



RECORDING REQUESTED AND WHEN RECORDED:

SEND TO: Kendall Yards Homeowners Association
1421 N Meadowwood Lane, Suite 200
Liberty Lake, WA 99019

MASTER DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
KENDALL YARDS HOMEOWNERS ASSOCIATION
SPOKANE COUNTY, WASHINGTON

A portion of the Southeast Quarter of Section 13, Township 25N., Range 42E.,
W.M. in the City of Spokane, Spokane County, Washington

TAX PARCELS NUMBERS: 25134.2101, 25134.2002, 25134.2104,
25134.2203, 25134.2105, 25134.2106,
25134.1202, 25134.1102, 25134.0902

August 23, 2010

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR KENDALL YARDS HOMEOWNERS ASSOCIATION**

THIS DECLARATION is made this _____ day of April 2010, by **NORTH GORGE RESIDENTIAL PARTNERS, LLC**, a Washington Limited Liability Company, hereinafter referred to as "Declarant." Declarant is the owner of the property described on Exhibit "A" attached hereto. Declarant hereby adopts the following Covenants, Conditions and Restrictions for Kendall Yards, a Planned Unit Development and any additions thereto. These Covenants, Conditions and Restrictions (hereinafter referred to collectively as "Declaration") shall run with the land, and shall apply to the subject Property and to any interest in that Property.

**ARTICLE I
RECITALS**

1.1 Real Property Description. Declarant is the owner of the real property located in the City of Spokane (sometimes referred to as the "City"), County of Spokane, State of Washington, as described on Exhibit "A" attached hereto and incorporated herein by this reference. The real property is sometimes referred to below as "Kendall Yards" or the "Property."

1.2 Right to Expand. Declarant may, in the future, own additional real estate in the City of Spokane, Spokane County, which it may desire to incorporate into Kendall Yards (the "Expansion Property"). The Declarant has reserved the right, but will not be obligated, to incorporate the Expansion Property in whole or in part in the regime established under this Declaration. All as provided herein below, so that Expansion Property, if and when developed, may be treated as an integral part of Kendall Yards.

1.3 Development. Declarant intends to develop those portions of the Property in phases, generally in accordance with the maps and plans approved under the zoning and subdivision ordinances and regulations of the City of Spokane, Spokane County and the State of Washington, as applicable. In order to facilitate the phased development of said Property the Declarant may record, in Declarant's sole discretion, Supplemental Declarations which subject additional portions of said real property to this Declaration. Each development phase shall constitute a "Parcel" as defined below. As a Parcel is approved under said zoning and subdivision ordinances and regulations, the filing of said Supplemental Declaration shall cause such Parcel to be subject to this Declaration.

Upon Recordation of this Declaration, Declarant desires to submit and subject the Property hereto, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto (all of which constitute a part of the Property), to the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights contained herein.

Declarant deems it desirable to establish covenants, conditions and restrictions

upon the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR KENDALL YARDS Property and each and every portion thereof, and certain mutually beneficial restrictions and obligations with respect to the proper use, occupancy and enjoyment thereof, all for the purpose of enhancing the quality of life within the Property.

Declarant also deems it desirable for the efficient management of the Property to create an Owners' Association to which will be delegated and assigned the powers of owning, managing, maintaining and administering the Common Areas within the Property; administering and enforcing these covenants, conditions, restrictions and easements; collecting and disbursing funds pursuant to the Assessments and charges hereinafter created; and the performance of such other acts as are herein provided or which generally benefit its members, the Property, and the Owners of any interests therein.

Kendall Yards Homeowners Association, a nonprofit corporation, has been incorporated under the laws of the State of Washington for the purpose of exercising the powers and functions of an Association for the Property.

Declarant desires and intends that the Owners, mortgagees, beneficiaries and trustees under trust deeds, occupants and all other Persons hereafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights set forth herein and in the Declaration, all of which are declared to be in furtherance of a plan to promote and protect the Property.

1.4 Conditions. Any development plans for any of the real property now or hereafter covered by this Declaration, in existence prior to or following the effective date of this Declaration, are subject to change at any time by Declarant, at Declarant's sole discretion, and impose no obligations on Declarant, as to how said real property is to be developed or improved. Any purchaser of a lot within a Parcel acknowledges that said lot is subject to the above-referenced zoning and subdivision ordinances and regulations and such other governmental ordinances and regulations, and approvals hereunder as may be in effect or as may from time to time be imposed. Said purchaser acknowledges familiarity with the same, constructively or otherwise.

1.5 Other Declarations. There may be other declarations, as amended or restated, with respect to other real property, which may utilize or make reference to the word "kendall yards." The same shall not be confused with, nor shall the same have any force or effect upon Kendall Yards or this Declaration.

1.6 Purpose. The purpose of this Declaration is to set forth the basic restrictions, covenants, limitations, easements, conditions and equitable servitudes (collectively "Restrictions") that apply to the real property now or hereafter covered by this Declaration. The Restrictions are designed to preserve the value, desirability and attractiveness of said real property, to ensure a well-integrated, high-quality development, and to guarantee adequate maintenance of any common area and improvements in a cost effective and administratively efficient manner.

ARTICLE II DECLARATION

Declarant hereby declares that those portions of the Property brought within the jurisdiction hereof, and each lot, parcel or portion thereof, is and/or shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following terms, covenants, conditions, easements and restrictions, all of which are declared and agreed to be in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale thereof, and to enhance the value, desirability and attractiveness thereof. The terms, covenants, conditions, easements and restrictions set forth herein shall run with the land, and with each estate therein, and shall be binding upon all Persons having or acquiring any right, title or interest in said real property or any lot, parcel or portion thereof; shall inure to the benefit of and be binding upon Declarant, Declarant's successors in interest, and each grantee or Owner and such grantee's or Owner's respective successors in interest; and may be enforced by Declarant, by any Owner or such Owner's successors in interest, or by the Association, as hereinafter defined, against any other Owner, tenant or occupant of said real property.

Notwithstanding the foregoing, no provision of this Declaration shall be construed so as to prevent or limit Declarant's right to complete development of the Property and to construct improvements thereon, nor Declarant's right to maintain model homes, construction, sales or leasing offices or similar facilities (temporary or otherwise) on any portion thereof, including any common area or any public right-of-way, nor Declarant's right to post signs incidental to construction, sales or leasing, nor Declarant's right to modify plans for the Property.

ARTICLE III DEFINITIONS

3.1 "Articles" shall mean the Articles of Incorporation of the Association or other organizational or charter documents of the Association.

3.2 "Assessments" shall mean those payments required of Owners, including Regular, Special and Limited Assessments of the Association as further defined in these covenants, conditions and restrictions.

3.3 "Association" shall mean the Kendall Yards Homeowners' Association, a Washington non-profit corporation, its successors and assigns, established by Declarant to exercise the powers and to carry out the duties set forth in this Declaration or any Supplemental Declaration.

3.4 "Association Rules" shall mean those rules and regulations promulgated by the Association governing conduct upon and use of the Property under the jurisdiction or control of the Association, the imposition of fines and forfeitures for violation of Association Rules and regulations, and procedural matters for use in the conduct of

business of the Association.

3.5 "Board" shall mean the Board of Directors or other governing board or individual, if applicable, of the Association.

3.6 "Builder" shall mean a Person who purchases a Lot for the purpose of building a residential dwelling unit for resale and not for such Person's own primary residence.

3.7 "Building Envelope" shall mean that portion of each Lot within which the entire Building Footprint shall be constructed. The Building Envelope for each Lot may be established by the Design Review Committee at any time prior to construction on such Lot, taking into account the proposed dwelling unit design submitted by the Owner, and shall not be less restrictive than the setbacks established by the City of Spokane . Any application to the City for a variance of the setbacks shall first require approval of the Design Review Committee

3.8 "Building Footprint" shall mean the area of a Lot which is within the perimeter created by a vertical extension to the ground of the exterior walls of all portions of a building, including attached garages and enclosed decks, porches, solariums, and similar enclosed extensions, attachments and accessory structures, whether enclosed or unenclosed, including but not limited to unenclosed decks, porches, porte cocheres, eaves and roof overhangs.

3.9 "Bylaws" shall mean the Bylaws of the Association.

3.10 "Common Area" shall mean all real property in which the Association holds an interest or which is held or maintained, permanently or temporarily, for the common use, enjoyment and benefit of the Owners, and may include, without limitation, trails, parks, recreational facilities, private roads, alleys, sidewalks, drainage ponds and storm water swales. Common Area may be established from time to time by Declarant on any portion of the Property by describing it on a Plat, by granting or reserving it in a deed, easement or other instrument, or by designating it pursuant to this Declaration or any Supplemental Declaration. Common Area may include easement and/or license rights.

3.11 "Declarant" shall mean North Gorge Residential Partners, LLC, a Washington Limited Liability Company. The term "Declarant" shall also include the successors in interest of the Declarant or any Person to whom the rights under this Declaration are expressly transferred by Declarant or its successor(s).

3.12 "Declaration" shall mean this Declaration as it may be amended from time to time.

3.13 "Design Guidelines" or "Guidelines" shall mean the architectural standards, rules, regulations, restrictions and design guidelines adopted from time to time by the Design Review Committee.

3.14 "Design Review Committee" shall mean the committee created by the Declarant or the Association pursuant to Article X hereof, and may be referred to herein and in the Design Guidelines as the "Committee."

3.15 "Expansion Property" is all that property consisting entirely of the Kendall Yards Master Plan included in the PUD approved by the City of Spokane under File Number Z2006-06-PUD.

3.16 "Improvement" shall mean any structure, facility or system, or other improvement or object, whether permanent or temporary, which is erected, constructed or placed upon, under or in any portion of the Property, including but not limited to buildings, fences, streets, drives, driveways, patios, bicycle paths, curbs, landscaping, signs, lights, mail boxes, electrical lines, pipes, pumps, ditches, waterways, recreational facilities, and fixtures of any kind whatsoever.

3.17 "Kendall Yards Documents" shall mean the basic documents creating and governing Kendall Yards, including, but not limited to, this Declaration, the Articles of Incorporation and Bylaws, the Design Guidelines, and any other procedures, rules, regulations or policies adopted under such documents by the Association, all as may be amended from time to time.

3.18 "Lot" shall mean a parcel of land designated as a Lot on any Plat of the Property or of any Expansion Property. The streets, roads and Common Areas on any Plat shall not be considered to be separate Lots.

3.19 "Member" means each person or entity owning membership in the Association.

3.20 "Owner" shall mean the person or other legal entity, including the Declarant, that holds fee simple title of record to any lot, or, if the lot is subject to one or more real estate contracts, the buyer under the most recent real estate contract; provided, however, that if the seller under such contract notifies the Association in writing that the buyer under said contract is in default, then the seller under said contract shall be the Owner for purposes of this Declaration. The Association shall be entitled to rely on such notification without further inquiry. "Owner" does not mean or refer to any Person who holds such interest merely as security for the performance of a debt or other obligation, including a Deed of Trust, unless and until such Person has acquired fee simple title pursuant to foreclosure or other proceedings.

3.21 "Parcel" shall mean a defined portion of the Property within which the contemplated development involves a common use or compatible uses, and which may have been designated as a Parcel by this Declaration, or a recorded Supplemental Declaration.

