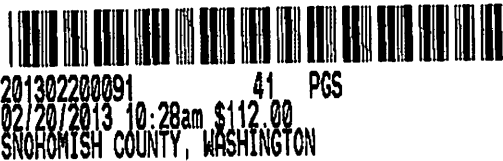


WHEN RECORDED RETURN TO:

**Hidden Ridge II LLC
720 Cedar Ave Suite C
Marysville WA 98270**



**Document Title: Declaration of Covenants, Conditions and Restrictions of
Hidden Ridge II**

Grantor(s): Hidden Ridge II, LLC

Grantee(s): The Public

Legal Description:

1. Abbreviated Legal Description:

A PORTION OF THE SE1/4, NW1/4 & SW1/4, NW1/4 & SW1/4, NE1/4 & SE1/4, NE1/4 & NW1/4, SE1/4 & NE1/4, SE1/4 OF SECTION 19, TOWNSHIP 28 NORTH, RANGE 7 EAST, W.M.

2. The complete legal description of the property is on page Thirty Five (35) of this document.

3. Assessor's Property Tax Parcel Account No(s): 28071900200900, 28071900100200, 28071900400500, 28071900400100, 28071900400300, 28071900100400

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF:

Hidden Ridge II

A Rural Cluster Subdivision

Snohomish County, Washington

Recorded: Feb. 20th 2013

Auditor's File No: 201302205002

IN WITNESS WHEREOF, Declarant has executed this Declaration on the day and year first herein below written.

DECLARANT

Hidden Ridge II, LLC., a Washington limited liability company

By: *Lisa Hallman*
Its: Secretary

STATE OF WASHINGTON)
) ss.
COUNTY OF King)

I certify that I know or have satisfactory evidence that Lisa Hallman is the person who appeared before me, and said person acknowledged that [he/she] signed this instrument, on oath stated that [he/she] was authorized to execute the instrument and acknowledge it as the authorized representative of Hidden Ridge II, LLC to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 11/21/12



Chris Hales
Name Printed: Chris Hales
Notary Public in and for the State of WA
Washington, residing at Seattle
My appointment expires Feb 12, 2014

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This Declaration is made as of this 21st day of NOVEMBER, 2012 by HIDDEN RIDGE II, LLC, a Washington limited liability company, hereinafter referred to as "Declarant."

RECITALS

A. The Declarant is the owner of that certain real property and improvements located within Snohomish County, Washington, commonly known as HIDDEN RIDGE II, referred to hereinafter as "Hidden Ridge II" or the "Property" and more particularly described in Exhibit A attached hereto.

B. Declarant desires to create an owners association at Hidden Ridge II to provide for the maintenance, preservation, and architectural control of the privately-owned parcels and Common Area (as defined below) within the community and to promote the health, safety, happiness, and welfare of the residents of the community.

C. Declarant, being the sole owner of the Property, hereby makes this Declaration for the purpose of submitting the Property to this Declaration, and declares that the Property described above shall be held, sold, conveyed, encumbered, leased, rented, occupied and improved subject to the following covenants, conditions, restriction, reservations, grants of easement rights, rights of way, liens, charges and equitable servitudes, which are for the purpose of protecting the value and desirability of the Property and shall be binding on all parties having any right, title or interest in the Property or any part thereof, and shall insure to the benefit of each owner thereof. This Declaration shall run with the land and bind Declarant, its successors and all subsequent owners of the Property or any part thereof, together with their grantees, successors, heirs, executors, administrators, devisees or assigns. Any conveyance, transfer, sale, assignment, lease or sublease of a Lot in the Property, shall and hereby is deemed to incorporate by reference all provisions of this Declarations. The provisions of this Declaration shall be enforceable by Declarant, any Lot Owner, the Association, and any first Mortgagee of any Lot.

ARTICLE 1 INTERPRETATIONS

Section 1.1 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation and maintenance of the Property.

