declarant, the Association, the Community Associations (as applicable), and all agents, employees, lessees, invitees or other designees of the Declarant, the Association, the Community Associations (as applicable); Builders; and the Owners, and their family members, guests, invitees and lessees and their family members, guests, and invitees; and all governmental and quasi-governmental authorities and service entities having jurisdiction over the Property while engaged in their respective functions. The foregoing notwithstanding, access to the private roads and driveways will be restricted to the Owners of those Lots abutting each private road or driveway, their family members, guests and invitees, the Declarant, Builders, the Association and any Community Association relating to those Lots.

(h) Declarant and Association Entry. Easements for ingress, egress, and access in favor of the Declarant, the Association, and all agents, employees, or other designees of the Declarant or the Association to enter upon each Lot, Common Areas, or the Communities for the purpose of inspecting any construction, proposed construction, or improvements or fulfilling the rights, duties, and responsibilities of ownership, administration, maintenance, and repair of an Owner, Builder, Community Association or the Association, as applicable. Such easement will include an easement in favor of the Association and the Declarant to enter upon the Common Areas, now or hereafter created to use, repair, maintain, and replace the same for the purposes for which they are initially designed or hereafter redesignated or are otherwise determined to be reasonably suited. Notwithstanding the foregoing, nothing contained therein or herein will be interpreted to impose any obligation upon the Association or the

Declarant to maintain, repair, or construct any Lot or other Improvement that an Owner or Builder is required to maintain, construct or repair.

(i) Construction. Nonexclusive easements in favor the Declarant, the Association, the Community Associations (as applicable), the Builders and their employees and other designees for the purpose of undertaking construction activities. Any Person utilizing the easement rights described in this Section shall by the end of each construction season, remove all debris and repair all damage occasioned by its construction activities.

(j) Additional Easements. The Declarant until the expiration of the Development Period, and thereafter, the Association, will have the right to execute, without further authorization, such grants of easement or other instruments as may from time to time be necessary or desirable to grant easements over, under, across and upon the Property or portions thereof in accordance with or to supplement the provisions of this Declaration subject to the limitations as to then existing buildings or other permanent structures or facilities constructed within the Property. Such easements may be for the use and benefit of Persons who are not Members of the Association. With respect to the Declarant, but not the Association, such easements may be for portions of real property that is not part of the Property.

5. Use Covenants and Restrictions

5.1 Rules and Regulations. The Declarant (during the Development Period) and the Board, in accordance with the Association Bylaws, will have the right to promulgate and impose Rules, and thereafter to modify, rescind and augment any of the same, with respect to the use, operation and enjoyment of the Property. No portion of the Property may be used in violation of any applicable Rule or other requirement of the Association established pursuant to the Governing Documents. Rules cannot unreasonably differentiate among Owners. Rules will become effective no sooner than 10 days after promulgation or amendment and after notice has been given to the Owners. The Association will retain a copy of the Rules and shall make them available for inspection by any Owner during normal business hours.

5.2 Enforcement. The Declarant reserves unto itself and its designees the right and the power: (i) to enforce the provisions of this Declaration (including the covenants, conditions, restrictions contained herein); and (ii) to delegate or assign, either exclusively or nonexclusively, any or all of its rights, powers, duties, or privileges hereunder to any Person, the Association, a Community Association, an Owner, a Builder, or to any other designee. If the Declarant does not enforce the provisions of this Declaration then the Association, acting through the Board, may enforce the same. If an Owner violates, or permits the violation of, the provisions of this Declaration, then the Declarant or the Association shall notify the Owner in writing of the specifics of the violation and the requirements to remedy or abate the violation. If the Owner is unable or unwilling to comply then, after notice and an opportunity to be heard in accordance with the Rules, the Declarant and the Association may do any or all of the following: (a) suspend an Owner's voting rights; (b) suspend an Owner's right to use any Common Areas; (c) bring a proceeding at law or in equity to restrain action, compel action or recover damages, (d) assess reasonable fines (including, without limitation, legal fees and costs incurred) which will constitute specific assessments for purposes of this Declaration and (e) enforce any lien created by this Declaration. Without limiting the generality of the foregoing, the Declarant or the Association may cause any vehicle parked in violation of the Governing Documents to be towed and impounded at the Owner's expense. The provisions of this Declaration will apply not only to Owners, but also to any other Person occupying or using an Owner's Lot under lease or by other permission. The failure of an Owner to notify

any Person of the existence of the provisions of this Declaration will not act to limit or divest the right of the Declarant or the Board of enforcement of these provisions against the Owner or such Person and, in addition, the Owner shall be responsible for any violations of these provisions by his or her tenants, delegates, licensees, invitees or guests, and by guests, licensees and invitees of his or her tenants. The failure of the Board or the Declarant to object to an Owner or another Person's failure to comply with the covenants and restrictions contained in this Declaration will not be deemed a waiver by the Board, or any other Person having an interest herein, of its rights to object to the same and to seek compliance therewith in accordance with the provisions of this Declaration.

5.3 Antennas, Satellite Dishes, Wind Turbines, Flagpoles. Any antenna, disc or satellite dish equal to or less than one meter in diameter, that falls within the scope of, or is otherwise covered by the Telecommunications Act of 1995, and the provisions of 47 C.F.R. 1.4000, as amended, or any subsequent federal or state law applicable to common interest communities, will be permitted on the Property. Wind Turbines may be erected on the Property, subject to the prior approval of the size and location of the wind turbine by the ARC. Flagpoles with a height less than 20 may be erected on the Property. A flagpole cannot be used as an antenna.

5.4 Commercial Uses; Home Offices. Except as provided in this Section 5.4 and Section 5.17(c), no commercial use or enterprise will be permitted in any Residence. Home offices and occupations are permitted if (i) the existence or operation of the business activity is not apparent by sight, sound or smell from outside the Residence; (ii) the business activity is consistent with the residential character of the Community and does not constitute a nuisance or a hazardous or offensive use or threaten the security or safety of other residents, as may be determined by the Board in its sole discretion; (iii) the business activity is allowed by applicable laws and ordinances; (iv) the business activity does not result in more than five commercial vehicles visiting the Lot per week (exclusive of daily mail delivery or delivery by common carrier, such as UPS or FedEx); and (v) the business activity does not involve the use of more than 25% of the Residence's residential floor area. Determinations as to the acceptability of home occupations will be made by the Board, acting reasonably, and home occupations may be subject to Rules other than those set forth in this Section 5.4.

5.5 Compliance with Laws. Any activity that violates local, state or federal laws or regulations, including, without limitation, environmental laws and regulations, will be deemed to be a violation of this Declaration; *provided*, however, that the Declarant or the Board may, but will not be obligated to, take enforcement with respect to such a violation.

5.6 Damage; Rebuilding. If an Improvement is damaged or destroyed by casualty loss or other loss, the Owner thereof shall either (i) commence to rebuild or repair the damaged Improvement and diligently continue such rebuilding or repairing until completion (which must be completed within one year after the date of the incident or within such other time period as determined by the Board) or (ii) properly clear the damaged Improvement and restore or repair the Lot in a manner aesthetically satisfactory to the Board or ARC (which must be completed within one year after the date of the incident or within such other time period as determined by the Board). As to any such reconstruction of a destroyed Improvement, the same may only be replaced with Improvements as are approved by the Board as provided in this Declaration. Each Owner covenants and agrees with all other Owners and with the Association to carry property insurance for the full insurable replacement value (without deduction for depreciation) of all Improvements on his or her Lot, less a reasonable deductible, unless the Association or a Community Association (as applicable) carries such insurance (which they may, but are not obligated to do, under this Declaration). The requirements of this Section 5.6 will apply to any Community Association responsible for common property within the Property in the same manner as if the

Community Association were an Owner and the common property was a Lot. A Community Declaration may establish more stringent standards for rebuilding Improvements on the Lots within that Community and for clearing and maintaining the Lots if Improvements are not repaired or rebuilt.