3.22 "Period of Declarant Control" shall mean the period beginning on the date this

Declaration is first recorded in the office of the County Auditor of Spokane County, Washington, and ending on the earlier of: (a) the date which is 25 years later, or (b) the date on which the Declarant has recorded the plats on all Expansion Property and has sold ninety percent (90%) of the Lots to Owners other than Declarant in each of the Plats. When Declarant has determined that no additional property shall be considered Expansion Property, Declarant shall so notify the Association in writing. The period of Declarant Control may be reinstated or extended by agreement between Declarant and the Association, subject to such terms, conditions and limitations as the Board of Directors may impose on the subsequent exercise by Declarant of the Special Declarant Rights. After the termination of the Period of Declarant Control, Declarant, if still an Owner, will continue to have all the rights and duties ordinarily given to Owners under this Declaration.

3.23 "Person" shall mean any individual, partnership, corporation or other legal entity.

3.24 "Plat" shall mean any subdivision plat covering any portion of the Property as recorded at the office of the County Auditor, Spokane County, Washington, as the same may be amended by duly recorded amendments thereof.

3.25 "Property" shall mean the Property described on Exhibit "A" attached hereto and incorporated herein by this reference, including each lot, parcel and portion thereof and interest therein, including all water rights associated with or appurtenant to such property. The Property included in Exhibit "A" is subject to this Declaration upon the recording of this Declaration and without the filing of a Supplemental Declaration.

Except as may be specifically provided herein, no portion of any additional property which may be brought within the jurisdiction hereof by Supplemental Declaration, or any other real property, shall be subject to the terms, covenants, conditions, easements and restrictions of this Declaration until such a Supplemental Declaration describing the portion of real property (the "Parcel") is executed by the Owner(s) of such Parcel and recorded. The Property may be expanded in the future to include, in Declarant's sole discretion, such additional property as may be annexed by means of one or more Supplemental Declarations as provided herein. Additionally, Declarant, at its sole election, may withdraw any Parcel of which Declarant is the fee title owner or contract purchaser and which was previously included within the provisions hereof upon recordation of a written Declaration of De-annexation as provided in Section 11.4.

3.26 "Regular Assessment" shall mean the portion of the costs of the general operation of the Association and the maintenance of the Common Areas which are authorized and to be paid by each Owner to the Association, pursuant to the terms hereof or the terms of this Declaration or a Supplemental Declaration.

3.27 "Special Assessment" shall mean the portion of the costs of the capital improvements or replacements, equipment purchases and replacements, shortages in Regular Assessments, or charges for special maintenance and operating services

applicable only to a sub-group of Association members, which are authorized and to be paid by each Owner to the Association, or to those Owners (sub-group of Association members) specially benefited by special maintenance or operational services, pursuant to the provisions of this Declaration or a Supplemental Declaration.

3.28 "Special Declarant Rights" shall mean those rights of Declarant as set forth in Article XIII below.

3.29 "Supplemental Declaration" shall mean any Supplemental Declaration including additional covenants, conditions and restrictions that might be adopted with respect to any portion of the Property or additional real property or improvements which may be made part of the Property as provided herein.

ARTICLE IV ARCHITECTURAL CONTROL

4.1 Structures-Generally. All structures (except for sales offices or similar facilities of Declarant) are to be designed, constructed and used in such a manner as shall be compatible with this Declaration, and shall meet the following minimum standards.

4.1.1 Use of Dwelling Structure. Except as may be expressly provided in this Declaration, except Lots that have been specifically designated for commercial or mixed-use and except for any amenities provided by Declarant, all Lots shall be improved and used solely for residential purposes. No Lot shall be improved, except with a single family dwelling unit and accessory structures designed to accommodate single family use and such other Improvements as are necessary or customarily incident to a single family residence. If written approval is granted in advance, permitted by the applicable city and county zoning ordinances, and in the sole discretion of the Design Review Committee, a guesthouse, accessory dwelling unit or similar ancillary structure designed to accompany the main residence on a Lot may be permitted. Subject to the provisions of Section 4.2.23 below, no dwelling unit shall be used for any purpose other than as a single-family use, and no gainful occupation, profession, trade, church, or other non-residential use shall be conducted on any Lot. Provided, however, nothing in this Declaration shall prevent the rental of property by an Owner for residential purposes on a long or short-term basis, nor the use of a portion of the residence for in-home office purposes or as an accessory dwelling unit as provided in this Declaration and the Design Guidelines, provided Owner complies with the parking restrictions set forth in this Declaration.

4.1.2 Design Review. No Improvements, alterations, repairs, excavation, grading, landscaping, tree removal or other exterior work which will be visible above ground or which will ultimately affect the visibility of any above ground Improvement shall be built, erected, placed or materially altered on or removed from the Property unless and until the building plans, specifications, and plot plan or other appropriate plans and specifications have been reviewed in advance by the Design Review Committee and the same have been approved in writing. The review and approval or disapproval may be based upon the following factors: size, height, design and style elements, mass and form,

topography, setbacks, finished ground elevations, architectural symmetry, drainage, color, materials, physical or aesthetic impacts on other property, artistic conformity to the terrain and the other Improvements on the Property, and any and all other factors which the Design Review Committee, in its sole discretion, may deem relevant.

The Design Guidelines adopted for the Property, and as amended from time to time shall be enforceable as though they were a part of this Declaration, and shall be binding on all Owners, and other Persons as if expressly set forth herein. It shall be the responsibility of each Owner to obtain and review a copy of the most recent set of Guidelines prior to the purchase of a Lot.

4.2 Covenants, Conditions, Restrictions and Easements Applicable to Lots.

The following covenants, conditions, restrictions and reservation of easements and rights shall apply to all Lots and the Owners thereof (except those owned by the Declarant):

4.2.1 Insurance Rates. Nothing shall be done or kept on any Lot which will increase the rate of insurance on any other portion of the Property without the approval of the Owner of such other portion, nor shall anything be done or kept on the Property or a Lot which would result in the cancellation of insurance on any property owned or managed by the Association or which would be in violation of any law.

4.2.2 No Further Subdivision. Except as provided in the Design Guidelines and subject to Section 4.2.23 below, no finally platted Lot may be further subdivided.

4.2.3 Signs. No sign of any kind shall be displayed to the public view, except:

(1) such Signs as may be used by Declarant in connection with the construction, development, management or administration of the Property and sale of Lots and/or Improvements thereon;

(2) temporary construction signs as permitted in the Design Guidelines;

(3) such way-finding and informational signs, of customary and reasonable dimensions as prescribed by the Design Review Committee may be displayed along road rights of way or on the Common Area; and

(4) such signs as may be required by legal proceedings or as required under Washington state law.

No sign shall be placed on the property without the written approval of the Design Review Committee.

In particular, and subject to the provisions of Section 4.2.23 below, no "For Sale" or "For Rent" sign or any other advertising device of any kind shall be placed in public view or otherwise posted on the Property, unless such signage is in strict compliance with the Design Guidelines.

4.2.4 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere upon the Property, and no odor shall be permitted to arise there from so as to render the Property or any portion thereof unsanitary, unsightly, offensive or detrimental to any portion of the Property or to its occupants, or to any other property in the vicinity thereof or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Property so as to be offensive or detrimental to the Property or to its occupants or to other property in the vicinity or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes or outdoor patio stereo speakers, which have been approved by the Design Review Committee, provided, however that such speakers may not be used at a level that is offensive to other Owners), flashing lights or search lights, shall be located, used or placed on the Property without the prior written approval of the Association. Normal holiday decorations and lighting shall be permitted.

4.2.5 Exterior Maintenance-Owner's Obligations. No Improvement shall be permitted to fall into disrepair, and each Improvement shall at all times be kept in good condition and repair. In the event that any Owner shall permit any Improvement, including trees and landscaping, which is the responsibility of such Owner to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, or so as to damage adjoining property or facilities, the Board, upon fifteen (15) days prior written notice to the Owner of such property, shall have the right to correct such condition, and to enter upon such Owners Lot for the purpose of doing so, and such Owner shall promptly reimburse the Association for the cost thereof. Such cost shall be a Limited Assessment and shall create a lien enforceable in the same manner as other Assessments set forth in Article VII of this Declaration. The Owner of the offending property shall be personally liable, and such Owner's property shall be subject to a lien for all costs and expenses incurred by the Association in taking such corrective acts, plus all costs incurred in collecting the amounts due, including reasonable attorneys' fees. Each Owner shall pay all amounts due for such work within ten (10) days after receipt of written demand for such amounts. Alternatively, such amounts may, at the option of the Board, be added to the amounts payable by such Owner as Regular Assessments.

4.2.6 Drainage. There shall be no interference with the established drainage pattern over any portion of the Property, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Design Review Committee, as well as the City of Spokane. For the purposes hereof, "established" drainage is defined as the system of drainage, whether natural or otherwise, which exists at the time the overall grading of any portion of the Property is completed by Declarant, or that drainage which is shown on any plans approved by the Design Review Committee and the applicable agency, which may include drainage from public roadways and alleys

and any common Area over any Lot in the Property.

4.2.7 Grading. The Owner of any Lot within the Property in which grading or other work has been performed pursuant to an approved grading plan shall maintain and repair all graded surfaces and erosion prevention devices, retaining walls, drainage structures, means or devices which are not the responsibility of the Association, or a public agency, and plantings and ground cover installed or completed thereon. Such requirements shall be subject to Regular, Special, and Limited Assessments provided in Article VII herein, as may be applicable. An approved grading plan means such plan as may have been approved by the applicable government agency and/or the Association, as may be required.

4.2.8 Mining; Wells; Potable Water. No portion of any Lot shall be used in any manner to explore for, quarry, or remove any water, oil, or other hydrocarbons, minerals, rocks, stones, sand, gravel or earth of any kind. Without limiting the generality of the foregoing, no wells for the pumping or removal of water shall be placed on any Lot. The Owner of each Lot shall obtain potable water for the Lot, at the Owner's expense, from the City of Spokane, or other applicable public water purveyor.

4.2.9 No Hazardous Activities. No activities shall be conducted on the Property, and no Improvements constructed on any portion of the Property, which are or might be unsafe or hazardous to any Person or property.

4.2.10 No Unsightly Articles. No unsightly articles shall be permitted to remain on any Lot so as to be visible from any other portion of the Property. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in such containers and in areas approved by the Design Review Committee and removed on a timely basis at the expense of each Lot Owner. No clothing or fabrics shall be hung, dried or aired except in a manner approved by the Design review Committee and no containers, lumber, firewood, grass, shrub or tree clippings, plant waste, metals, bulk material, scrap, refuse or trash shall be kept, stored or allowed to accumulate on any Lot except within suitable receptacles for temporary storage and collection of refuse. All such receptacles will be screened from the public view and from the wind and protected from animal and other disturbances. No unsightly materials such as fabric sheets or foil shall be used by Owner for window treatments. No vacant residential structures shall be used for the storage of building materials.

4.2.11 No Temporary Structures. No house trailer, mobile home, tent, shack or other temporary building, improvement or structure shall be placed upon any portion of the Property, except temporarily as may be required by construction activity undertaken on the Property, and as specifically authorized by the Design Review Committee. Also excepted from this requirement is any temporary structure(s) necessary for the exercise by Declarant of the Special Declarant Rights.

4.2.12 No Unscreened Items. No garbage cans, trash containers, firewood, boats, trailers, campers, all-terrain vehicles, motorcycles, recreational vehicles,

bicycles, dilapidated or un-repaired and unsightly vehicles or similar items, vehicles or equipment shall be placed or parked upon any portion of the Property (including, without limitation, streets, parking areas and driveways) unless the same are screened from view or otherwise permitted in a manner approved by the Design Review Committee. To the extent possible, garage doors shall remain closed at all times.

4.2.13 Sewage Disposal Systems. The city of Spokane municipal sewer system will service the Property. The system will utilize gravity flow lines, although some dwelling units may require a pump system depending on the slope of the Lot and location of the dwelling unit vis-a-vis the sewage lines.