Section 1.2 Covenant Running with Land. It is intended that this Declaration shall be operative as a set of covenants running with the land, or equitable servitudes, as applicable, binding on Declarant, its successors and assigns, all subsequent Owners of the Property or any Lots, together with their grantees, successors, heirs, executors, administrators, devisees or assigns. Declarant retains the right to assign its rights, duties, and obligations under this Declaration.

Section 1.3 Declarant is Original Owner. Declarant is the original Owner of all Lots and Property and will continue to be deemed the Owner thereof except as conveyances or documents changing such ownership regarding specifically described Lots or portions of the Property are filed of record by Declarant.

Section 1.4 Captions. Captions given to the various articles and sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof.

Section 1.5 Definitions. For the purpose of this Declaration and any amendments hereto, the following definitions shall apply:

1.5.1 "Architectural Control Committee" shall mean the Board, as defined below or a committee by the name designated by the Board.

1.5.2 "Articles" shall mean the articles of incorporation of the Association, as defined below.

1.5.3 "Assessments" shall mean all sums chargeable by the Association against a Lot, including, without limitation (a) general and special assessments for maintenance, repair or replacement of the Common Area; (b) special assessments against a Lot Owner for work done on the Owner's Lot; (c) fines imposed by the Association, (d) interest and late charges on any delinquent account, and (e) costs of collection, including reasonable attorneys' fees, incurred by the Association in connection with the collection of a delinquent Owner's account.

1.5.4 "Association" shall mean the Hidden Ridge II Homeowners' Association, a Washington non-profit corporation, as described more fully in Article 3, and its successors and assigns.

1.5.5 "Board" shall mean and refer to the Board of Directors of the Association, as provided for in Article 3.

1.5.6 "Bylaws" shall mean the bylaws of the Association as they may from time to time be amended.

1.5.7 "Common Area" shall mean all real property and improvements described in Section 2.1.

1.5.8 "County" shall mean the County of Snohomish, Washington.

1.5.9 "Declarant Control Period" shall mean the period of time from the date of recording of this Declaration until one (1) year after the date upon which all of the Lots and any other portion of the Property (excluding Common Area) that are subject to this Declaration have been sold by Declarant (including any additional property that may become subject to this Declaration pursuant to Article 8 prior to the end of the Declarant Control Period), or any earlier date as may be determined by Declarant. A partial delegation of authority by Declarant of any of its management duties described in the Declaration to the Owners shall not terminate the Declarant Control Period.

1.5.10 "Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions and Reservations for Hidden Ridge II, and any amendments thereto.

1.5.11 "Home" shall mean a structure located on a Lot which is designed and intended for use and occupancy as a residence of which is intended for use in connection with such residence.

1.5.12 "Lot" shall mean and refer to any of the 63 numbered lots shown upon the recorded Plat of Hidden Ridge II and any lot in any additional property that becomes subject to this Declaration pursuant to Declarant's rights under Article 8. Ownership of a Lot shall include ownership of the Home and improvements now or hereafter constructed on the Lot.

1.5.13 "Mortgage" shall mean a recorded mortgage or deed of trust that creates a lien against a Lot and shall also mean a real estate contract for the sale of a Lot.

1.5.14 "Mortgagee" shall mean the beneficial owner, or the designee of the beneficial owner, of an encumbrance on a Lot created by a Mortgage and shall also mean the vendor, or the designee of vendor, of a real estate contract for the sale of a Lot. For the purpose of determining the percentage of first Mortgagees approving a proposed decision or course of action, a Mortgagee shall be deemed a separate Mortgagee for each Lot on which it holds a Mortgage which constitutes a first lien on said Lot. Mortgagees shall have the same voting rights as the owners of any Lot subject to such Mortgage.

1.5.15 "Notice and Opportunity" shall mean the procedure wherein the Board shall give written notice of the proposed action to all Owners, tenants or occupants of Homes whose interest would be significantly affected by the proposed action. The notice shall include a general statement of the proposed action and the date, time and place of the hearing, which shall be not less than five (5) days from the date notice is delivered by the Board. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. Such evidence shall be considered in making the decision but shall not bind the Board. The affected person shall be notified of the decision in the same manner in which notice of the meeting with given.