5.7 Excavation. Excavation (including any drilling for a well) must be performed in accordance with any requirements adopted from time to time by the Declarant or the ARC. "Excavation" means any disturbance of the surface of the land that results in a removal of earth, rock or any other substance a depth of more than 18 inches below the natural surface of the land. Excepted from the foregoing is any portion of the Property owned by the Declarant or its nominee through the period of construction of Improvements on the Lots.

5.8 Firearms. No firearms may be discharged within the Property, except by government officials acting in their official capacity. No hunting is allowed anywhere on the Property.

5.9 Fires. No outside fires will be permitted in the Property except barbeques, outside fireplaces, manufactured fire pits, fire bowls and the like, which must be contained in receptacles and in areas approved by the Board. Owners must abide by all fire prevention and safety rules of the local fire district. The foregoing notwithstanding, controlled clearing or clean-up fires prior to or during construction will be permitted. No Owner will permit any condition upon its portion of the Property that creates a fire hazard or is in violation of fire prevention codes or regulations.

5.10 Improvements. No Improvements may be commenced, erected or maintained, nor may any exterior addition, change or alteration to any Improvement be made unless approved as provided in this Declaration. Construction must be performed in accordance with any site maintenance requirements adopted from time to time by the Declarant or the ARC. Construction must commence within 18 months from the date on which the Owner purchased the Lot. Once construction commences, it must be undertaken diligently and continuously. The construction of a new Residence must be completed within one year from the date of commencement, unless completion is delayed by acts of God, labor stoppages or similar causes beyond the reasonable control of the Owner or the Owner's contractors, employees or agents.

5.11 Maintenance. Vegetation on Lots may remain in its natural state, except that no unsightly growth or any other unsightly object or refuse that is Visible From a Neighboring Property may be placed or suffered to remain upon the Property. All lawns, landscaping and sprinkler systems and any property, Improvement and appurtenance must be kept in good, safe, clean, neat, and attractive condition. Excepted from the foregoing is any portion of the Property owned by the Declarant or its nominee through the period of construction of Improvements on said property. Upon the failure to maintain the premises as aforesaid to the satisfaction of the Declarant or the Association, and upon the Association's, a Community Association's (as applicable), an Owner's, or a Builder's failure to make such correction within 30 days of being given written notice by the Declarant or the Association (which written notice does not have to be given by the Declarant or the Association in the case of emergency, in which event, the Declarant or the Association may without any prior notice directly remedy the problem), the Declarant or the Association may, in furtherance of the Declarant's overall plan for its Property, enter upon such premises and make such improvements or correction as may be necessary, the costs of which will be paid by the non-performing party, or the Declarant or the Association may bring an action at law or in equity. Such entry by the Declarant or the Association or their agents will not be a trespass and by acceptance of a deed for a Lot, such party has expressly given the Declarant and the Association the continuing permission to do so which permission may not be revoked. If any Owner, Builder, the Association or a Community Association (as applicable) fails to make payment within 15 days after request to do so by the

Declarant or the Association, as appropriate, the payment requested shall be a lien in accordance with provisions of Section 7.7(c).

5.12 Manufactured Homes. No Manufactured Homes will be allowed to be stored or suffered to remain upon the Property; *provided*, that the Declarant or any Builder may install a Manufactured Home to use as an office or in connection with development or construction activities.

5.13 Mining; Drilling; Logging. No portion of the Property may be used for mining, quarrying, drilling, boring or exploring for or removing oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth or for logging or timber harvest. The foregoing notwithstanding: (i) an Owner may undertake logging activities solely for the purpose of thinning for fire protection and (ii) the Declarant may engage in any of the above-described activities with respect to Property it owns.

5.14 Nuisance. Nothing may be done on the Property which (i) may be or may become an annoyance or nuisance to any Person or a Community, (ii) would increase the premium of any insurance carried for the benefit of the Property or (iii) would cause such insurance to be cancelled or not renewed. No obnoxious, unpleasant, unsightly, or offensive activity may be carried on, nor may anything be done, which can be reasonably construed to constitute a nuisance, public or private in nature. Any question with regard to the interpretation of this Section 5.14 will be determined by the Board in its sole discretion.

5.15 Non-Residential Leasing. No Residential Property may be leased for non-residential purposes. Without limiting the generality of the foregoing, no Residential Property may be leased for storage or dumping.

5.16 Obstructions. No Improvement, planting or other material may be placed or permitted to remain on any portion of the Property that may damage or unreasonably interfere with (i) any easement or (ii) the installation or maintenance of utilities, or which may unreasonably change, obstruct or retard the direction or flow of any drainage channels.

5.17 Occupancy

(a) Limitations. No portion of the Property may be used for living or sleeping purposes other than rooms designed for living or sleeping in a completed structure or camping areas specifically designated in the Rules. No room in any structure may be used for living or sleeping purpose by more persons that it was designed to reasonably accommodate.

(b) Residential Leases. Owners may lease their Residence to others for residential purposes, except as may be prohibited or limited in the Rules, a Supplement or a Community Declaration.

(c) Bed and Breakfast Operations. Anything in this Declaration to the contrary notwithstanding, Bed and Breakfast operations will be a permissible use of a Residential Property so long as (i) such use is permitted by law, (ii) the Owner obtains and maintains a permit from the Association for such use (which permit may be granted, denied or revoked in the Association's sole, but not arbitrary and capricious, discretion) and (iii) the use is conducted in compliance with applicable Rules. Neither the Declarant nor the Association (including without limitation its directors and committees) represents or warrants that operation of a Bed and Breakfast is lawful or will remain so in the future.

5.18 Pets and Animals

(a) Pets. Pets will be prohibited from all portions of the Common Areas except as permitted by and applicable local codes, ordinances or other laws and as designated by the Board.

(b) Livestock. Livestock or poultry may be kept, raised or used upon any portion of a Residential Property, for non-commercial purposes only, subject to the determination by the Board in its sole discretion of what is or what may be livestock and what constitutes commercial or non-commercial purposes.

(c) Obnoxious Animals. Obnoxious animals, fowl, or reptiles will not be kept or permitted to be kept anywhere on the Property. The determination of what is or what may be an obnoxious animal, fowl, or reptile will be determined by the Board in its sole discretion.

(d) Indemnity. An Owner, by the purchase of his or her Lot, agrees to indemnify the Declarant and the Association and hold them harmless against loss or liability of any kind arising from his or her having any animal at the Property.

(e) Rules; Supplements, Community Declarations. The Rules, Supplements and Community Declarations may further restrict the keeping of pets and animals within a Community.

5.19 Signs. Except for political yard signs, no signs, freestanding or otherwise installed, may be erected or displayed in or on any portion of the Property unless the placement, character, form, size, lighting and time of placement of such sign is first approved by the Board. Excepted from the foregoing are marketing signs posted by the Declarant or by Builders with the approval of the Declarant. Political yard signs must be removed within five days after the applicable election or vote. No sales price may be displayed on any sign, other than signs posted by the Declarant or as otherwise permitted by the Board. No flashing signs will be permitted. All signs must also conform with governmental codes and regulations and with any Rules established by the Board. The Board may summarily remove and destroy all unauthorized signs and same will not be deemed a trespass. Notwithstanding anything contained herein, the Board will not be under any obligation to approve any signs.

5.20 Snow Clearance. Snow clearance is the responsibility of the Association (excluding private driveways). Owners shall not clear or remove snow from their portion of the Property onto Common Areas or onto the Property of other Owners. Owners may, however, clear snow from their driveways and sidewalks and create berms so long as the berms are placed in locations and in such a manner that will not cause a safety hazard to any Owner or others or impede the Association's ability to clear snow from other portions of the Property. The Declarant and the Association have easements for snow clearance, as described in Section 4.3(e).