4.2.14 Water System. The City of Spokane municipal water system is contemplated for the Property.

4.2.15 Energy Devices, Outside. No energy production devices, including but not limited to generators of any kind and solar energy devices, shall be constructed or maintained on any portion of the Property without the written approval of the Design Review Committee, except for heat pumps and solar panels shown in the plans approved by the Design Review Committee. This Section shall not apply to passive solar energy systems incorporated into the approved design of a residential structure.

4.2.16 Vehicles and Recreational Vehicles. The use of all vehicles, including but not limited to trucks, automobiles, bicycles, motorcycles, snowmobiles, recreational vehicles, trailers, aircraft and boats, shall be subject to all Association Rules, which may prohibit or limit the use thereof on the Property and on each Lot. No on-street parking shall be permitted except where expressly designated for parking use. No parking bays shall be permitted in any side, front or backyard of a lot except in front of a garage. No exterior storage of any such vehicles will be permitted on any Lot, unless expressly approved by the Committee and unless such approved storage area is screened from neighboring properties using landscaping approved by the Committee. Generally, the storage of all such recreational vehicles shall be integrated into the architectural design of the house or stored off-site.

4.2.17 Animals/Pets. No animals, birds, insects, pigeons, poultry or livestock shall be kept on the Property unless the presence of such creatures does not constitute a nuisance, and does not otherwise violate any further conditions of this Section. A maximum of two (2) pets is permitted per Lot, which may consist of two (2) domesticated dogs, two (2) domesticated cats, or other household pets, or combinations thereof, which do not unreasonably bother or constitute a nuisance to others. Without limiting the generality of the foregoing, consistent and/or chronic barking by dogs shall be considered a nuisance. Each dog shall be kept on a leash, curbed, and otherwise controlled at all times when such animal is off the Owner's premises. Owner shall clean up any animal defecation immediately from Owner's lot, common areas or public rights-of-way. Failure to do so may, at the Board's discretion, result in a limited Assessment being levied against such Owner. The construction of dog runs or other pet enclosures shall be subject to Design Review Committee approval, shall be appropriately screened, and shall

be maintained in a sanitary condition. Pet enclosures must comply with the applicable provisions of the Design Guidelines regarding fencing. The use of "invisible" fencing to control or restrain dogs to the respective Owner's lot is strongly encouraged and is recommended.

In addition to the above restrictions, no large animal keeping, including horses, shall be allowed on any Lot or any Common Area.

4.2.18 Landscaping. The Owner of any lot shall landscape such Lot in conformance with Design Guidelines, which are incorporated herein by this reference, and the Owner's specific landscape plan submitted to and approved by the Design Review Committee. The Owner shall complete all landscaping within one (1) year of occupancy.

4.2.19 Fireworks and Outdoor Burning. The use of fireworks is strictly forbidden and subject to fines by the Association. Additionally, the act of any and all outdoor burning, such as the burning of brush, outdoor recreational fire pits, etc. shall comply at all times with safe fire rules and regulations in effect by the Department of Natural Resources and the Spokane Air pollution Control Authority.

4.2.20 Antennas. Except as may be provided in Section 4.2.23 or as required to be permitted under applicable law, no radio, television or other antennas of any kind or nature, or device for reception or transmission of radio, microwave, or other similar signals, shall be placed or maintained upon any lot unless in accordance with the Guidelines and specifically approved by the Design Review Committee.

4.2.21 Lighting. Exterior lighting, including flood lighting, shall be part of the architectural concept of the Improvements on a Lot. Fixtures, standards and all exposed accessories shall be harmonious with building design, and shall be as approved by the Design Review Committee prior to installation. Lighting shall be restrained in design, and excessive brightness or unnecessary lighting shall be avoided.

4.2.22 Utilities and Transportation Improvements and Easements. No lines, wires or other services for the communication of electric current or power, including telephone, television, and radio signals, shall be constructed or maintained on the Property unless they are contained in conduits or cables installed underground, or concealed in, under, or on buildings or other structures approved by the Design Review Committee.

There is hereby created a blanket easement upon, across, over and under all Common Areas, and also a strip of land extending 10 to 15 feet from each side of the edge of each road or alley right-of-way or easement, unless indicated differently on the recorded plat, for the purpose of constructing, repairing, maintaining and operating: all utilities (whether public or private), including, but not limited to, water, sewer (if any), electricity, gas, telephone, cable television, communication or control lines; and all roadways, alleys, paths, and trails, whether or not such improvements physically encroach

on any Lots when finally completed. By virtue of this easement, it shall be expressly permissible for the Declarant and its contractors, the Association, and/or any providing utility company to construct and maintain the necessary facilities, including said portions of Lots, to accomplish the foregoing.

4.2.23 Exemption of Declarant. Nothing contained herein shall limit the right of Declarant to subdivide, recombine, reconfigure or re-subdivide any portion of the Property, including unsold lots and Common Areas, to grant licenses, to reserve rights-of-way and easements to utility companies, public agencies or others. Nor shall anything contained herein limit the right of Declarant to excavate, grade and construct improvements, including landscaping alterations, or to alter any of the foregoing or its construction plans and designs, or to construct such additional improvements as Declarant deems advisable in its sole discretion in the course of development of the Property so long as any Lot in the Property remains unsold. Such right shall include, but shall not be limited to, erecting, constructing and maintaining on the Property such structures, signs and displays as may be reasonably necessary for the conduct of Declarant's business of completing the work and disposing of the same by sales lease or otherwise. Declarant shall have the right at any time prior to acquisition of title to a Lot by a purchaser from Declarant to grant, establish and/or reserve on that Lot additional licenses, reservations and rights-of-way to Declarant, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Declarant may use any structures on the Property as model home complexes or real estate sales or leasing offices. Declarant need not seek, or obtain approval from the Owners or the Design Review Committee in connection with any Improvement constructed or placed by Declarant or an affiliate of Declarant on any portion of the Property owned by Declarant or an affiliate of Declarant. The rights of Declarant hereunder may be assigned by Declarant to any successor in interest in connection with Declarant's interest in any portion of the Property, by an express written assignment recorded in the Office of the Spokane County Auditor.

4.2.24 Conveyances to and from Municipalities. The Board shall have the power to convey any Common Area to any political subdivision. The Board shall also have the power to receive a conveyance of any property interest from the above-referenced entities or any or individual or entity and to hold such property interest as Common Area.

4.2.25 Natural Gas Services. Additional common area interests have been created within the easement areas through construction by the Declarant of natural gas lines intended to provide service to each Lot. Costs for installation, including excavation and related charges, have been paid by the Declarant on behalf of the Association.

ARTICLE V KENDALL YARDS HOMEOWNERS' ASSOCIATION

5.1 Organization of Kendall Yards Homeowners' Association. Kendall Yards

Homeowners' Association shall be initially organized by Declarant as a Washington non-profit corporation under the provisions of the Washington Code relating to general non-profit corporations and shall be charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws and this Declaration. Neither the Articles nor the Bylaws shall be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration or with any Supplemental Declaration which Declarant might adopt pertaining to Kendall Yards.

5.2 Board of Directors and Officers. Subject to the rights and obligations of Declarant as set forth in this Declaration and to the rights and obligations of the other Owners, the Association will be responsible for the administration and operation of the Property. The Board of Directors will exercise all powers, duties and authority of the Association not reserved to Declarant or the Members by this Declaration, the other Kendall Yards Documents, or other applicable law.

5.3 Appointment of Officers and Directors by Declarant. Until the expiration of the Period of Declarant Control, Declarant will retain the exclusive powers to appoint, remove and replace Directors and officers of the Association.

Notwithstanding the foregoing, Declarant may voluntarily surrender the right to appoint, remove and replace Directors and officers of the Association before the end of the Period of Declarant Control by providing a notice to that effect to the Association and otherwise complying with the procedures for termination of this Special Declarant Right, as set forth in the Bylaws. However, upon voluntarily terminating this Special Declarant Right in advance of the expiration of the Period of Declarant Control, Declarant may require that specified actions of the Association or the Board, as described in an instrument executed and recorded by Declarant in the office of the County Auditor of Spokane County, Washington, be approved by Declarant before those actions become effective.

5.4 Membership. Each Owner, by virtue of being an Owner and for so long as such ownership is maintained, shall be a Member of the Association and no Owner shall have more than one membership in the Association. Memberships in the Association, shall be appurtenant to the Lot owned by such Owner. The memberships in the Association shall not be transferred, pledged, assigned or alienated in any way except upon the transfer of Owner's title and then only to the transferee of such title. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Association.

5.5 Classes of Membership. The Association will initially have two classes of Members as described below.

5.5.1 Class A Members. Owners of Lots, other than Declarant, shall be known as Class A Members. Each Class A Member shall be entitled to cast one (1) vote for each Lot owned by such Class A Member on the date of the vote.

5.5.2 Class B Member. Declarant shall be known as the Class B Member, and shall be entitled to ten (10) votes per Lot owned by Declarant, including Lots that have been preliminarily platted, but have not been finally platted on the date of the vote. Provided, however, that Class B membership shall cease to exist after the termination of the Period of Declarant Control, and at such time, Declarant, if still an Owner of a Lot or Lots, will become a Class A Member and shall be entitled to one (1) vote for each Lot owned.

The Bylaws may set forth additional classifications of membership from time to time, except no additional classifications shall be created during the Period of Declarant Control unless the Declarant agrees in writing to any new or different class.

5.6 Voting Rights. Each Member will be entitled to vote on Association matters based on the number of votes to which that Member is entitled based on such Member's membership class.

When more than one Person holds an interest in any Lot, all such Persons shall be Members but shall share the votes attributable to the Lot. Fractional votes, however, shall not be allowed. In the event that Joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter being put to a vote. When an Owner casts a vote, it will thereafter be presumed conclusively for all purposes that such Owner was acting with authority and consent of all joint Owners of the Lot from which the vote derived. The right to vote may not be severed or separated from the ownership of the Lot to which it is appurtenant, except that any Owner may give a revocable proxy in accordance with the Bylaws.

Any Owner of a Lot that is leased may assign his or her voting right to the tenant, provided that a copy of the instrument of assignment is furnished to the Secretary of the Association prior to any meeting at which the tenant exercises the voting right.

5.7 Transfer of Membership. An Owner may not transfer, pledge, assign or alienate its membership in the Association in any way except upon transfer of its title in its respective Lot, and then only to the transferee of such title. If the transfer is pursuant to a contract for deed, Owner's membership shall transfer to the buyer under said contract subject to the provisions of Section 5.6 herein. The Board may impose a Limited Assessment on the transfer of membership to cover the administrative costs of the membership transfer process by the Association.

5.8 Notice of Membership. Any Person, on becoming a Member, will furnish the Secretary of the Association with a photocopy or certified copy of the recorded instrument or such other evidence as may be specified by the Board under the Bylaws, vesting the Person with the interest required to make him a Member.

5.9 Owner's and Association's Addresses for Notices. At the same time that the Member provides Notice of Membership as required by Section 5.6 herein, the Member will provide the Association with the Single name and address and an e-mail

address that shall be deemed the registered address for that Membership and for the Owners associated therewith. The registered address shall be the address to which any notices given pursuant to the Declaration, Design Guidelines, or Bylaws shall be sent. The Member shall state the number of Lots owned by the new Member. In the event of any change in the facts reported in the original written notice, including any change of ownership, the Member will give a new written notice to the Association containing all of the information required to be provided in the original notice. The Association will keep and preserve the most recent written notice received by the Association with respect to each Member.