1.5.16 "Owner" shall mean the owner of record, whether one or more persons or entities, of a fee simple title to any Lot and, except as may be otherwise expressly provided herein, shall, in the case of a Lot which has been sold pursuant to a real estate contract, include any person of record holding a vendee's interest under such real estate contract, to the exclusion of the vendor thereunder. Any person or entity having such an interest merely as security for the performance of an obligation shall not be considered an owner.

1.5.17 "Person" shall include natural persons, partnerships, corporations, associations and personal representatives.

1.5.18 "Plat Map" shall mean the Plat of Hidden Ridge II recorded in conjunction with this Declaration which depicts the layout of the Lots and Common Area on the Property. The Plat Map for the Property is recorded under Auditor's File No. * , records of Snohomish County, Washington.

* 201302205002

1.5.19 "Property" shall mean that real property and improvements located within the County, commonly known as Hidden Ridge II and more particularly described on Exhibit A attached hereto.

1.5.20 "Structure" shall mean any building, fence, wall, pole, driveway, walkway, patio or swimming pool.

1.5.21 "Transition Date" shall mean the end of the Declarant Control Period.

Section 1.6 Percentage of Mortgagees. For purposes of determining the percentage of first Mortgagees approving a proposed decision or course of action, a Mortgagee shall be deemed a separate Mortgagee for each Lot on which it holds a mortgage that constitutes a first lien on said Lot.

Section 1.7 Percentage of Owners. For purposes of determining the percentage of Owners approving a proposed decision or course of action, an Owner shall be deemed a separate Owner for each Lot owned by such Owner.

ARTICLE 2 COMMON AREA

Section 2.1 Description of Common Area. The Common Area, as shown on the Plat Map, is comprised of the following:

- Tract 901 - Detention
- Tract 902 - Native Growth Protection Area
- Tract 903 - Open Space
- Tract 904 - Native Growth Protection Area
- Tract 905 - Open Space
- Tract 906 - Detention
- Tract 907 - Open Space
- Tract 908 - Native Growth Protection Area
- Tract 909 - Open Space
- Tract 910 - Native Growth Protection Area
- Tract 917 - Native Growth Protection Area
- Tract 918 - Open Space
- Tract 919 - Detention
- Tract 920 - Detention
- Tract 921 - Native Growth Protection Area

Section 2.2 Dedication of Common Area. Declarant, by recording the Plat Map, dedicates and conveys the Common Area to the Association.

Section 2.3 Use of Common Area. Each Owner shall have the right to use the Common Area in common with all other Owners, subject to this Declaration, the Bylaws, the Hidden Ridge II Open Space Management Plan on file with Snohomish County, any rules and regulations adopted by the Association, and the following:

2.3.1 The Association may totally bar or restrict use of portions of the Common Area where ordinary use could be dangerous, unreasonably increase Association costs, or be detrimental to the environment, or is inconsistent with its designated use on the Plat Map.

2.3.2 The Association shall have the right to suspend the voting rights by any Owner for any period during which any assessment against such Owner's Lot remains unpaid, and for a period not to exceed sixty (60) days for any, and for each separate, infraction of the Association's published rules and regulations.

2.3.3 The Association shall have the right to dedicate or transfer all or any portion of the Common Area, including easements thereon, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless two-thirds (2/3) of the Owners vote or consent in writing to such dedication or transfer. The instrument dedicating or transferring all or any portion of the Common Area shall be executed by the president and secretary of the Association who shall certify that the requisite vote or consent has been obtained.

2.3.4 The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon any Common Area.

2.3.5 The right of the Association to limit the number of guests of Owners.

2.3.6 The right of the Declarant, at any time during the Declarant Control Period, to reserve to itself rights of entry, licenses, easements or similar rights to use the Common Area for purposes specified in such reservation.