5.21 Temporary Structures. No tents or temporary Improvements, other than those belonging to the Declarant or a Builder, will be permitted on the Property unless their size, appearance, and temporary location have first been approved by the Board. Except for signs belonging to the Declarant or a Builder, any signs to be used in conjunction with any tent or temporary Improvement must also be approved by the Board.

5.22 Utility Lines. All pipes, lines or wires for telephone, data, cable, electrical, gas, sewer, water or other utility use must be underground or in conduit attached to an Improvement. The

foregoing notwithstanding the Declarant or a Builder may utilize temporary above-ground utility lines through the period of construction of Residences or other Improvements.

5.23 Vehicles

(a) Certain Vehicles. No commercial truck, commercial van, bus, recreation vehicle, mobile home, camper, trailer or inoperable vehicle that is Visible From a Neighboring Property may be kept on the Property (but such vehicles may be kept in a garage when not in use or while they are being repaired). Commercial vehicles and commercial vans include all trucks or vans which bear signs or have printed on the sides, front, or rear of same reference to any commercial undertaking or enterprise.

(b) Boats. No boat that is Visible From a Neighboring Property may be kept on the Property except as determined by the Board or provided in a Community Declaration (but boats may be kept in a garage when not in use).

(c) Parking in Roadways Prohibited. No vehicle may be parked in a Roadway for more than eight consecutive hours, except as determined by the Board or provided in a Community Declaration.

(d) Nuisances. No Owner or his or her family members, guests, or invitees or lessees or their family members, guests, or invitees may keep any vehicle on the Property that is determined by the Board to be a nuisance or in violation of any Rules.

(e) No Liability. None of the Association or the Declarant will be responsible for any damage or theft to vehicles parked anywhere on the Property.

(f) Designated Common Areas. The Declarant or the Association may, but will not be obligated to, designate certain portions of the Common Areas, which may be relocated from time to time, for the parking of trucks, commercial vehicles, buses, recreational vehicles, mobile homes, trailers, boats, and campers. Any such area designated pursuant to this Section 5.23(f) may be, in the sole discretion of the Declarant or the Association, terminated for such use without cause or prior notice.

(g) Exception. Excepted from the provisions of this Section 5.23 are any vehicles owned, used, or designated by (i) the Declarant or its successors, nominees or assigns, or the Association for the purpose of carrying out its duties and obligations under this Declaration.

5.24 Wells. An Owner may construct one well and associated Water Systems on each of its Lots, consistent with the water rights associated with those Lots. Neither the Declarant, nor the Association, shall be obligated to install or maintain a well or other Water System on any Lot.

5.25 No Warranty of Enforceability. Although the Declarant has no reason to believe that any of the restrictive covenants contained in this Section 5 or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, the Declarant does not make any warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Lot in reliance on one or more of such restrictive covenants assumes all risks of the validity and enforceability thereof and, by acquiring the Lot, agrees to hold the Declarant harmless therefrom.

6. Community Associations

6.1 Failure of Community Association to Maintain Community. In furtherance of the Declarant's overall plan for development of the Property as a uniformly landscaped, designed, and maintained community, if any Community Association does not enforce any or all provisions of its Community Declaration or perform any of its duties and responsibilities pursuant to its articles of incorporation, bylaws or rules and regulations, the Declarant, in its sole discretion, or the Association may enforce such Community Declaration, and perform such duties and responsibilities, including any and all maintenance provisions, and obtain the payment of the cost of such enforcement and maintenance pursuant to the provisions of Section 7.7(d). The Declarant or the Association will be entitled to reimbursement of attorney's, fees and court costs incurred during the enforcement by it of any such Community Declaration.

6.2 Entry Rights. Each Community Association, Builder, and Owner shall permit the Declarant, the Association, their designee, or any agent or employee to enter upon Community Maintenance Areas, upon the Owner's Lot and upon any other portions at such Property, as necessary and at reasonable times, to carry out the provisions of this Declaration and the same will not constitute a trespass.

6.3 Community Maintenance Areas. The Association may, in accordance with, and in furtherance of, the Declarant's overall plan for development of the Property as a uniformly landscaped, designed, and maintained community, maintain, repair, and replace as necessary any Community Maintenance Areas in a neat, aesthetically pleasing, and proper manner. A Community Association may, if and as provided for in its Community Declaration, contract with the Association to engage in such common maintenance responsibilities. The cost of common maintenance responsibilities for which the Association has contracted to perform will be charged against the Community Association in accordance with the agreement reached between the Association and that Community Association. Notwithstanding anything contained herein, the Declarant reserves the right, in its sole discretion, to cause portions of the Common Areas to become Community Maintenance Areas by recording an instrument containing provisions to that effect in the land records of the County. Upon recordation of such an instrument, the real property described therein will no longer be Common Areas but will be Community Maintenance Areas in lieu thereof and the use and easement rights and the obligations pertaining thereto, including but not limited to, maintenance and administration obligations, will be those pertaining to such Community Maintenance Areas and not Common Areas. Furthermore, the expense thereof will no longer be a Common Expense.

7. Budget and Assessments

7.1 Covenant to Pay. Each Owner (including Builders), by accepting a deed or entering into a recorded contract of sale, agrees to pay and shall pay to the Association on or before their due dates all assessments, fees, costs and charges (collectively, "assessments") payable under this Declaration or the other Governing Documents. Such assessments, together with interest, late charges, costs and reasonable attorneys' fees will be a personal obligation of each Owner and charge and continuing lien against each Lot against which the assessment is made. Each Community Association will have the obligation to collect assessments for the Lots located within that Community and pay the same to the Association when those assessments are due; *provided*, however, that the Association may in its sole discretion elect to collect or not collect assessments directly from Owners in a Community. Upon a conveyance of title to a Lot, the grantee will be jointly and severally liable for any assessments due at the time of conveyance. Failure of the Board to fix assessment amounts or rates or to deliver each Owner an assessment notice will not be deemed a waiver, modification or a release of any Owner from the obligation to pay assessments. No Owner may exempt itself from liability for assessments by non-use of

Common Areas, abandonment of a Lot or any other means. No diminution or abatement of assessments or set-off may be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience arising from the making of repairs or replacements, or from any other action it takes. The obligation to pay assessments will commence as to each Lot within the Property, after the Board first determines a Budget and levies assessments, upon the earlier of (i) six months after the date of conveyance of any Lot by a Declarant to a Builder or (ii) the date of conveyance of any Lot by the Declarant to any Person other than a Builder.

7.2 Budget

(a) Preparation. The Association's fiscal year will be a calendar year, unless the Board designates another fiscal year. At least 60 days prior to the beginning of each fiscal year, the Board shall prepare a Budget of the estimated Common Expenses for the coming year, including the current amount of regular assessments budgeted for contribution to the reserve fund. The Budget must reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus from prior years, any income expected from sources other than assessments, and the amount to be generated via assessments. Subject to the ratification requirements set forth below, the Board may revise the Budget from time to time to account for and defray additional expenses of the Association. Upon ratification of a Budget each such fiscal year, the Board shall assess all Lots with assessments as provided in this Declaration.

(b) Declarant Subsidy. Declarant may, but will not be obligated to, reduce the general assessment for any fiscal year by payment of a subsidy, which may be a contribution, an advance against future assessments due from the Declarant or a loan, in the Declarant's discretion. Any such subsidy must be disclosed as a line item in the income portion of the Budget. The payment of such subsidy in any year will not obligate the Declarant to continue payment of such subsidy in future years. The terms and conditions of any such advance or loan must be set forth in a written agreement between the Declarant and the Association.