If no address is provided to the Association, or if all of the Owners cannot agree on a single address, then the address of the Lot will be deemed the registered address until another registered address is furnished as required under this Section 5.7.

If the address of the Lot is the registered address of the Owners, then any notice will be deemed duly given if delivered to any person occupying the Lot or sent to the Lot by any other means specified for a particular notice in this Declaration, the Design Guidelines, the Bylaws, or any other Association document, or if the Lot is unoccupied, if the notice is held and available for the Owners at the principal office of the Association.

All notices and demands intended to be served upon the Board of Directors will be sent to the addresses of the Association or such other address as the Board may designate from time to time by a notice delivered to all Owners in accordance with this Section.

All notices given under this Declaration will be sent by personal delivery, which will be effective upon receipt; by overnight courier service, which will be effective one business day following timely deposit with a courier service; or by regular, registered or certified mail, postage prepaid, which will be effective three days after deposit in the U.S. Mail.

5.10 Board of Directors and Officers. The affairs of the Association shall be conducted and managed by a Board of Directors ("Board") and such officers as the Board may elect or appoint, in accordance with the Articles and Bylaws, as the same may be amended from time to time. The Board of the Association shall be elected in accordance with the provisions set forth in the Bylaws.

5.11 Power and Duties of the Association.

5.11.1 Powers. The Association shall have the powers of a corporation organized under the corporation laws of the State of Washington applicable to non-profit corporations, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws, and this Declaration. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under Washington law and under this Declaration, and the Articles and Bylaws, and to do and perform any and all acts which

may be necessary to, proper for, or incidental to the proper management and operation of the Common Area and the Association's other assets, and the affairs and the performance of the other responsibilities herein assigned, including without limitation:

5.11.1.1 Assessments. The power to levy Assessments on any Owner, other than Declarant or the Association, and to force payment of such Assessments, all in accordance with the provisions of this Declaration.

5.11.1.2 Right of Enforcement. The power and authority from time to time in its own name, on its own behalf, or on behalf of any Owner who consents thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Declaration or the Articles or the Bylaws, including the Association Rules adopted pursuant to this Declaration, and to enforce by injunction or otherwise, all provisions hereof.

5.11.1.3 Delegation of Powers. The authority to delegate its power and duties to committees, officers, employees, or to any Person, firm or corporation to act as manager, and to contract for the maintenance, repair, replacement and operation of the Common Area. Neither the Association nor the members of its Board shall be liable for any omission or improper exercise by the manager of any such duty or power so delegated.

5.11.1.4 Association Rules. The power to adopt, amend and repeal by majority vote of the Board such rules and regulations as the Association deems reasonable. The Association may govern the use of the Common Areas by the Owners, their families, invitees, licensees, lessees or contract purchasers; provided, however, that any Association Rules shall apply equally to all Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed shall be mailed or otherwise delivered to each Owner. Upon such mailing or delivery, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration. In the event of any conflict between such Association Rules and any other provisions of this Declaration, or other Articles or Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such inconsistency.

5.11.1.5 Emergency Powers. The power, exercised by the Association or by any Person authorized by it, to enter upon any property (but not inside any building constructed thereon) in the event of any emergency involving illness or potential danger to life or property or when necessary in connection with any maintenance or construction for which the Association is responsible. Such entry shall be made with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Association.

5.11.1.6 Licenses, Easements and Rights-of-Way. The power to grant and convey to any third party such licenses, easements and rights-of-way in, on or

under the Common Area as may be necessary or appropriate for the orderly maintenance, preservation and enjoyment of the Common Area, and for the preservation of the health, safety, convenience and the welfare of the Owners, for the purpose of constructing, erecting, operating or maintaining:

5.11.1.6.1 Underground lines, cables, wires, conduits or other devices for the transmission of electricity or electronic signals for lighting, heating, power, telephone, television or other purposes, and the above ground lighting stanchions, meters, and other facilities associated with the provisions of lighting and services;

5.11.1.6.2 Sewers, storm drains, underground irrigation pipes, water drains and pipes, water supply systems, sprinkling systems, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities; and

5.11.1.6.3 Mailboxes and sidewalk abutments around such mailboxes or any service facility, berm, fencing and landscaping abutting common areas, public and private streets or land conveyed for any public or quasi-public purpose including, but not limited to, bicycle pathways.

5.11.2 Duties. In addition to duties necessary and proper to carry out the power delegated to the Association by this Declaration, and the Articles and Bylaws, without limiting the generality thereof, the Association or its agent, if any, shall have the authority and the obligation to conduct all business affairs of the Association and to perform, without limitation, each of the duties set forth below. The Association may hire a manager or outside management company to perform any or all of these duties.

5.11.2.1 Operation and Maintenance of Common Area. Operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the Common Area, including the repair and replacement of property damaged or destroyed by casualty loss. Additionally, the Association shall, at Declarant's sole discretion, operate and maintain all properties owned by Declarant, which are designated by Declarant for temporary or permanent use by Members.

5.11.2.2 Reserve Account. Establish and fund a reserve account with a reputable banking Institution or savings and loan association or title insurance company authorized to do business in the State of Washington, which reserve account shall be dedicated to the costs of repair, replacement, maintenance and improvement of the Common Area.

5.11.2.3 Taxes and Assessments. Pay all real and personal property taxes and Assessments separately levied against the Common Area or against the Association and/or any other property owned by the Association. Such taxes and Assessments may be contested or compromised by the Association, provided, however, that such taxes and Assessments are paid or a bond insuring payment is posted prior to the sale or disposition of any property to satisfy the payment of such taxes and

Assessments. In addition, the Association shall pay all other federal, state or local taxes, including income or corporate taxes levied against the Association, in the event that the Association is denied the status of a tax exempt corporation.

5.11.2.4 Water and Other Utilities. Acquire, provide and/or pay for water, garbage disposal, refuse and rubbish collection, electrical, telephone and gas and other necessary services for the Common Area.

5.11.2.5 Insurance. Obtain insurance from reputable insurance companies authorized to do business in the State of Washington, and maintain in effect any insurance policy the Board deems necessary or advisable, including, without limitation the following policies of insurance:

5.11.2.5.1 Fire insurance including those risks embraced by coverage of the type known as the broad form "All Risk" or special extended coverage endorsement on a blanket agreed amount basis for the full insurable replacement value of all Improvements, equipment and fixtures located within the Common Area.

5.11.2.5.2 Comprehensive public liability insurance insuring the Board, the Association, the Declarant and the individual grantees and agents and employees of each of the foregoing against any liability incident to the ownership and/or use of the Common Area in such amounts as the Association shall determine.

5.11.2.5.3 At the option of the Board full coverage directors' and officers' liability insurance with limits in such amounts as the Association shall determine.

5.11.2.5.4 Such other insurance, including motor vehicle insurance and Workers' Compensation insurance, to the extent necessary to comply with all applicable laws and indemnity, faithful performance, fidelity and other bonds as the Board shall deem necessary or required to carry out the Association functions or to insure the Association against any loss from malfeasance or dishonesty of any employee or other Person charged with the management or possession of any Association funds or other property.

5.11.2.5.5 The Association shall be deemed trustee of the interests of all Owners in connection with any insurance proceeds paid to the Association under such policies, and shall have full power to receive such Owner's interests in such proceeds and to deal therewith.

5.11.2.5.6 Insurance premiums for the above insurance coverage shall be deemed a common expense to be included in the Regular Assessments levied by the Association.

5.11.2.5.7 In its discretion, the Board may adjust any

minimum insurance limits to reflect the impact of inflation on the value of the particular coverage required.

5.11.2.6 Rule Making. Make, establish, promulgate, amend and repeal such Association Rules as the Board shall deem advisable.

5.11.2.7 Newsletter. If it so elects, prepare and distribute a newsletter on matters of general interest to Association Members, the cost of which shall be included in Regular Assessments.

5.11.2.8 Design Review Committee. Appoint and remove members of the Design Review Committee, subject to the provisions of this Declaration.

5.11.2.9 Enforcement of Restrictions and Rules. Perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably advisable or necessary to carry out or enforce any of the provisions of the Declaration, or of the Articles or Bylaws, including, without limitation, the recordation of any claim of lien with the Spokane County Auditor, as more fully provided herein.

5.11.2.10 Private Streets, Signs and Lights. Maintain, repair or replace any private streets, street signs and private street lights located on the Property. This duty shall run with the land and cannot be waived by the Association unless the City of Spokane consents to such waiver.

5.12 Personal Liability. No Member of the Board, or member of any committee of the Association, or any officer of the Association, or the Declarant, or the manager, if any, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of the Association, the Board, the manager, if any, or any other representative or employee of the Association, the Declarant, or the Design Review Committee, or any other committee, or any officer of the Association, or the Declarant, provided that such Person, upon the basis of such information as may be possessed by such Person, has acted in good faith without willful or intentional misconduct, and, provided that such Person has so acted, the Association shall indemnify and hold harmless said Person from any damage, loss or prejudice aforesaid.

5.13 Budgets and Financial Statements. Financial statements for the Association shall be prepared regularly and copies shall be distributed to each Member of the Association as follows:

5.13.1 Budgets. A pro forma operating statement or budget, upon which the Regular Assessments for the current year are based, shall be distributed prior to, or at each Annual Meeting. The budget shall state the estimated number of Owners subject to Regular Assessments.

5.13.2 Annual Financial Statements. Within one hundred twenty (120) days after the close of each fiscal year, the Association shall cause to be prepared and delivered to each Owner, a balance sheet as of the last day of the Association's fiscal year and annual operating statements reflecting the income and expenditures of the Association for its last fiscal year.

5.14 Meetings of Association. Each year the Association shall hold at least one meeting of the Members, according to the schedule for such meetings established by the Bylaws. Only Members shall be entitled to attend Association meetings and all other Persons may be excluded.

5.14.1 Notice and Place of Meetings. Notice for all Association meetings, regular or special, shall be given by regular mail to all Members at their last known address not less than ten (10) days nor more than fifty (50) days before the meeting and shall set forth the place, date and hour of the meeting and the nature of the business to be conducted. All meetings shall be held within the Property or as close thereto as practical at a reasonable place selected by the Board.

5.14.2 Quorum. The presence at any meeting in person or by proxy of twenty five percent (25%) of the voting power of the Association shall constitute a quorum for the conduct of regular business of the Association. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. If any meeting cannot be held because a quorum is not present, the Members present may, as otherwise provided by law, adjourn the meeting to a time not less than ten (10) days nor more than thirty (30) days from the time the original meeting was scheduled. A second meeting may be called as the result of such an adjournment, provided notice is given as provided above.

ARTICLE VI RIGHTS TO COMMON AREAS

6.1 Use of Common Area. Every Owner shall have a right to use the Common Area, which right shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

6.1.1 The right of the Association, as it may hold or control such Common Area, to levy and increase Assessments;

6.1.2 The right of the Association to suspend the voting rights and rights to use of, or interest in, Common Area recreational facilities (but not including access to private streets, cul-de-sacs, alleys and walkways of the Property) by an Owner for any period during which any Assessment or charge against such Owner's Lot remains unpaid; and for a period not to exceed sixty (60) days for an infraction of the Association Rules.

6.1.3 The right of the Association to dedicate or transfer all or any part of

the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be permitted by the Articles and Bylaws and agreed to by the Members. No dedication or transfer of said Common Area shall be effective unless an instrument agreeing to such dedication or transfer signed by Members representing sixty percent (60%) of the voting power of the Association has been recorded.

6.1.4 The right of the Association or the Declarant, to construct Improvements on all Common Areas, including but not limited to providing utility access, private streets, crossings, walkways, trails and other recreational improvements deemed desirable by the Association.