Section 2.4 Delegation of Use. Any Owner may delegate, in accordance with such rules and regulations as the Association shall promulgate, his or her right of use and enjoyment of the Common Area to family members, guests, and tenants of such Owner. Each Owner shall be responsible for informing such Owner's family members, guests, tenants, and service personnel of the contents of this Declaration as well as any rules and regulations that may be adopted by the Association as they may relate to the use and enjoyment of the Common Area. Each Owner shall be personally liable for any damage to any Common Area or any other area maintained by the Association or to any other property of the Association, whether real or personal, caused by the Owner or the Owner's family member, guest, tenant, agent, workman, contractor or other licensee or invitee. The Association may have a lien upon the Owner's Lot for the amount of such damages as determined by the Board after Notice and Opportunity to be heard.

Section 2.5 Maintenance. Except to the extent covered by a County maintenance program, the Association shall have full responsibility for the maintenance, repair, replacement and improvement of the Common Area. All such areas and facilities shall be reasonably maintained for their intended use, subject to applicable governmental restrictions.

Section 2.6 Bonds Affecting Common Area. In connection with the improvement and governmental approval of the Property and the recording of the Plat Map, Declarant may from time to time procure one or more maintenance, improvement, performance or other bonds for the

benefit of one or more governmental authorities or private parties. Declarant reserves to itself for the duration of the period for which any such bond is required to be maintained (whether during or after the Declarant Control Period), all rights necessary or convenient to allow Declarant, its agents and contractors to take such action with respect to the property and/or improvements covered by any such bond as may be required from time to time (i) to comply with the obligations for which the bond was issued, or (ii) by the governmental entity or private party that is the beneficiary or obligee of such bond. Without limiting the foregoing, Declarant, its agents and contractors shall have the right to enter upon any and all Common Area or other portion of the Property affected by any such bonds and to abate, correct or remove any circumstance or condition that requires abatement, correction or removal by the beneficiary or obligee of the bond. Declarant, its agents and contractors shall not be deemed guilty of any manner of trespass by any such entry, abatement, correction or removal. In the event that the Association fails to maintain Common Area in accordance with this Declaration, Declarant, its agents and contractors shall have the right to enter upon the Property, with notice to the Association, to maintain Common Area. Any and all costs and expenses incurred for such action shall be charged back to the Association. The rights reserved under this Section with respect to any given bond shall continue through the date on which all obligations required by the governmental entity or private party with respect to such bond are performed, and the bond is surrendered to Declarant. Notwithstanding any term of this Declaration to the contrary, the rights described in this Section 2.7 shall be personal to the undersigned Declarant and shall not transfer to its successors and assigns.

Section 2.7 Declarant Approval. During the Declarant Control Period the exercise of all of the rights and powers set forth in Sections 2.3.1 through 2.3.6 shall require the prior written approval of Declarant.

ARTICLE 3 HOMEOWNERS ASSOCIATION

Section 3.1 Establishment. There is hereby created an association called the Hidden Ridge II Homeowners' Association.

Section 3.2 Form of Association. The Association shall be a nonprofit corporation formed and operated under the laws of the State of Washington.

Section 3.3 Articles and Bylaws. Declarant will adopt Articles of Incorporation and propose to the initial Board of Directors the adoption of Bylaws to supplement this Declaration and to provide for the administration of the Association and the Property and for other purposes not inconsistent with this Declaration. In the event of any conflict between this Declaration and the Articles for such nonprofit corporation, the provisions of this Declaration shall prevail. Bylaws for the administration of the Association and the Property, and to further the intent of this Declaration, shall be adopted or amended by the Owners at regular or special meetings, provided that the initial Bylaws shall be adopted by the Board of Directors. In the event of any conflict between this Declaration and any Bylaws, the provisions of this Declaration shall prevail.