(c) Ratification. Within 30 days after the adoption by the Board of any proposed regular or special Budget, the Board shall mail a summary of the Budget to all Members and shall call for a meeting of the Members to consider ratification of the Budget. The date of the meeting cannot be less than 14 days, nor more than 50 days, after the mailing of the summary. As part of the summary, the Board shall disclose to the Members those matters described in RCW 64.90.525, as it may be amended or supplanted. The Budget will be automatically be ratified unless disapproved at a meeting by Members or Voting Representatives (as applicable) representing at least 67% of the total Members in the Association. Such ratification will be effective regardless of whether a quorum is present.

(d) Disapproved Budget. If any proposed Budget is disapproved or the Board fails for any reason to determine the Budget for any fiscal year, then the Budget most recently in effect will continue in effect until a new Budget is ratified.

(e) Reserve Fund. Pursuant to RCW 64.90.535, as it may be amended or supplanted, the Association shall regularly undertake a Reserve Study. The Association shall endeavor to ensure that the Reserve Study also satisfies the requirements of Institutional Mortgagees. The Budget must take the results of the most recent Reserve Study into account and must include an allocation to a reserve fund in an amount determined by the Board to be sufficient to meet the projected capital needs of the Association to fund major maintenance, repair and replacement of Common Areas. The reserve fund will either be (i) deposited with a banking institution insured by the FDIC or successor entity or (ii) invested in obligations of, or fully guaranteed as to principal by, the United States of America. Sums in

the reserve fund will be expended only for the purposes described above and cannot be used to fund the Declarants initial development or other original construction costs.

7.3 Initial Capitalization. Upon acquisition of record title to a Lot by the first Owner thereof other than the Declarant or a Builder, that Owner shall contribute to the working capital of the Association an amount equal to one-quarter of the amount of the then-current annual general assessment, as determined by the Board. This contribution shall be deposited to the Association's operating fund. The contribution is in addition to, and will not be considered an advance payment of, any general, special or specific assessments otherwise applicable to the Lot.

7.4 General Assessments. Based on the Budget, the Association shall levy a general assessment based on Allocated Interests for the payment of Common Expenses. Installments of general assessments may be due on any periodic basis designated by the Board (*e.g.*, monthly, quarterly).

7.5 Benefited Property Assessments. All Common Expenses pertaining to the maintenance of Limited Common Areas shall be shown separately in the Budget. The Common Expenses pertaining to the maintenance of a Limited Common Area shall be assessed solely against the Lots within the benefited property area, as provided in Exhibit C, based on their respective Allocated Interests on another equitable basis as determined by the Board. No Common Expenses pertaining to the maintenance of Limited Common Areas will be used in computing the general assessments to be levied pursuant to Section 7.4.

7.6 Special Assessments. In addition to other authorized assessments, the Association may levy special assessments to cover unbudgeted expenses or expenses in excess of those budgeted, including, without limitation, any legal fees, costs, damages or awards incurred in legal actions in which the Association is a party or in which a member of either the Board, the ARC or any committees of the Board is named as a party as a result of a decision made or action performed while acting on behalf of the Association. Special assessments will be subject to the ratification process described in Section 7.2(c). Special assessments will be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the special assessment is approved.

7.7 Specific Assessments

(a) Services. The Association may levy specific assessments against a Lot to cover the costs of services for which the cost to the Association varies by Lot. The Association will levy a specific assessment against each Lot for such services.

(b) Special Services. The Association may levy specific assessments against a Lot to cover the costs, including overhead and administrative costs, of providing services to a Lot upon request of an Owner pursuant to any menu of special services that may be offered by the Association. Specific assessments for special services may be levied in advance of the provision of the requested service.

(c) Violation of Governing Documents. The Association may levy a specific assessment against a Lot whose Owner, in violation of any Governing Document, (i) fails to maintain such Lot, (ii) fails to restore such Lot, (iii) fails to bring such Lot into compliance with the Governing Documents or (iv) damages any Common Area by negligent or intentional act.

(d) Communities. The Association may levy a specific assessment against the Lots within a Community to reimburse the Association or Community Association for the costs incurred in bringing the Community into compliance with the Governing Documents or for the costs incurred pursuant to Section 6.1 or Section 6.3.

7.8 Other Assessments

(a) Conveyances. At the closing of the conveyance of a Lot to the first Owner of the Lot other than Declarant or a Builder and on each subsequent conveyance of such Lot, the Owner acquiring the Lot shall pay to the Association a conveyance assessment in an amount established by the Board from time to time. The conveyance assessment will be deposited to the Association's operating fund. The conveyance assessment is in addition to, and will not be considered an advance payment of, any general, special or specific assessments otherwise applicable to the Lot. Conveyance of a Lot not made in exchange for valuable monetary consideration is exempt from conveyance assessments.

(b) County Activities. If the County accepts or assumes responsibility for any portion of the Common Areas, and assesses the Association for operational, maintenance or other charges associated with the Common Areas, then the Association may either include such charges as part of the Common Expenses or levy a special or specific assessment for payment of such charges.

7.9 Exemptions

(a) Common Areas; Public Property. The Common Areas and all property dedicated to and accepted by any governmental authority or utility company will be exempt from assessment.

(b) Tax-Exempt Entities. The Declarant or the Association will have the right, but not the obligation, to grant exemptions to entities qualifying for tax-exempt status under Section 501(c) of the Internal Revenue Code so long as such entities own Property subject to this Declaration for purposes listed in Section 501(c).

7.10 Liens; Enforcement

(a) Lien Rights; Successor Liability. The Association will have a lien against each Lot to secure payment of delinquent assessments, as well as interest, lawful late charges, and costs of collection (including attorneys' fees). Except as provided in Section 7.10(d), the sale or conveyance of a Lot will not affect the assessment lien or relieve such Lot from the lien for any subsequent assessment.

(b) Waiver of Homestead Exemption; Subordination of Liens. Liens for assessments will be superior to and prior to any homestead exemption provided under Washington law and to all other liens and encumbrances except: (i) liens and encumbrances recorded prior to the date of recording of this Declaration; (ii) liens for real property taxes and other governmental assessments or charges duly imposed by a governmental authority, or any other liens that by law would be superior; and (iii) the lien or charge of any First Mortgage made in good faith and for value.

(c) Default. If an assessment or other charge levied under a Governing Document is not paid within 10 days of its due date, such assessment or charge will become delinquent and will bear interest at from the due date at a rate of 12% per annum, noncompounding. If an assessment becomes delinquent, the Association may, but will not be obligated to, record a notice of lien in the land records of the County. The delinquent Person will be required to reimburse the Association for the

expense of preparing and recording the notice of lien. Regardless of whether the Association records a notice of lien, the Association may: (i) take any appropriate enforcement action described in Section 5.2; (ii) declare all remaining periodic installments of any assessment immediately due and payable; (iii) foreclose the lien in accordance with Washington law; (iv) bring an action to recover a monetary judgment, without waiving or foreclosing the lien; or (v) pursue any other remedy available to the Association at law or in equity. Remedies may be pursued sequentially or concurrently and the pursuit of one remedy will not preclude the pursuit of any other remedy. If the Association brings any suit or action to enforce this Declaration, or incurs any costs to collect money due or foreclose a lien, the delinquent Person/defendant shall pay to the Association all costs and expenses incurred by it in connection with such activity, with or without litigation, including attorneys' fees. All costs of enforcement will be secured by the lien. If the Association recovers a monetary judgment, only the portion of the lien for which recovery is made will be deemed satisfied.

(d) Foreclosure. The sale or conveyance of a Lot pursuant to foreclosure of a First Mortgage will extinguish the lien as to any installments of such assessments due prior to the foreclosure. The subsequent Owner to the foreclosed Lot will not personally be liable for assessments on such Lot due prior to its acquisition of title. Such unpaid assessments will be deemed to be Common Expenses, collectable from Owners of all Lots subject to assessment, including the Owner acquiring the Lot through foreclosure, its successors or assigns. The Association may bid for the Lot at a foreclosure sale and acquire, hold, lease, mortgage and convey the Lot. While a Lot is owned by the Association following foreclosure: (i) no right to vote may be exercised on its behalf; (ii) no assessment may be levied on it; and (iii) each other Lot will be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Lot had it not been acquired by the Association.