6.1.5 The rights of the Declarant as expressly provided in Section 4.2.23 herein.

6.2 Designation of Common Area. Declarant shall designate and reserve Common Area in the Declaration, and Declarant shall have such authority with respect to Supplemental Declarations and/or recorded Plats, deeds or other instruments and/or as otherwise provided herein.

6.3 Delegation of Right to Use. Any Owner may delegate, in accordance with the Bylaws and Association Rules as the case may be, such Owner's right of enjoyment to the Common Area, to the members of such Owner's family in residence, and such Owner's tenants or contract purchasers who reside on such Owner's Lot. Only Declarant or the Association shall have the right to delegate the right of enjoyment to the Common Area to the general public.

6.4 Damages. Each Owner shall be fully liable for any damage to any Common Area which may be sustained by reason of the negligence or willful misconduct of the Owner, such Owner's resident tenant or contract purchaser, or such Owner's family or guests, both minor and adult. In the case of joint ownership of a Lot, the liability of such Owners shall be joint and several. The cost of correcting such damage shall be a Limited Assessment against the Lot and may be collected as provided herein for the collection of other Assessments.

ARTICLE VII ASSESSMENTS

7.1 Covenant to Pay Assessments. Upon transfer of a deed following final plat of a Lot and acceptance of such a deed to any property in Kendall Yards, each Owner of such property hereby covenants and agrees to pay when due all Assessments or charges made by the Association, including all Regular, Special and Limited Assessments and charges made against such Owner pursuant to the provisions of this Declaration or other applicable instrument, provided, however, that, for a period of two years, an Owner that is also a Builder shall be required to pay only fifty percent (50%) of the amount otherwise assessed against each Lot owned by said Builder, other than any Lot owned by said

Builder for construction of Builder's own personal residence and not for resale. After two years, if the Lot has not been sold, the Builder shall be required to pay the full assessment. No Lot owned by Declarant, or a building company owned or controlled by the Declarant shall be subject to Assessment.

7.1.1 Assessment Constitutes Lien. Such Assessments and charges together with interest, costs and reasonable attorneys' fees which may be incurred in collecting the same, shall be a charge on the land and shall be a continuing lien upon the property against which each such Assessment or charge is made.

7.1.2 Assessment is Personal Obligation. Each such Assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such property beginning with the time when the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to such Owner's successors in title unless expressly assumed by them but shall remain such Owner's personal obligation regardless of whether he or she remains an Owner.

7.2 Regular Assessments. All Owners are obligated to pay Regular Assessments to the Association on a schedule of payments established by the Board.

7.2.1 Purpose of Regular Assessments. The proceeds from Regular Assessments are to be used to pay for all costs and expenses incurred by the Association, including legal and attorneys' fees and other professional fees, for the conduct of its affairs, including without limitation the costs and expenses of construction, improvement, protection, maintenance, repair, management and operation of the Common Areas, including all Improvements located on such areas owned and/or managed and maintained by the Association, and an amount allocated to an adequate reserve fund to be used for repairs, replacement, maintenance and improvement of those elements for the Common Area, or other property of the Association that must be replaced and maintained on a regular basis (collectively "Expense").

7.2.2 Amounts Paid by Owners. The Board can require, in its discretion or as provided in the Articles or Bylaws, payment of Regular Assessments in monthly, semi-annual or annual installments. Each Owner shall be assessed and shall pay an amount determined annually by the Board of Directors. In computing any change to the amount of Regular Assessments, the Board shall prepare an estimate of expenses for operating the Association, including such contributions to a reserve for future capital repairs as the Board may consider appropriate. Said estimate of operating expenses shall be divided by the number of finally platted Lots attributable to all Owners for said year. The Board shall make a reasonable estimate of the number of Owners that will be subject to Regular Assessments during the year.

7.3 Special Assessments. All Owners are obligated to pay Special Assessments to the Association on a schedule of payments established by the Board.

7.3.1 Purpose and Procedure. In the event that the Board shall determine

that its respective Regular Assessment for a given calendar year is or will be inadequate to meet the projected expenses of the Association for any reason, including but not limited to costs of construction, reconstruction, unexpected repairs or replacement of capital improvements upon the Common Area, attorneys' fees and/or litigation costs, other professional fees, or for any other reason, the Board shall determine the approximate amount necessary to defray such expenses and levy a Special Assessment against the Property which shall be computed in the same manner as Regular Assessments. No Special Assessment shall be levied which exceeds twenty percent (20%) of the budgeted gross expenses of the Association for the fiscal year, without the vote or written assent of the Members representing a majority of the votes of the Association.

7.3.2 Consistent Basis of Assessment. Every Special Assessment levied by and for the Association shall be levied and paid upon the same basis as that prescribed for the levying and payment of Regular Assessments for the Association.

7.4 Limited Assessments. Notwithstanding the above provisions with respect to Regular and Special Assessments, the Board may levy a Limited Assessment against an Owner in the following circumstances:

7.4.1 Compliance Assessment/Fines. As a remedy to reimburse and compensate the Association and other Members for costs incurred in bringing the Owner and/or such Owner's Lot into compliance with the provisions of the governing instruments for Kendall Yards. This includes, without limitation, the ability to impose and collect per diem fines as a Limited Assessment as provided in Section 10.7.3, which may be assessed and imposed separately for each distinct violation.

7.4.2 Special Services Applicable to a Sub-group of Owners. The Board may impose a Limited Assessment in addition to the Regular Assessment for any special maintenance or operating services that are provided by the Association of a special sub-group of members. This would include services for landscape maintenance and private drive maintenance on individual lots or private access roads or drives. Such Limited Assessments shall be imposed by the Board and charged to those Lot Owners so specially benefited by the such services by means of an allocation formula established by the Board.

7.4.3 Sewer and Water Charges. Where sewer and water charges by the City of Spokane serve more than a single lot through a single water tap, the Association shall be responsible for paying the water or sewer charge and shall charge the Owner the full costs necessary to reimburse the Association, as applicable.

7.4.4 Permanent Electric Service Obligation. Each Lot must connect for permanent electric service within five (5) years of the date on which the final plat containing such Lot is recorded. In the event that a Lot has not connected for permanent electric service within the applicable period, the Owner shall be responsible for payment of a fee to the Association, in an amount equal to the pro rata share of the total line

extension fees charged to the Declarant or its agents. The Association shall apply all funds received from this Limited Assessment for payment of the line extension fees charged to Declarant or its agents or to reimburse the Declarant or its agents for payment of such fees, as applicable.

7.5 Rate of Assessment. Regular and Special Assessments shall be fixed for each Lot by the Board and may vary from Lot to Lot depending on the level of amenities and services available to each Lot. As an example, Lots in a gated neighborhood within the Property will be assessed for the maintenance and operation of the additional gate.

7.6 Assessment Period. Unless otherwise provided in the Articles or Bylaws, the Assessment period, the "fiscal year," shall commence on January 1 of each year and terminate December 31 of such year. The first Assessment shall be prorated according to the number of months remaining in the fiscal year and shall be payable in advance. Regardless of the pro rata portion remaining in the current fiscal year, an amount equal to the Assessment for one full year shall be collected upon by the Escrow Agent as part of the closing on Owner's Lot.

7.7 Notice and Assessment Due Date. Ten (10) days prior written notice of Regular and Special Assessments shall be sent to the Owner of every Lot subject thereto, and to any Person in possession of such Lot. The due dates for installment payment of Regular Assessments and Special Assessments shall be established by the Board. Each installment of the Regular Assessment or Special Assessment shall become delinquent if not paid within (10) days after its due date. There shall accrue with each delinquent installment payment a late charge equal to Twenty-five Dollars (\$25.00). In addition, each installment payment which is delinquent for more than twenty (20) days shall accrue interest at the lesser of the highest rate permitted by law or eighteen percent (18%) per annum calculated from the date of delinquency to and including the date full payment is received by the Association. Late charges can be modified by a majority vote of the Board. The Association may bring an action against the delinquent Owner and may foreclose the lien against such Owner's Lot as more fully provided herein. Each Owner is personally liable for Assessments, together with all interest, costs and attorneys' fees, and no Owner may exempt such Owner from such liability by a waiver of the use and enjoyment of the Common Areas, or by lease or abandonment of such Owner's Lot.

7.8 Estoppel Certificate. The Association, upon at least twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request, a statement in writing stating whether or not, to the knowledge of the Association, a particular Lot is in default under the provisions of this Declaration, and further stating the dates to which any Assessments have been paid by the Owner. Any such certificate delivered pursuant to this Section may be relied upon by any prospective purchaser or mortgagee of the Owner's Lot. Reliance on such Certificate may not extend to any default as to which the signor shall have had no actual knowledge.

7.9 Special Notice and Quorum Requirements. Notwithstanding anything to the contrary contained in either the Bylaws of the Articles, written notice of any meeting

called for the purpose of levying a Special Assessment, or for the purpose of obtaining a membership vote in connection with an increase in the Regular Assessment, shall be sent to all Members of the Association and to any Person in possession of a Lot not less than ten (10) days nor more than fifty (50) days before such meeting. At the first such meeting called, the presence of the Members or of proxies entitled to cast forty percent (40%) of the total votes of the Association shall constitute a quorum. If such quorum is not present, subsequent meetings may be called subject to the same notice requirement, and the required quorum at the subsequent meetings shall be fifty percent (50%) of the quorum required at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

ARTICLE VIII ENFORCEMENT OF ASSESSMENTS; LIENS; PROCEEDINGS

8.1 Right to Enforce. The Association has the right to collect and enforce its Assessments pursuant to the provisions hereof. Each Owner of a Lot, upon becoming an Owner of such Lot, shall be deemed to covenant and agree to pay each and every Assessment provided for in this Declaration and agrees to the enforcement of all Assessments in the manner herein specified. In the event an attorney or attorneys are employed for the collection of any Assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay reasonable attorneys' fees in addition to any other relief or remedy obtained against such Owner. The Board or its authorized representative may enforce the obligations of the Owners to pay such assessments by claim of lien and foreclosure pursuant to Sections 8.3 and 8.4 or by commencement and maintenance of a suit to recover a money judgment for an unpaid Assessment. The latter shall be maintainable without foreclosing or waiving the lien hereinafter provided.

8.2 Authorization Required to Commence Proceedings. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of a majority of the Board of Directors and Members, and, during the Period of Declarant Control, by the Declarant. This Section shall not apply, however, to: (a) actions brought by the Association to enforce the provisions of the Declaration; (b) the imposition and collection of assessments; (c) proceedings involving challenges to ad valorem taxation; or (d) counterclaims brought by the Association in proceedings instituted against it. During the Period of Declarant Control, this section shall not be amended unless such amendment is made by the Declarant and is approved by the percentage votes, and pursuant to the same procedures, necessary to Institute proceedings as provided above. Thereafter, amendment of this section must be approved by the percentage of Board and Member votes required above to comment proceedings.

8.3 Assessment Liens.

8.3.1 Creation. There is hereby created a claim of lien with power of sale on each and every Lot to secure payment of any and all Assessments levied against such Lot pursuant to this Declaration together with interest thereon at the maximum rate

permitted by law and all costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees. All sums assessed in accordance with the provisions of this Declaration shall constitute a lien on such respective lots upon recordation of a claim of lien with the Spokane County Auditor. Such lien shall be prior and superior to all other liens or claims created subsequent to the recordation of the notice of delinquency and claim of lien except for tax liens for real property taxes on any Lot and Assessments on any Lot in favor of any municipal or other governmental assessing body which, by law, would be superior thereto.