Section 3.4 Board of Directors. After the Transition Date, the Association shall be managed by a Board of Directors who are Owners. They shall be elected as set forth in the Articles of Incorporation and Bylaws of the Association.

Section 3.5 Ownership and Voting Rights. After the Transition Date, Owners shall be entitled to one (1) vote for each Lot owned, whether improved for not. When more than one Person holds an interest in any Lot, all such Persons shall be Owners. The vote for such Lot shall be exercised as the joint owners may decide among themselves, but in no event shall more than one (1) vote be cast with respect to any Lot.

Section 3.6 Transfers. The membership in the Association of each Owner (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be transferred in any way except upon the transfer of title to the Lot and then only to the transferee of title to the Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association to the new Owner.

Section 3.7 Books and Records. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipt and expenditures of the Association, in a form that complies with generally accepted accounting principles. The Board or a majority of the Owners may at any time require an annual audit prepared by an independent certified public accountant which shall be paid for by the Association.

Section 3.8 Inspection of Association Documents, Books and Records. The Association shall make available to Owners, Mortgagees, prospective purchasers and their prospective mortgagees, and the agents or attorneys of any of them, current copies of this Declaration, the Articles, the Bylaws, and other rules, books, records, and financial statements of the Association, and the most recent annual audited financial statement, if one is prepared. "Available" shall mean available for inspection upon request, during normal business hours or under other reasonable circumstances. The Association may require the requesting party to pay a reasonable charge to pay the cost of making the copies.

Section 3.9 Declarant Control Period. During the Declarant Control Period, the Association and the ACC (as defined in Section 5.1 below), together with all Common Area administered- by the Association shall, for all purposes, be under the management and administration of Declarant or its assignees. During the Declarant Control Period, Declarant shall appoint the directors of the Association. Declarant may appoint any persons Declarant chooses as directors, and any number as Declarant chooses. At the Declarant's sole discretion, Declarant may appoint Owners to such committees or positions in the Association, including the ACC, as Declarant deems appropriate, to serve at Declarant's discretion, and Declarant may assign such responsibilities, privileges and duties to the Owners as Declarant determines, or for such time as Declarant determines. Owners appointed by Declarant during the Declarant Control Period may be dismissed at Declarant's discretion.

Declarant's control of the Association during the Declarant Control Period is established in order to insure that the Property and the Association will be adequately administered in the initial phases of development and to insure an orderly transition of

Association operations. From and after the end of the Declarant Control Period, the Association shall have the authority and obligation to manage and administer the Common Area and to enforce this Declaration. Such authority shall include all authority provided for in the Association's articles, bylaws, rules and regulations and this Declaration, together with other duties that may be assigned to the Association in any easement or in the Plat of Hidden Ridge II. From and after the end of the Declarant Control Period, the Association shall also have the authority and obligation to manage and administer the activities of the ACC and its responsibilities.

3.9.1 Resignation of Directors After the Expiration of Declarant Control Period. Within a reasonable amount of time after the Transition Date, the directors of the Association appointed by the Declarant shall resign and be succeeded by directors elected by the Owners.

3.9.2 Election of Directors After the Expiration of Declarant Control Period. Within a reasonable amount of time after the expiration of the Declarant Control Period and resignation of the directors of the Association appointed by the Declarant as set forth in Section 3.9.1, the Owners shall elect a Board of Directors of three (3) Owners. The Board of Directors shall then elect their officers from the members of the Board. The members of the Board of Directors and officers shall take office upon election.

ARTICLE 4 MANAGEMENT OF THE ASSOCIATION

Section 4.1 Administration of the Property. The Owners covenant and agree that the administration of the Property shall be in accordance with the provisions of this Declaration and the Bylaws of the Association. Administrative power and authority shall be vested in the Board.