7.11 Certificates of Assessment. Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate will be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

7.12 Rights of Declarant and Institutional Mortgagee to Pay Assessments. The Declarant and any Institutional Mortgagees will have the right, but not the obligation, jointly or singly, and at their sole option, to pay any assessments which are in default and which may or have become a lien or charge against any Lot. Furthermore, the Declarant will have the right, but not the obligation, at its sole option, to pay insurance premiums or fidelity bond premiums or other required items of Operating Expenses on behalf of the Association if the same are overdue or if lapses in policies or services may occur. If the Declarant makes such a payment, it will be entitled to immediate reimbursement from the Association plus any costs of collection including, but not limited to, reasonable attorney's fees.

8. Utility Systems

8.1 Installation. The Declarant hereby reserves unto itself and its designees, successors, assignees, and licensees the right (though no obligation is hereby assumed) to construct or install over, under, across and upon any portion of the Property any Systems for the use of the Owners and their guests, invitees, tenants, and family members. As of the date of this Declaration, the Declarant intends to install only a Communications System and an Electrical System (and only within the Common Areas). The Declarant will have and hereby reserves to itself and their designees, successors, assignees, and licensees a perpetual and exclusive right, privilege, easement, and right-of-way for the installation, construction and maintenance of all Systems that may from time to time exist at the Property (the scope,

extent, size, and the location of which over, under, across, upon, and through the Property will be determined solely by the Declarant, its successors, designees, and assigns) together with a perpetual and exclusive right and privilege of: (i) unlimited ingress and egress thereto for installing, constructing, inspecting, maintaining, altering, moving, improving, and replacing the facilities and equipment constituting the Systems including, without limitation, any towers, antennas, conduits, pipes, wires, cables, lines, panels, boxes, pumps, housings, connections, insulators, and amplifiers necessary or desirable to receive and distribute services of any of the Systems and (ii) operating and transmitting (the facilities and equipment of which may be owned and exclusively controlled by the Declarant, an affiliate of the Declarant or their successors, assigns or designees).

8.2 System Services. The Declarant may enter into contracts for the exclusive provision of System services as the Declarant (and after the Development Period, the Association) deem, in their sole discretion, to be in the best interests of the Property. The contract for each System may provide that basic System will be mandatory for all owners. The contract for each System may also provide as follows:

(a) Basic Service Charge. Every Lot will be subject to a charge, payable per Lot on the first day of each month or quarter in advance, for basic services.

(b) Community Association. Every Community Association shall impose, along with regular assessments, against each Lot contained within the Community, the amount of the basic charges due and payable for that System and shall collect same and forthwith remit the amount collected to the Contractual Designee providing the System services.

(c) Liens. Every Owner of a Lot hereby agrees that the Association and Community Association and their respective successors and assigns will have a lien upon such Lot for the respective System charges.

(d) Mortgagees. Any Institutional Mortgagee becoming an Owner of a Lot by reason of foreclosure of its mortgage or by accepting a deed in lieu thereof will be excused from the payment of fees while it is such Owner and has not placed any other person in possession of such Lot. If a First Mortgagee or other owner of a Lot obtains title to the Lot as a result of the foreclosure of an First Mortgage, such acquirer of title, its successors and assigns, will not be liable for the payment of the aforementioned charges pertaining to such Lot that becomes due prior to acquisition of title in the manner provided above.

(e) Optional Services. With respect to a System, the Contractual Designee may impose such additional charges for optional System services as is consistent with the rates for such services as approved by any local governmental agency having jurisdiction over the franchising of such services. Such services will not be mandatory and charges therefor will be individually billed to Owners of such Lots.

(f) Partial Exclusions. The Declarant may excuse portions of the Property from the provisions of this Section 8 which, in the determination of the Declarant, have uses for System services inconsistent with the overall design of such services in the Property as a whole.

(g) Effective Period; Extension. The provisions of this Section 8 will be effective for a period of 20 years from and after the date of recordation of this Declaration, after which time they will be extended, automatically, for three successive periods of 10 years each; *provided*, that upon demand of the Declarant (or, after the Development Period, the Association) given at least one year

prior to the expiration of each term, the Contractual Designee or Designees, their successors and assigns, update their Systems to the then current state-of-the-art as determined by agreement or, in its absence, by arbitration.

(h) Enforcement. Enforcement of the provisions of this Section 8 will be by an appropriate action at law or in equity against any Persons violating or attempting to violate any covenants. The bringing of one action will not constitute an election or exclude the bringing of another action. When a Contractual Designee enforces the provisions of this Section 8, it will be entitled to payment of court costs and reasonable attorney's fees.

9. First Mortgagee Rights

9.1 First Mortgagee's Nonliability. A First Mortgagee will not, merely by reason of its security interest, be liable for the payment of any assessment, nor for the observation or performance of any covenant or restriction in this Declaration, except (i) those enforceable by equitable relief and not requiring the payment of money or (ii) except as provided in this Section 9.

9.2 First Mortgagee's Rights During Foreclosure. During the pendency of any proceeding to foreclose a mortgage, including any redemption period, or to compel a sale under a deed of trust, the First Mortgagee may exercise all rights and privileges of the Owner of the encumbered Lot, including, without limitation, the right to vote in the Association, to the exclusion of the Owner's exercise of such rights.

9.3 First Mortgagee as Owner. Any Person that becomes an Owner of a Lot, including a First Mortgagee or its successors or assigns, will be subject to all provisions of this Declaration, including, without limitation, the obligation to pay assessments.

9.4 Free and Clear Title. If a First Mortgagee acquires title to a Lot through foreclosure or deed in lieu thereof, it will not be liable for any unpaid assessments that became due prior to the date that title vests with the First Mortgagee, except as may be required by Washington law.

9.5 Survival of Assessment Obligations. After foreclosure, any unpaid assessment will continue to exist and remain a personal obligation of the Owner against whom the same was assessed. The Association will use reasonable efforts to collect the unpaid assessment from the former Owner.

9.6 Subordination of Assessment Liens. The liens for assessments under this Declaration will be subordinate to the lien of any First Mortgage held by a First Mortgagee. Upon demand, the Association shall execute a written subordination agreement to confirm the priority of the First Mortgage lien.

9.7 Notices. Upon receipt by the Association from any Institutional Mortgagee (as opposed to First Mortgagees who are not Institutional Mortgagees) of a copy of the First Mortgage held by such Institutional Mortgagee on a Lot, together with written request therefor from such Institutional Mortgagee specifying the address to which the following items are to be sent, the Association shall timely send to such Institutional Mortgagee the below-described notices (until the Association receives a written request from such Institutional Mortgagee to discontinue sending the following items or until the First Mortgage is discharged of record). The failure of the Association to send any such notice to any such Institutional Mortgagees will not have any effect on any meeting, act or thing that was to have been the subject of such notice nor affect the validity thereof.

(a) Notice of Meetings. A copy of any notice of a meeting of the Association or of the Board that is thereafter sent to the Owner of such Lot.

(b) Financial Statements. A copy of any financial statement of the Association that is thereafter sent to the Owner of such Lot.

(c) Management Change. Written notice of any termination by the Association of any professional management of the Common Areas and the assumption by the Association of the self-management of the Common Areas; *provided*, however, such assumption by the Association of the self-management of Common Areas shall not occur unless approved by (i) Owners or Voting Representatives representing at least 67% of the Lots, and (ii) if such professional management has previously been required by at least 51% of Institutional Mortgagees, by Institutional Mortgagees holding First Mortgages encumbering 51% of the Lots encumbered by such First Mortgages.