8.3.2 Claim of Lien. Upon default of any Owner in the payment of any Regular, Special or Limited Assessment issued hereunder, the Association may cause to be recorded in the office of the Spokane County Auditor a claim of lien. The claim of lien shall state the amount of such delinquent sums and other authorized charges (including the cost of recording such notice), a sufficient description of the Lot(s) against which the same have been assessed, and the name of the record Owner thereof. Each delinquency shall constitute a separate basis for a notice and claim of lien. Upon payment to the Association of such delinquent sums and charges in connection therewith or other satisfaction thereof, the Association shall cause to be recorded a further notice stating the satisfaction or relief of such delinquent sums and charges. The Association may require that Owner pay the cost of preparing and recording such release before the Association records the same.

8.4 Method of Foreclosure. Such lien may be foreclosed by appropriate action in court or by sale by the Association, its attorney or other Person authorized to make the sale. Such sale shall be conducted in accordance with the provisions of the Washington Code applicable to the exercise of powers of sale permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association, or any title company authorized to do business in Washington as trustee for the purpose of conducting such power of sale or foreclosure.

8.5 Subordination to Certain Trust Deeds and Mortgages. The lien for the Assessments provided for herein in connection with a given Lot shall be subordinate to the lien of a deed of trust or mortgage given and made in good faith and for value that is of record as an encumbrance against an Owner's lot prior to the recordation of a claim of lien for any Assessments. Except as provided in this Section 8.5 with respect to a trustee or mortgagee who acquires title to or a security interest in a lot, the sale or transfer of any lot shall not affect the Assessment lien provided for herein, nor the creation thereof by the recordation of a claim of lien, on account of the Assessments becoming due whether before, on, or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent Assessments as provided for in this Declaration.

8.6 Rights of Mortgagees. Notwithstanding any other provision of this Declaration, no amendment of this Declaration shall operate to defeat the rights of the Beneficiary under any deed of trust upon a lot made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after the foreclosure

of any such deed of trust such Lot shall remain subject to this Declaration as amended.

ARTICLE IX INSPECTION OF ASSOCIATION'S BOOKS AND RECORDS

9.1 Member's Right of Inspection. The membership register, books of account, and minutes of meetings of the Board and committees of the Association shall be made available for inspection and copying by any Member of the Association or by such Member's duly appointed representative(s), at any reasonable time during business hours and for a purpose reasonably related to such Member's interest as a Member at the office of the Association or at such other place as the Board shall prescribe. No Member or any other Person shall copy the membership register for the purposes of solicitation of, or direct mailing to, any Member of the Association.

9.2 Rules Regarding Inspection of Books and Records. The Board shall establish reasonable rules with respect to:

9.2.1 Notice to be given to the custodians of the records by the Persons desiring to make the inspection.

9.2.2 Hours and days of the week when such an inspection may be made.

9.2.3 Payment of the cost of reproducing copies of documents requested pursuant to this Article.

9.3 Member's Rights of Inspection. Every Member shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of inspection by a Member includes the right to make extracts and copies of documents.

ARTICLE X DESIGN REVIEW COMMITTEE

10.1 Creation. The Association shall have a Design Review Committee consisting of that number of committee members as shall be specified from time to time by resolution of Board, provided, however, that such Committee shall have no less than three (3) nor more than five (5) committee members. The three (3) initial members of the Design Review Committee shall be appointed by a resolution of the Board; however, Declarant retains the right to appoint, augment or replace all members of the Design Review Committee until the date on which Class B membership ceases to exist and for as long thereafter as Declarant, in its sole discretion, elects. Thereafter, members of the Design Review Committee shall be appointed by the Board. Individuals appointed to the Design Review Committee, other than those appointed by Declarant, must satisfy such requirements as may be set forth in the Design Guidelines.

10.2 Design Guidelines. The Design Review Committee shall establish reasonable procedural rules, regulations, restrictions, architectural standards and design

guidelines (the "Design Guidelines"), which the Design Review Committee may, from time to time in its sole discretion, amend, repeal or augment. Prior to the date on which Class B membership ceases to exist (or after Declarant's voluntary relinquishment of control of the Design Review Committee, if earlier), any change in the Design Guidelines will be effective only if approved by Declarant. The Design Guidelines are incorporated herein and shall be deemed to be a part of this Declaration and shall be binding on all Owners, Members and other Persons as if expressly set forth herein. A copy of the current Design Guidelines shall at all times be a part of the Association's records.

The Design Guidelines shall not apply to, and nothing contained in this Declaration shall be construed to prevent or impair in any way, any development, operation, construction or improvements by Declarant or any related development, building or construction entity within the Property, or other parcels outside of the Property that may become part of the Property in the future.

Subject to the provisions of Section 4.2.23, no building, fence, wall or other structure or improvement of whatever type shall be commenced, erected or maintained upon the Property, nor shall there be any addition to or change to the exterior of any residence or other structure or improvement upon a Parcel or a lot or the Building Envelope, landscaping, tree removal, grading or drainage thereof, including but not limited to the painting (other than painting with the same color and type of paint as previously existed) of exterior walls, patio covers and fences, except in compliance with drawings and specifications therefore which have been submitted to and approved by the Design Review Committee, in accordance with the Design Guidelines, as to harmony of external design and location in relation to surrounding structures and topography.

The Design Guidelines may also establish procedures to assure conformity of completed improvements to drawings and specifications approved by the Design Review Committee.

10.3 Review of Proposed Construction. The Design Review Committee shall consider and act upon any and all proposals or plans and specifications submitted for its approval pursuant to this Declaration, and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Design Review Committee. The Board shall have the power to determine, by rule or other written designation consistent with this Declaration, which types of Improvements shall be submitted for Design Review Committee review and approval. The Design Review Committee shall have the power to hire architects licensed with the State of Washington to assist the Design Review Committee in its review of proposals or plans and specifications submitted to the Design Review Committee. The Design Review Committee shall approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alteration or additions contemplated thereby in the locations indicated will not be detrimental to the habitat of the Common Areas, or appearance of the surrounding area of the Property as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, and that the upkeep and maintenance thereof will not become a

burden on the Association.

10.3.1 Conditions on Approval. The Design Review Committee may condition its approval of proposals or plans and specifications upon such changes therein as it deems appropriate, and/or upon the agreement of the Owner submitting the same ("Applicant") to grant appropriate easements to the Association for the maintenance thereof, and/or upon the agreement of the Applicant to reimburse the Association for the cost of maintenance, and may require submission of additional plans and specifications or other information before approving or disapproving material submitted.

10.3.2 Design Review Committee Rules and Fees. The Design Review Committee also may establish rules and/or guidelines setting forth procedures for and the required content of the applications and plans submitted for approval. Such rules will require a standard fee to accompany each application. The Design Review Committee, from time to time, shall determine the amount of such fee in a reasonable manner. Such fees shall be used to defray the costs and expenses of the Design Review Committee, including the cost and expense of hiring architect(s), as provided above, or for such other purposes as established by the Board.

Such rules and guidelines may establish, without limitation, specific rules and regulations regarding design and style elements, landscaping and fences and other structures such as animal enclosures and fences, as well as special architectural guidelines applicable to Lots located adjacent to public and/or private open space.

10.3.3 Detailed Plans. The Design Review Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, landscape plans, drainage plans, elevation drawings and descriptions or samples of exterior material and colors. Until receipt by the Design Review Committee of any required plans and specifications, the Design Review Committee may postpone review of any plan submitted for approval.

10.3.4 Design Review Committee Decisions. Decisions of the Design Review Committee and the reasons therefore shall be transmitted by the Design Review Committee to the Applicant at the address set forth in the application for approval. Normally the decision will be transmitted within thirty (30) calendar days after filing all materials required by the Design Review Committee. An applicant shall not be deemed approved until a written decision has been transmitted by the Design Review Committee.

10.4 Meetings of the Design Review Committee. The Design Review Committee shall meet from time to time as necessary to perform its duties hereunder. The Design Review Committee may from time to time by resolution unanimously adopted in writing, designate a Design Review Committee representative (who may, but need not be one of its members) to take any action or perform any duties for and on behalf of the Design Review Committee, except the granting of variances pursuant to Section 10.9. In the absence of such designation, the vote of a majority of the members of the Design Review

Committee taken without a meeting shall constitute an act of the Design Review Committee.

10.5 No Waiver of Future Approvals. The approval of the Design Review Committee of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of the Design Review Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

10.6 Compensation of Members. The Board may, in its discretion, provide for reasonable compensation to members of the Design Review Committee for their services. In any event, members of the Design Review Committee shall be entitled to be reimbursed for expenses incurred by them in the performance of their duties hereunder.

10.7 Inspection of Work. Inspection of work and correction of defects therein shall proceed as follows:

10.7.1 Upon the completion of any work for which approved plans are required under this Article, the Owner shall give written notice of completion to the Design Review Committee.

10.7.2 Within sixty (60) days thereafter, the Design Review Committee or its duly authorized representative may inspect such Improvement. If the Design Review Committee finds that such work was not done in substantial compliance with the approved plans, it shall notify the Owner in writing of such non-compliance within such sixty (60) day period, specifying the particular noncompliance, and shall require the Owner to remedy the same.

10.7.3 If upon the expiration of thirty (30) days from the date of such notification, or any longer time the Design Review Committee determines to be reasonable, the Owner has failed to remedy such noncompliance, the Design Review Committee shall notify the Board in writing of such failure. The Board shall have the authority, in its sole discretion, to determine whether there is a noncompliance. If the Board determines that a noncompliance exists, and the Owner thereupon fails to immediately correct the same, the Association, at its option, may either remove the non-complying improvement or remedy the noncompliance, and the Owner shall be obligated to compensate the Association and provide it with reimbursement for all costs and expenses incurred in connection therewith. Specifically, the Board, on behalf of the Association, shall also have authority to immediately levy a Limited Assessment against such Owner in the amount of \$100.00 per day from the date of the Design Review Committee's determination of noncompliance continuing through the date corrections are completed, as a compensatory charge to the Association and other Members for such violation, plus all amounts necessary to provide reimbursement of costs expended (or an estimated amount of costs expended and to be expended) by the Board and/or the Design

Review Committee in connection with the review, removal or remedy, as applicable, of the noncompliance. The Board shall have the right, in its discretion, to periodically increase the \$100.00 per day amount described in the preceding sentence in order to reflect the impact of inflation. Such reimbursable costs shall include all actual or estimated costs of remedying such non-compliance, if applicable, reasonable attorneys' fees incurred or to be incurred, reimbursement for time spent by members of the Design Review Committee and/or Board incurred in connection with any review or consideration of such noncompliance and all other out-of-pocket expenses. The Association may pursue collection of such limited assessment as against such Owner and such Owner's Lot pursuant to this Declaration.

10.7.4 If for any reason the Design Review Committee fails to notify the Owner of any noncompliance within one hundred eighty (180) days after receipt of the written notice of completion from the Owner, the work shall be deemed to be in accordance with the approved plans.

10.8 Non-Liability of Design Review Committee Members. Neither the Design Review Committee nor any member thereof, nor its duly authorized Design Review Committee representative, shall be liable to the Association, or to any Owner, Grantee or Declarant for any loss, damage or injury arising out of or in any way connected with the performance of the Design Review Committee's duties hereunder, unless due to the willful misconduct or bad faith of the Design Review Committee. The Design Review Committee shall review and approve or disapprove all plans submitted to it for any proposed improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and to the Property generally. The Design Review Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of building, landscaping, color schemes, exterior finishes and materials and similar features, but shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of any plan or design from the standpoint of structural safety or conformance with building or other codes.

10.9 Variances. The Design Review Committee may authorize variances from compliance with any of the architectural provisions of this Declaration or any supplemental declaration, including restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations may be required. Such variances must be evidenced in writing, must be signed by a majority of the members of the Design Review Committee, and shall be effective upon the date stated in such variance or, if none, upon execution thereof by the requisite majority of the members of the Design Review Committee. If any variances are granted, no violation of this Declaration or any Supplemental Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted.

**ARTICLE XI
ANNEXATION OF ADDITIONAL PROPERTIES**

11.1 By Declarant. Declarant intends to develop the Property, together with additional property, and may, in Declarant's sole discretion, deem it desirable to annex some or all of such properties to the Property covered by this Declaration. Tracts may be annexed to the Property and brought within the provisions of this Declaration as provided herein by Declarant, its successors or assigns, at any time, and from time to time, without the approval of any Owner or the Association.

11.2 Rights and Obligations of Owners of Annexed Parcels. Subject to the provisions hereof, upon recording of a Supplemental Declaration as to any Parcel, all provisions contained in this Declaration shall apply to the Parcel in the same manner as if it were originally covered by this Declaration, subject to such modifications, changes and deletions as are specifically provided in such Supplemental Declaration, such Parcel shall be treated for all purposes as a Parcel as defined above. The Owners of Lots located in the Parcels shall become members of the Association and shall become liable for their appropriate share of Assessments. Title to the Common Areas which are to be owned and managed by the Association, within said Parcels shall be conveyed to the Association, free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, conditions and restrictions then of record including those set forth in this Declaration or any Supplemental Declaration applicable to such Parcels.

11.3 Method of Annexation. The addition of a Parcel to the Property authorized under Section 11.1 shall be made by filing of record a Supplemental Declaration or other similar instrument with respect to the Parcel, which shall be executed by Declarant or the Owner thereof and which shall annex such property to the Property. Thereupon each Parcel shall be a part of the Property, shall be subject to this Declaration and encompassed within the general plan and scheme hereof as modified by such Supplemental Declaration, and shall be subject to the functions, powers and jurisdiction of the Association. Such Supplemental Declaration or other appropriate document may contain such additions, modifications, or deletions as may be deemed by Declarant desirable to reflect the different character, if any, of the Parcel, or as Declarant may deem appropriate in the development of the Parcel. If any Parcel is created, the Association shall have the authority to levy Assessments against the Owners located within such Parcel, and the Association shall have the duty to maintain additional Common Area located within the Parcel if so specified in any Supplemental Declaration.

11.4 De-annexation. Declarant may delete all or a portion of the Property, including previously annexed Parcels, from the Property and from coverage of this Declaration and jurisdiction of the Association, so long as the Declarant has an interest in such Parcels and provided that a Supplemental Declaration of Deletion of Property is recorded in the Office of the Spokane County Auditor in the same manner as a Supplemental Declaration of Annexation. After the Period of Declarant Control, Members may de-annex all or any portion of a Parcel upon the favorable vote of seventy-five percent (75%) of all Members of the Association and written approval of Declarant so

long as the Declarant owns any portion of the property described on Exhibit "A" or any other real property which is then part of the Property.

ARTICLE XII EASEMENTS

12.1 Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment as between each Lot and such portion or portions of the Common Area adjacent thereto or as between adjacent Lots due to minor unintentional wrongful placement or settling or shifting of the Improvements including but not limited to structures, walkways, bike paths, sidewalks and driveways constructed, reconstructed or altered thereon in accordance with the terms of this Declaration. Easements of encroachment shall be valid only so long as they exist, and the rights and obligations of Owners shall not be altered in any way because of encroachments, settling or shifting of the Improvements; provided, however, that in no event shall a valid easement for encroachment occur due to the willful act or acts of an Owner. In the event a structure on any Lot is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots that existed prior to the encroachment may be reconstructed pursuant to the easement granted by this Section.

12.2 Easements of Access. All Owners of Lots will have a perpetual easement for access, ingress and egress over the Common Area, including but not limited to the private streets, alleys, common drives, cul-de-sacs and walkways. This easement shall run with the land. Such easements may be used by the Declarant, and by all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Property, for pedestrian walkways, vehicular access and such other purposes reasonably necessary for the use and enjoyment of a Lot or Common Area.

12.3 Drainage and Utility Easements. Declarant expressly reserves for the benefit of all the Property reciprocal easements of access, ingress and egress for all Owners to and from their respective Lots for installation and repair of utility services, for drainage of water over, across and upon adjacent Lots, and Common Areas, resulting from the normal use of adjoining Lots or Common Areas, and for necessary maintenance and repair of any Improvement including fencing, retaining walls, lighting facilities, mailboxes and sidewalk abutments, trees and landscaping. Notwithstanding anything expressly or impliedly contained herein to the contrary, this Declaration shall be subject to all easements heretofore or hereafter granted by Declarant for the installation and maintenance of utilities and drainage facilities that are required for the development of the Property. In addition, Declarant hereby reserves for the benefit of the Association the right to grant additional easements and rights-of-way over the Property and/or a Parcel, as appropriate, to utility companies and public agencies as necessary or expedient for the proper development of the Property until close of escrow for the sale of the last lot in the Property to an Owner.

12.3.1 Improvement of Drainage and Utility Easement Areas. The Owners of Lots are hereby restricted and enjoined from constructing any Improvements

upon any drainage or utility easement areas as shown on the Plat of "Kendall Yards" or otherwise designated in any recorded document which would interfere with or prevent the easement from being used for such purpose; provided, however that the Owner of such Lots and the Declarant, the Association or designated entity with regard to the landscaping easement described in this Article, shall be entitled to install and maintain landscaping on such easement areas, and also shall be entitled to build and maintain fencing on such easement areas subject to approval by the Design Review Committee, so long as the same would not interfere with or prevent the easement areas from being used for their intended purposes; provided, that any damage sustained to Improvements on the easement areas as a result of legitimate use of the easement area shall be the sole and exclusive obligation of the Owner of the Lot whose Improvements were so damaged.

12.4 Rights and Duties Concerning Utility Easements. The rights and duties of the Owners of the Lots within the Property with respect to utilities shall be governed by the following:

12.4.1 Wherever house utility connections are installed within the Property, which connections or any portions thereof lie in or upon Lots owned by an Owner other than the Owner of the Lot served by the connections, the Owner of the Lot served by the connections shall have the right, and is hereby granted an easement to the full extent necessary therefore, to enter upon any lot or to have their agent enter upon any Lot within the Property in or upon which said connections or any portion thereof lie, to repair, replace and generally maintain the connections as and when it may be necessary.

12.4.2 Whenever house utility connections are installed within the Property, which connections serve more than one Lot, the Owner of each Lot served by the connections shall be entitled to full use and enjoyment of such portions of said connections as service for such Owner's Lot.

12.5 General Landscape Easement. An easement is hereby reserved to the Association, its contractors and agents, to enter those portions of Lots for the purpose of installing, maintaining, replacing and restoring exterior landscaping, and natural vegetation and habitat. Such landscaping activity may include, by way of illustration and not of limitation, the mowing of lawns, irrigation, sprinkling, tree and shrub trimming and pruning, walkway improvement, seasonal planting and such other landscaping activities within the Property as the Association shall determine to be necessary from time to time.

12.6 Maintenance and Use Easement Between Walls and Lot Lines. Whenever the wall of a structure, or a fence or retaining wall, is legitimately constructed on a Lot under plans and specifications approved by the Design Review Committee, and is located within three (3) feet of the Lot line of such Lot, the Owner of such Lot is hereby granted an easement over and on the adjoining Lot (not to exceed three (3) feet from the Lot line) for purposes of maintaining and repairing such wall or fence and eaves or other overhangs, and the Owner of such adjoining Lot is hereby granted an easement for landscaping purposes over and on the area lying between the Lot line and such structure or fence so

long as such use does not cause damage to the structure or fence.

12.7 Conservation Easement. In the event that a Conservation Easement is created at any time, the following uses shall be permitted:

(a) Utility uses that benefit the Association or the Owners shall be permitted.

(b) Other related activities as deemed reasonable or necessary to manage and maintain the Conservation Easement consistent with the overall objective of the preservation of wildlife.

The following uses shall not be permitted:

(a) Hunting, trapping or intentional flushing of birds, deer, elk or other protected animals or any other activity that may be harmful to or which constitute harassment of such wildlife.

Only leashed pets shall be permitted on the Conservation Easement, and each Owner at Kendall Yards shall be responsible for assuring compliance with regard to their household pets, or those of their family members, guests, invitees, licensees or tenants.

ARTICLE XIII SPECIAL DECLARANT RIGHTS AND ADDITIONAL RESERVED RIGHTS

13.1 General Provisions. Until the expiration of the Period of Declarant Control, Declarant will have the following Special Declarant Rights:

13.1.1 Completion of Improvement. The right to complete Improvements as indicated on any Plat filed with respect to the Property, including, if any, the Expansion Property.

13.1.2 Development Rights. The right to exercise all development rights in connection with the development of the Property ("Development Rights"), including without limitation the right or combination of rights hereby reserved by Declarant as follows:

13.1.2.1 The right to annex all or part of the Expansion Property, if any, to the Property, in accordance with Article XI.

13.1.2.2 The right to create Lots and Common Area on the Property, including, if any, the Expansion Property.

13.1.2.3 The right to subdivide Lots and convert Lots into Common Area on any part of the Property, including, if any, the Expansion Property.

13.1.2.4 The right to withdraw real estate, whether contained within

the Property initially subject to this Declaration or within the Expansion Property, if any, from the Property, as provided in Article XI.

13.1.2.5 The exclusive right to modify road, water, sewer, dry utilities and fire systems in accordance with any requirements of the City of Spokane or any other governing agency having jurisdiction for such systems.

13.1.2.6 The right to develop the Property and/or the Expansion Property, if any, in such phases as Declarant deems appropriate.

13.1.3 Sales Activities. The right to maintain sales and management offices, signs advertising the project and model residences on the Common Area and on Lots owned by Declarant, whether contained within the Property Initially subject to this Declaration, or within the Expansion Property, if any.

13.1.4 Easements. The right to use easements through the Common Area on the Property, including the Expansion Property, if any, for the purpose of making Improvements on the Property and the Expansion Property, if any.

13.1.5 Association Directors and Officers. The right to appoint any officer or Director of the Association, as provided in this Declaration or the Bylaws.

13.1.6 Order of Exercise of Declarant's Rights. Declarant makes no representations and gives no assurances regarding the legal description or the boundaries of any phase of the Expansion Property, if any, or the order or time in which the phases of the Expansion Property, if any, may be developed or incorporated in the Project, or whether or to what extent any of the Expansion Property, if any, will be developed or incorporated in the Project. Further, the fact that Declarant may exercise one or more of Declarant's Development Rights or other Special Declarant Rights on one portion of the Property (including the Expansion Property, if any) will not operate to require Declarant to exercise a Development Right or other Special Declarant Right with respect to any other portion of the Property (including the Expansion Property, if any).

13.2 Supplemental Provisions Regarding Declarant's Rights. Without limiting the generality of the foregoing, certain of these Special Declarant Rights are explained more fully in this Article below. Further, Declarant reserves the additional rights retained for the benefit of Declarant in this Article and in other provisions of this Declaration.

13.3 Reservation of Easement for Expansion and Construction. Declarant hereby reserves for itself and its successors and assigns and for Owners in all future phases of Kendall Yards a perpetual easement and right-of-way for access over, upon and across the Property, including the Expansion Property, if any, for construction, utilities, drainage, ingress and egress, and for the use of the Common Area, including Common Area located within the Expansion Property, if any. The location of these easements and right-of-ways may be made certain by Declarant or the Association by

instruments recorded in Spokane County, Washington.