(d) Termination of Insurance. At least 30 days' prior written notice of the cancellation or termination by the Association of any policies of insurance covering the Common Areas or any fidelity bonds of the Association, as well as copies of any notices of cancellation by others received by the Association with respect thereto.

(e) Damage to Common Areas. Written notice of any damage to the Common Areas that affects a material portion thereof.

(f) Condemnation of Common Areas. Written notice of any condemnation or eminent domain proceeding or proposed acquisition arising therefrom with respect to the Common Areas.

(g) Damage to Limited Common Areas. Written notice of any damage to the Limited Common Areas that affects a material portion thereof.

(h) Condemnation of Limited Common Areas. Written notice of any condemnation or eminent domain proceeding or proposed acquisition arising therefrom with respect to the Limited Common Areas.

(i) Matters Affecting Declaration. Written notice of any material amendment to, or the abandonment or termination of, this Declaration or of any proposed action that would require the consent of Institutional Mortgagees.

(j) Delinquencies. Written notice of any failure by an Owner owning a Lot encumbered by a First Mortgage held by such Institutional Mortgagee to perform his or her obligations under the Governing Documents, including, but not limited to, any delinquency in the payment of any assessments, where such failure or delinquency has continued for a period of 60 days.

10. Rights of Declarant. The rights and privileges of the Declarant as set forth below in this Section 10 (i) are in addition to and do not limit any other rights and privileges of the Declarant under any Governing Document, (ii) may not be suspended, superseded or modified in any manner without the Declarant's written consent, and (iii) will not terminate until the expiration of the Development Period.

10.1 Additional Covenants. No Person may record any declaration of covenants, conditions or restrictions, or declaration of condominium, or Community Declaration, or similar instrument affecting any portion of the Property without the Declarant's review and written consent. Any

attempted recordation without such consent will result in such instrument being void and of no force or effect unless subsequently approved by written consent signed and recorded by the Declarant.

10.2 Assignment. The Declarant's rights or obligations under this Declaration or the other Governing Documents may be transferred in whole or in part to other Persons, provided that the transfer will not reduce an obligation or enlarge a right beyond that which the Declarant has under this Declaration or the other Governing Documents. No such transfer will be effective unless it is in a written instrument signed and recorded by the Declarant. The foregoing sentence will not preclude the Declarant from permitting other Persons to exercise, on a limited basis, any right reserved in this Declaration when the Declarant does not intend to transfer such right in its entirety. In such case, it will not be necessary to record any written notice of transfer unless necessary to evidence the Declarant's consent to such exercise.

10.3 Project Standards. No amendment to any use restrictions or design guidelines will be effective without prior notice to and the written approval of the Declarant, so long as the Declarant owns Property subject to this Declaration or that may become subject to this Declaration.

10.4 Plats. During the Development Period, the Declarant may record amended Plats without the consent of any Person other than the Owners of the Property that are the subject of those Plats.

10.5 Name. No Person may use the name "Timber Valley Estates" or any derivative of such name in any printed or promotional material without the Declarant's consent. However, Owners may use the name "Timber Valley Estates" in printed or promotional matter if such term is used solely to specify that particular property is located within the Property and the Association will be entitled to use the words "Timber Valley Estates" in its name.

10.6 Communities. The Declarant reserves the right, and the power, without the consent of any other Person being required: (i) to amend the specific provisions of this Declaration insofar as they apply to one or more Communities without amending those provisions with respect to all Communities; (ii) to supplement this Declaration by recording separate covenants, conditions, restrictions and other provisions applying to any specific Community; and (iii) to determine consistency of all Community Declarations with this Declaration and the plan of development of the Property.

10.7 Reconveyance. Upon the Declarant's written request, the Association shall convey to Declarant any unimproved portions of the Property originally conveyed by the Declarant to the Association for no consideration, to the extent conveyed by the Declarant in error or needed by the Declarant to make minor adjustments in property lines.

10.8 Sales and Construction Facilities and Activities. The Declarant and Builders authorized by the Declarant may construct and maintain upon portions of the Common Area and such facilities and temporary structures, and may conduct such activities on the Common Areas as the Declarant in its sole discretion, believes to be reasonably required, convenient or incidental to the construction or sale of Lots. The generality of the foregoing notwithstanding, facilities may include business offices, signs, model units and sales offices (any of which may be located in Manufactured Homes). The Declarant and Builders will have easements for access to and use of such facilities and will not be subject to fees or rental charges.

10.9 Withdrawal of Property. The Declarant reserves the right to amend this Declaration during the Development Period for the purpose of removing any portion of the Property

owned or previously owned by the Declarant, which has not yet been improved with Improvements, from the scope of this Declaration; *provided*, that such withdrawal does not reduce the total number of Lots then subject to this Declaration by more than 10%. Such amendment will not require the consent of any Person other than the Owners of the Property to be withdrawn. If the Property is a Common Area the Association shall consent to such withdrawal.

11. Limitation of Liability; Indemnification

11.1 Limitation of Liability. The Declarant, the Board, the ARC and any of the Board's other committees may grant, withhold or deny its consent, permission, or approval in any instance where its consent, permission, or approval is permitted or required at its sole discretion and without any liability of any nature or kind to Owner or any other Person for any reason whatsoever. The Declarant will not be held liable or responsible for any violation of this Declaration by any Person other than itself.

11.2 Indemnification. The Association shall indemnify, defend and hold harmless the Declarant, and any related Persons, from and against any and all claims, suits, actions, causes of action and damages arising from any personal injury, loss of life or damage to property sustained on or about Property or other property serving the Association and Improvements thereon, or resulting or arising out of the operation of the Association, and from and against all costs, expenses, counsel fees (whether or not suit is instituted), expenses and liabilities incurred by the Declarant arising from any such claim, the investigation thereof, or the defense of any action or proceedings brought thereon, and from and against any orders, judgments or decrees which may be entered thereon. The expense of fulfilling this covenant of indemnification set forth in this Section 11.2 will be a Common Expense to the extent such matters are not covered by the Association insurance.

12. Dispute Resolution

12.1 Mediation; Arbitration. Except for the Excluded Matters, any claim, controversy or dispute (collectively, "Disputes") by or among the Declarant, the Association, any Community Association, any Owner, or any of them, arising out of or relating to the Governing Documents or the Property will be resolved pursuant to the provisions of this Section 12.1. Each dispute will be subject to mediation and, if not resolved by mediation, will be resolved by binding arbitration, conducted pursuant to the Revised Code of Washington, Chapter 7.04A, modified as described herein. Demand for arbitration must be in writing. Arbitration must be conducted by one arbitrator. If the parties cannot agree to an arbitrator within 30 days of the initial demand for arbitration, any party may petition the Spokane County Superior Court for the appointment of an arbitrator by the Court. Once appointed, the arbitrator must allow discovery as described in the Civil Rules for Washington Superior Court. The hearing will be conducted within 120 days after the arbitrator's appointment, unless otherwise agreed in writing by all of the parties. The arbitrator must render a written decision within 30 days after completion of the hearing. The arbitration will be held in Spokane, Washington, or in such other place as may be agreed upon at the time by the parties. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Each party shall pay its own expenses in connection with the arbitration proceedings and the parties will timely pay equal shares of the arbitrator's compensation and expenses, subject to reimbursement pursuant to the following sentence. If any party commences arbitration in connection with this Agreement or its breach, the prevailing party in such arbitration will be entitled to reimbursement for its reasonable costs (including arbitration expenses) and attorneys' fees incurred. Disputes will be barred from arbitration if such Disputes would be barred in a litigation proceeding under applicable statutes of limitations. The mediation and arbitration agreement contained in this Section 12.1 will survive the

conveyance by any party of its interest or involvement in the Property or any Lot therein, as well as the termination of this Declaration.