Declarant further reserves the right to establish from time to time, by dedication or otherwise, utility, ingress and egress, and other easements over and across the Common Areas, and to create other reservations, exceptions, and exclusions convenient or necessary for the use and operation of any other property of Declarant

13.4. Reservations of Easements, Exceptions and Exclusions for Utilities, Infrastructure and Access. Declarant reserves for itself and its successors and assigns, and hereby grants to the Association, acting through the Board of Directors, the concurrent right to establish from time to time, by declaration or otherwise, utility and other easements, permits or licenses over the Common Area, for purposes including but not limited to streets, paths, walkways, drainage, recreations areas and parking areas, and to create other reservations, exceptions, and exclusions in the interest of the Owners and the Association, in order to serve the Owners within the Community as initially built and expanded.

Declarant also reserves for itself and its successors and assigns, and grants to the Association, the concurrent right to establish from time to time, by instruments recorded in Spokane County, Washington, such easements, permits or licenses over the Common Area for access by certain persons (other than Owners and Owners' families and guests) who may be permitted to use designated portions of the Common Area as Declaration.

13.5 Maintenance Easement. An easement is hereby reserved by Declarant for itself and its successors and assigns and granted to the Association, and any member of the Board of Directors or Manager, and their respective officers, agents, employees and assigns, upon, across, over, in and under the Property and a right to make such use of the Property as may be necessary or appropriate to make emergency repairs or to perform the duties and functions which the Association is obligated or permitted to perform pursuant to the Kendall Yards Documents, including the right to enter upon any Lot for the purpose of performing maintenance to the landscaping or the exterior of Improvements to such Lot, as required by the Kendall Yards Documents.

13.6 Drainage Easement. An easement is hereby reserved to Declarant for itself and its successors and assigns and granted to the Association, its officers, agents, employees, successors and assigns to enter upon, across, over, in and under any portion of the Property for the purpose of changing, correcting, or otherwise modifying the grade or drainage channels of the Property so as to improve the drainage of water. Reasonable efforts will be made to use this easement so as not to disturb the uses of the Owners, the Association and Declarant, as applicable, to the extent possible; to prosecute such drainage work promptly and expeditiously; and to restore any areas affected by such work to a slightly and usable condition as soon as reasonably possible following such work. Declarant, or its officers, agents, employee, successors and assigns must inform and obtain the approval of the Board of Directors prior to undertaking such drainage work, which approval will not be unreasonably withheld.

13.7 Declarant's Right Incident to Construction. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress over, in, upon, under and across the Common Area and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the Improvements on the Property or other real property owned by Declarant; provided, however, that no such rights will be exercised by Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment or access to an Owner's Lot by that Owner or his family, tenants, employees, guests, or invitees.

13.8 Easements Deemed Created. All conveyances of Lots hereafter made, whether by Declarant or otherwise, will be construed to grant and reserve the easement contained in this Article, even though not specific reference to such easements or to this Article appears in the instrument for such conveyance.

ARTICLE XIV MISCELLANEOUS

14.1 Term. The easements created hereunder shall be perpetual, subject only to extinguishment by the holders of such easements as provided by law. The covenants, conditions, restrictions and equitable servitudes of this Declaration shall run for a term of thirty (30) years from the date this Declaration is recorded, unless amended as herein provided. Thereafter, such covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by members holding at least three-fourths (3/4) of the voting power of the Association and such written instrument is recorded with the Spokane County Auditor. Further provided that the Association shall not be dissolved without the prior written approval of the City of Spokane, such consent not to be unreasonably withheld provided that a responsible successor organization shall agree to perform those maintenance responsibilities arising from applicable governmental requirements.

14.2 Amendment.

14.2.1 By Declarant. Except as provided in Section 14.3 below, until the recordation of the first deed to a Lot in the Property, the provisions of this Declaration may be amended, modified, clarified, supplemented, added to (collectively, "amendment") or terminated by Declarant by recordation of a written instrument setting forth such amendment or termination. Any amendment affecting only a particular Parcel may be made by Declarant by an amendment to this Declaration at any time up to the recordation of the first deed to a Lot in such Parcel.

14.2.2 By Board. Except where a greater percentage is required by express provision in this Declaration, the provisions of this Declaration, other than this Article XIV may be amended by an instrument in writing signed and acknowledged by any two (2) members of the Board certifying and attesting that such amendment has been approved by the vote or written consent of a majority of the Board, and such amendment shall be effective upon its recordation with the Spokane County Auditor.

Any amendment to this Article XIV shall require the vote or written consent of Members holding sixty-seven percent (67%) of the voting power of the Association.

14.3 Trust Deed and Mortgage Protection. Notwithstanding any other provision of this Declaration, no amendment of this Declaration shall operate to defeat or render invalid the rights of the beneficiary under any deed of trust or mortgagee under any mortgage covering a Lot, made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after foreclosure of any such deed of trust or mortgage, such Lot shall remain subject to this Declaration, as amended.

14.4 Notices. Any notices permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after the same has been deposited in the United States mail, postage prepaid, addressed to any Person at the address given by such Person to the Association for the purpose of service of such notice, or, if no address has been given to the Association, to the residence of such Person or, in the case of an Owner, to the Lot address. Such address may be changed from time to time by notice in writing to the Association, as provided in this Section.

14.5 Enforcement and Non-Waiver.

14.5.1 Violations and Nuisances. The failure of any Owner of a Lot to comply with any provision hereof, or with any provision of the Articles or Bylaws of the Association, is hereby declared a nuisance and will give rise to a cause of action by the Declarant, the Association or any Owner of a Lot(s) within the Property for recovery of damages or for negative or affirmative injunctive relief or both. However, any other provision to the contrary notwithstanding, only Declarant, the Association, the Board, or a duly authorized agent of any of them, may enforce by self-help any of the provisions hereof, and only if such self-help is preceded by reasonable notice to the Owner.

14.5.2 Violation of Law. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth in this Declaration and any or all enforcement procedures in law or equity.

14.5.3 Remedies Cumulative. Each remedy provided herein is cumulative and not exclusive.

14.5.4 Non-Waiver. The failure to enforce any of the provisions herein at any time shall not constitute a waiver of the right to enforce any such provision.

14.6 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Property. This Declaration shall be construed and governed under the laws of the State of Washington.

14.6.1 Restrictions Construed Together. All of the provisions hereof shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Property as set forth in the recitals of this Declaration.

14.6.2 Restrictions Severable. Notwithstanding the provisions of the foregoing Section, each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision herein.

14.6.3 Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

14.6.4 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

14.7 Successors and Assigns. All references herein to Declarant, Owners, Association or Person shall be construed to include all successors, assigns, partners and authorized agents of such Declarant, Owners, Association or Person.

The undersigned, being the Declarant herein, has executed this Master Declaration on March 1, 2009.

DECLARANT:

NORTH GORGE RESIDENTIAL PARTNERS LLC

By: 

JAMES M. FRANK, Member

STATE OF WASHINGTON)

: ss.

County of Spokane)

On this 23rd day of August, 2010, personally appeared before me JAMES M. FRANK, to me known to be the Member of NORTH GORGE RESIDENTIAL PARTNERS, LLC, a Washington Limited Liability Company, the Company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act of said Company, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument on behalf of said Company.

GIVEN UNDER my hand and official seal the day and year in this certificate first above written.



Kitsy Beth Blair
Notary Public in and for the State
of Washington, residing at Spokane
My Commission Expires: 5/12/2012

EXHIBIT "A"
Real Property Description

Legal Description
For
Home Owners Association

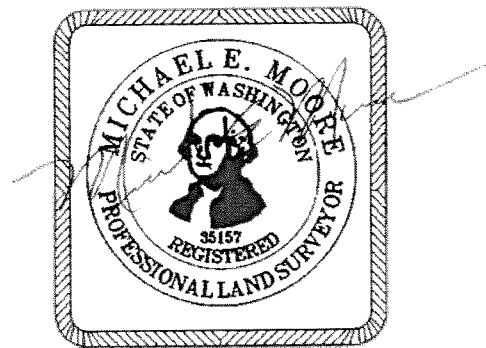
A portion of the Southeast Quarter of Section 13, Township 25N., Range 42E., W.M. in the City of Spokane, Spokane County, Washington more particularly described as follows;

BEGINNING at the Northeast corner of Lot 6, Block 8 of the Final Plat of IDE & KAUFMAN'S ADDITION, recorded in Book A of Plats, Page 67, said point also being on the Southerly Right of Way line of Bridge Avenue; thence N89°16'59"E along said Southerly Right of Way line a distance of 1113.11 feet to a point on the North line of Lot 10, Block 11 of CHANDLER'S SECOND ADDITION, recorded in Book A of Plats, Page 31, from which point the Northeast corner of said Lot 10 bears S89°16'59"W a distance of 36.49 feet, said point is also the beginning of a non-tangent curve concave to the East and having a radius of 2002.38 feet (from which point a radial line bears N82°12'12"E); thence Southeasterly along said curve through a central angle of 0°55'56" an arc distance of 32.58 feet; thence S08°42'00"E a distance of 219.81 feet to the intersection with the Northerly Right of Way line of Ohio Avenue; thence along said Right of Way line the following (2) two courses;

- 1.) S89°16'45"W a distance of 265.71 feet to the beginning of a tangent curve concave to the Southeast and having a radius of 528.30 feet;
- 2.) thence Southwesterly along said curve through a central angle of 29°08'17" an arc distance of 268.67 feet;

thence S29°57'19"E a distance of 6.00 feet; thence S60°02'34"W a distance of 240.14 feet; thence S74°21'39"W a distance of 127.37 feet; thence S76°21'47"W a distance of 68.97 feet; thence S75°41'07"W a distance of 172.73 feet; thence S87°34'52"W a distance of 60.05 feet to the Southeast corner of Lot 7, Block 11 of said IDE & KAUFMAN'S ADDITION; thence N00°43'58"W along the East line of Blocks 11 and 8 of said IDE & KAUFMAN'S ADDITION a distance of 530.01 feet to the POINT OF BEGINNING.

Containing 9.55 acres more or less



8-19-10

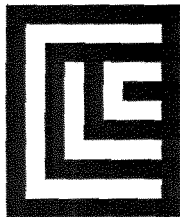
EXHIBIT
HOME OWNERS ASSOCIATION
LEGAL DESCRIPTION
 LOCATED IN THE SOUTHEAST QUARTER OF
 SECTION 13, TOWNSHIP 25 NORTH, RANGE 42 EAST, W.M.,
 CITY OF SPOKANE, SPOKANE COUNTY, WASHINGTON



CURVE TABLE					
CURVE	RADIUS	LENGTH	TANGENT	CHORD	DELTA
C1	2002.38'	32.58'	16.29'	32.57'	0°55'56"
C2	528.30'	268.67'	137.31'	265.78'	29°08'17"

LINE TABLE		
LINE	LENGTH	BEARING
L1	36.49	S89°16'59"W
L2	6.00	S29°57'19"E
L3	127.37	S74°21'39"W
L4	68.97	S76°21'47"W
L5	172.73	S75°41'07"W
L6	60.05	S87°34'52"W

# RADIAL BEARINGS #	
LINE	BEARING
R50	N82°12'12"E



CLC ASSOCIATES
 12730 E MIRABEAU PKWY
 SUITE 100
 SPOKANE VALLEY
 WASHINGTON 99216
 P 509 438 6840
 F 509 438 6844
 CLC@SPOC.COM

ARCHITECTURE
 ENGINEERING PLANNING
 LANDSCAPE ARCHITECTURE
 LAND SURVEYING