12.2 Excluded Matters. The Excluded Matters described in this Section 12.2 will not be subject to the procedures described in Section 12.1. The prevailing party with respect to an Excluded Matter will be entitled to reimbursement for its reasonable costs and attorneys' fees incurred. The "Excluded Matters" are: (i) actions relating to the collection of assessments and other charges imposed by the Association (except that Disputes as to the validity of such assessments or other charges will be subject to resolution pursuant to Section 12.1); (ii) actions by the Association for injunctive or other equitable relief; (iii) actions for injunctive or declaratory relief seeking a determination as to the applicability, enforcement or interpretation of this Declaration; (iv) any action in which an indispensable party is not subject to the mediation and arbitration agreement contained in Section 12.1; (v) any action to enforce an arbitration award; and (vi) any action between an Owner and a Builder regarding any warranty or construction defect claim.

13. General Provisions

13.1 Amendment

(a) By Declarant. Upon 30 days advance notice to Owners, the Declarant may, without a vote of the Owners or approval by the Board, unilaterally adopt, execute and record a corrective amendment or supplement to this Declaration or the other Governing Documents to correct a mathematical mistake, an inconsistency or a scrivener's error, or to clarify an ambiguity in this Declaration or the other Governing Documents with respect to an objectively verifiable fact. The Declarant may also, without a vote of the Owners or approval by the Board, unilaterally adopt, execute and record an amendment to this Declaration or the other Governing Documents in connection with the exercise of the Declarant's development rights, as contemplated in RCW 64.90.250.

(b) In General. Subject to Section 13.1(a), this Declaration may be amended (i) by the consent of the Owners of two-thirds of all Lots together with (ii) the approval or ratification of a majority of the Board. The aforementioned consent of the Owners may be evidenced by a writing signed by the required number thereof or by the affirmative vote of the required number thereof at any regular or special meeting of the Association called and held in accordance with the Association's Bylaws.

(c) First Mortgagee Approval. In addition to any other provisions contained in this Declaration, the prior written approval of 51% of First Mortgagees who have requested from the Association notification of amendments will be required for any material amendment to this Declaration or the other Governing Documents of any of the following: (i) voting rights; (ii) assessment liens or the subordination thereof; (iii) reserves for maintenance, repair and replacement of Common Areas; (iv) insurance or fidelity bonds; (v) responsibility for maintenance and repair; (vi) the boundaries of any Lot owned by an Owner other than the Declarant, except minor lot line adjustments; (vii) reallocation of interests in the Common Areas or rights to their use; (viii) convertibility of Common Areas into Lots or of Lots into Common Areas; (ix) impositions of restrictions on the right of an Owner to convey the Owner's Lot; (x) a decision by the Association to establish self-management when professional management had been required previously by First Mortgagees; (xi) any action to terminate the legal status of the Timber Valley Estates development after substantial destruction or condemnation occurs; and (xii) any provisions that are for the express benefit of First Mortgagees. The approval of a First Mortgagee may be assumed when it fails to submit a response to any written proposal for an amendment without 60 days after it receives proper notice of the proposal, provided that the notice was delivered by certified or registered mail, return receipt requested.

(d) Amendments to Comply with Lender Requirements. In addition to the foregoing, the Declarant and the Board have the power and authority, without the vote of the Association, to amend this Declaration and to enter into such contracts and agreements on behalf of the Association as are required in order to satisfy the guidelines of Institutional Mortgagees 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 agrees that it will benefit the Association and the Members, as a class of potential mortgage borrowers and potential sellers of their Lots, if Institutional Mortgagees approve the Property as a qualifying project under their respective policies, rules and regulations as adopted from time to time.

(e) No Prejudice of Rights. Notwithstanding anything to the contrary contained in this Declaration, no amendment to this Declaration will be effective if it would impair or prejudice the rights or priorities of the Declarant or the Association under this Declaration or any other of Governing Documents without specific written approval of the affected party (*i.e.*, the Declarant or the Association).

(f) Copy to Declarant. After the Development Period, a true copy of any amendment to this Declaration must be sent certified mail by the Association to Declarant within five days of its adoption.

(g) Supplements; Community Declarations. Notwithstanding anything contained in this Declaration, Supplements and Community Declarations are not amendments. Supplements may be executed only by the Declarant. Community Declarations may be executed only by the Declarant.

13.2 Consents. Unless a different standard of approval or consent is expressly set forth in this Declaration, if a matter requires the approval or consent of the Declarant or the Association, the Declarant or the Association may grant or withhold such approval or consent in its sole discretion.

13.3 Declaration Runs with Land. The covenants, reservations, restrictions, and other provisions of this Declaration will run with and bind the Property and will inure to the benefit of the Declarant (until such time as the Declarant records a certificate in the land records of the County to the effect that the Declarant no longer intend to sell or construct any Lots), the Association, and all Owners, their respective legal representatives, heirs, successors and assigns.

13.4 Dissolution of Association. Following dissolution of the Association, each Lot will continue to be subject to the assessments specified in this Declaration and each Owner shall continue to be personally obligated to the Declarant or the successor or assigns of the Association as the case may be for such assessment to the extent that such assessments are required to enable the Declarant or any such successors or assigns acquiring any real property previously owned by the Association to properly maintain, operate and preserve it. The provisions of this Section 13.4 will only apply with regard to the maintenance, operation and preservation of property that has been Common Areas and continues to be so used for the common use and enjoyment of Owners. Furthermore, following dissolution of the Association for whatever reason, any Owner may petition the Spokane County Superior Court for the appointment of a receiver to manage the affairs of the dissolved Association and the Common Areas in place and instead of the Association and to make such provisions as may be necessary for the continued management of the affairs of the dissolved Association, the Common Areas.

13.5 Governing Law. This Declaration will be construed in all respects under the laws of the State of Washington.

13.6 Interpretation. Wherever in this Declaration the context so requires, the singular number will include the plural, and the converse; and the use of any gender will be deemed to include all genders. In the event of any conflict, the following documents will control in the order stated: (i) this Declaration and Supplements/amendments, (ii) the Articles of Incorporation of the Association, (iii) the Bylaws of the Association and (iv) the Rules. Section captions in this Declaration do not have any independent meanings. The provisions of this Declaration must be liberally interpreted and construed to provide maximum flexibility consistent with the purposes set forth herein, including the Preamble. All exhibits attached to this Declaration are incorporated by reference.

13.7 Notices. Any notice or other communication required or permitted to be given or delivered pursuant to this Declaration will be deemed properly given and delivered upon (i) personal delivery, (ii) the mailing thereof by United States mail, postage prepaid, (iii) the mailing thereof by FedEx, UPS or other nationally-known carrier or (iv) by electronic transmission in accordance with Chapter 24.03 RCW, as it may be amended from time to time or supplanted.

(a) To the Declarant. Notice to the Declarant as may be required or desired under this Declaration must be in writing and delivered or mailed to the Declarant at its principal place of business as shown by the records of the Secretary of the State of Washington, or at any other location designated by the Declarant. Upon request of an Owner, the Association shall furnish to such Owner the then-current address for the Declarant as reflected by the Association records.

(b) To Association. Notice to the Association as may be required under this Declaration or the Association Bylaws must be in writing and delivered or mailed to the Association at its principal place of business as shown by the records of the Secretary of the State of Washington, or at any other location designated by the Association.

(c) To Owners and Builders. Notice to any Owner or Builder of a violation of any of provision of this Declaration, or any other notice as may be required herein must be in writing and delivered or mailed to the Owner or Builder at the address shown on the tax rolls of the County, or to the address of the Owner or Builder, as shown on the deed recorded in the land records of the County, or to the address of the Owner or Builder as filed with the Secretary of the Association, or if an Owner or Builder is an Entity, to its principal place of business as shown by the records of the Secretary of State (of Washington or its state of organization).

13.8 No Waiver. No waiver of any breach of this Declaration will constitute a waiver of any other breach, whether of the same or any other covenant, condition or restriction.

13.9 Severability. If any covenant, condition, restriction or other provision of this Declaration is held to be invalid in whole or in part by any court of competent jurisdiction, then such provision will be deemed modified to the minimum extent necessary to make it valid and enforceable and the court's holding will in no way affect the validity of the remaining provisions of this Declaration, all of which shall remain in full force and effect.

13.10 Transfer of Certain Utilities. The Declarant and the Association may convey its interest in any utility system (including, without limitation, the Communication System, Sewer System and the Water System, if any) to a private entity or public body for ownership and maintenance, together with any necessary easements relating thereto, and each Lot will become burdened thereby.

[Signatures to follow]

SIGNATURE PAGE
TO
DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR
TIMBER VALLEY ESTATES

IN WITNESS WHEREOF, the parties hereto have caused this Declaration of Covenants, Conditions, Restrictions and Easement for Timber Valley Estates to be executed as of the date first written above:

KOOTENAI BUSINESS DEVELOPMENT, INC.,
a Washington corporation

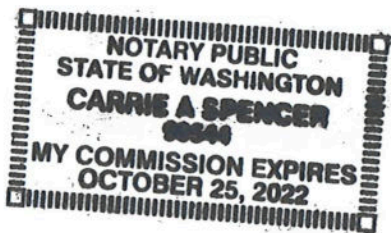
By: TB Brinkmeyer
Name: Todd Brinkmeyer
Its: President

STATE OF Washington)
COUNTY OF Spokane) ss

On this 21st day of December 2020, before me personally appeared Todd Brinkmeyer, to me known to be the President of KOOTENAI BUSINESS DEVELOPMENT INC., a Washington corporation, the corporation that executed the foregoing instrument and acknowledged it to be the free and voluntary act of said corporation, for the uses and purposes mentioned in the instrument, and on oath stated that he was authorized to execute the said instrument on behalf of said corporation.

GIVEN UNDER MY HAND AND OFFICIAL SEAL the day and year in this certificate first above written.

DATED this 21st day of December 2020



Carrie Spencer
Notary Public in and for the
State of Washington
Residing at Spokane
My Commission expires 10/25/2022

10-1-1951

11/14/51
11/14/51

11/14/51

11/14/51

11/14/51

NOTARY PUBLIC
STATE OF WASHINGTON
CAROL A. BARNES
11/14/51
OCTOBER 24, 1951
BY COMMISSION EXPIRES

EXHIBIT A

LEGAL DESCRIPTION OF THE PROPERTY

PARCEL A

THE WEST 330.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE WEST 30.00 FEET FOR CEDAR ROAD.
ALSO EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0101

PARCEL B

THE EAST 330.00 FEET OF THE WEST 660.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0102

PARCEL C

THE EAST 330.00 FEET OF THE WEST 990.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0103

PARCEL D

THE EAST 330.00 FEET OF THE WEST 1320.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0104

PARCEL E

THE EAST 330.00 FEET OF THE WEST 1650.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0105

PARCEL F

THE EAST 330.00 FEET OF THE WEST 1980.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0106

PARCEL G

THE EAST 330.00 FEET OF THE WEST 2310.00 FEET OF THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0107

PARCEL H

THE SOUTH HALF OF THE SOUTHWEST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE WEST 2310.00 FEET OF SAID SOUTH HALF OF THE SOUTHWEST QUARTER,
ALSO EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39193.0108

PARCEL I

THE SOUTH HALF OF THE SOUTHEAST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE EAST 2310.00 FEET OF SAID SOUTH HALF OF THE SOUTHEAST QUARTER
ALSO EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0109

PARCEL J

THE WEST 330.00 FEET OF THE EAST 2310.00 FEET OF THE SOUTH HALF OF THE SOUTHEAST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0110

PARCEL K

THE WEST 330.00 FEET OF THE EAST 1980.00 FEET OF THE SOUTH HALF OF THE SOUTHEAST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0111

PARCEL L

THE WEST 330.00 FEET OF THE EAST 1650.00 FEET OF THE SOUTH HALF OF THE SOUTHEAST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0112

PARCEL M

THE WEST 330.00 FEET OF THE EAST 1320.00 FEET OF THE SOUTH HALF OF THE SOUTHEAST QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE

TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19,
TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0113.

PARCEL N

THE WEST 330.00 FEET OF THE EAST 990.00 FEET OF THE SOUTH HALF OF THE SOUTHEAST
QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE
TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19,
TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0114

PARCEL O

THE WEST 330.00 FEET OF THE EAST 660.00 FEET OF THE SOUTH HALF OF THE SOUTHEAST
QUARTER, ACCORDING TO ARCADIA ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE
TO GOVERNMENT LOTS OR US GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19,
TOWNSHIP 29 NORTH, RANGE 43 E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0115

PARCEL P

THE EAST 330.00 OF THE SOUTH HALF OF THE SOUTHEAST QUARTER, ACCORDING TO ARCADIA
ORCHARDS SURVEY DATED 9/17/1911 AND IS NOT RELATIVE TO GOVERNMENT LOTS OR US
GOVERNMENT SUBDIVISION PROCEDURES, OF SECTION 19, TOWNSHIP 29 NORTH, RANGE 43
E.W.M., SPOKANE COUNTY, WASHINGTON.
EXCEPT THE SOUTH 30.00 FEET FOR MONTGOMERY ROAD.
39194.0116

EXHIBIT B

LEGAL DESCRIPTION OF THE ANNEXATION AREA

PARCEL 1

SECTION 19, TOWNSHIP 29 NORTH, RANGE 43 E.W.M., IN SPOKANE COUNTY, WASHINGTON. EXCEPT THE SOUTH HALF OF THE SOUTHWEST QUARTER AND THE SOUTH HALF OF THE SOUTHEAST QUARTER THEREOF, ALSO EXCEPT THE WEST 30.00 FEET THEREOF FOR CEDAR ROAD.

PARCEL 2

THE NORTHWEST QUARTER OF SECTION 20, TOWNSHIP 29 NORTH, RANGE 43 E.W.M. IN SPOKANE COUNTY, WASHINGTON.

EXHIBIT C
LOT DATA: ALLOCATED INTERESTS

| LOT | ASSESSORS PARCEL NO. | APPROXIMATE SQ. FEET | ALLOCATED INTERESTS ^{1/} |
|--------------|----------------------|----------------------|-----------------------------------|
| A | 39193.0101 | 435600 | 6.25% |
| B | 39193.0102 | 435600 | 6.25% |
| C | 39193.0103 | 435600 | 6.25% |
| D | 39193.0104 | 435600 | 6.25% |
| E | 39193.0105 | 435600 | 6.25% |
| F | 39193.0106 | 435600 | 6.25% |
| G | 39193.01017 | 435600 | 6.25% |
| H | 39193.01018 | 435600 | 6.25% |
| I | 39194.0109 | 435600 | 6.25% |
| J | 39194.0110 | 435600 | 6.25% |
| K | 39194.0111 | 435600 | 6.25% |
| L | 39194.0112 | 435600 | 6.25% |
| M | 39194.0113 | 435600 | 6.25% |
| N | 39194.0114 | 435600 | 6.25% |
| O | 39194.0115 | 435600 | 6.25% |
| P | 39194.0116 | 435600 | 6.25% |
| TOTAL | | 6,969,600 | 100% |

Notes:

^{1/} The formula for determining the Allocated Interest of a Lot is the number of square feet of that Lot divided by the total number of square feet of all of the Lots on the Property.

EXHIBIT D
LIMITED COMMON AREAS

| LIMITED COMMON AREA | BENEFITED LOT |
|--------------------------------|------------------|
| West Findley Lane | Lots A through N |
| Private Driveway | Lot P and Lot O |
| Gated Entryway and Landscaping | Lots A through N |