Section 4.2 Management by Declarant. The Property shall be managed on behalf of the Association by the Declarant during the Declarant Control Period as set forth in Section 3.9. Declarant may terminate the Declarant Control Period as to all or a part of the Property by giving at least thirty (30) days' prior written notice to all Owners of Declarant's election to permanently relinquish all or a part of its authority under this Section 4.2. So long as Declarant is managing the Property, Declarant or a managing agent selected by Declarant shall have the exclusive power and authority to exercise all the rights, duties and functions of the Board and the Association set forth or necessarily implied in this Declaration; provided, however, that the Association may not be bound directly or indirectly to any contracts or leases without the right of termination exercisable without cause and without penalty at any time after transfer of control to the Board elected pursuant to Section 3.9.2, upon not more than ninety (90) days notice to the other party to the contract.

Section 4.3 Authority and Duties of the Board. On behalf of and acting for the Association, the Board, for the benefit of the Property and the Owners, shall have all powers and authority permitted to the Board under this Declaration including, but not limited to, the following:

4.3.1 Assessments. Levy, collect, and enforce the collection of, assessments, as more particularly set forth in Article 7 hereof, to defray expenses attributable to carrying out the duties and functions of the Association hereunder.

4.3.2 Insurance. Require any officer or employee of the Association handling or responsible for Association funds to furnish adequate fidelity insurance, the premiums for which shall be paid by the Association.

4.3.3 Contract with Third Parties. Contract and pay for any materials, supplies, labor or services which the Board should determine are necessary or proper for carrying out its powers and duties under this Declaration, including legal, accounting, management, security patrol or other services, however, if any materials, supplies, labor or services are provided for particular Lots or their Owners, the cost thereof shall be specially charged to the Owners of such Lots. The Board may pay the Declarant a reasonable fee for any services it performs on behalf of the Association. The Board may enter into agreements with one or more qualified persons to provide for the maintenance and repair of the Common Area, the collection of assessments, the sending of all required notices to Owners, the operation of Association meetings, and other regular activities of the Association.

4.3.4 Utilities. Contract and pay for the local utility's provision of street lighting throughout the Property and irrigation for Common Area.

4.3.5 Banking Authority. All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as is from time to time determined by the Board.

4.3.6 Maintenance and Repair of Common Area. Pay for the costs of painting, maintenance, repair and all landscaping and gardening work for all Common Area, and improvements located thereon, so as to keep the Property in a good, clean, attractive, sanitary and safe condition and in full compliance with applicable governmental laws, rules and regulations and the provisions of this Declaration. The foregoing shall include: the cost of maintaining storm retention ponds or similar facilities, if any; the cost of maintaining, repairing and replacing mailbox stands that serve more than one (1) Lot; and such replacing and repairing of furnishings and equipment, if any, for the Common Area as the Board shall determine are necessary and proper. Notwithstanding the foregoing, the power and authority to maintain the Property shall remain with the Association. During any period when Declarant has procured a bond for the benefit of the Property, which bond affects any portion of the Property and/or improvements that constitute the Property and/or any required off-site improvements for the Property, neither the Board, the Association or any Owner shall have any right to disturb, modify or remove any portion of such property or improvements that are covered by any such bond or to grant to a third party any license, right of entry, or easement over, under or through any portion of the Property covered by any such bond without the prior written approval of Declarant. The Board, the Association and Owner shall not alter or change Common Area until such bond is surrendered or released to Declarant. In the event that any alteration or change is made to Common Area, Declarant, its agents and contractors shall have the right to enter upon any and all

Common Area or other portion of the Property to remedy and restore Common Area to prior conditions. Any and all costs and expenses incurred for such action shall be charged back to the Association. Notwithstanding any provision of this Declaration to the contrary, the approval rights described in the prior sentence shall be personal to the undersigned Declarant and shall not transfer to its successors and assigns.

4.3.7 Maintenance of Rights of Way, Etc. To the extent deemed advisable by the Board, pay for the costs of maintaining and landscaping rights of way, traffic islands and medians, or other similar areas which are within or adjacent to the Property boundaries, and which are owned by or dedicated to a governmental entity, if said governmental entity fails to do so; provided, the Lot Owner at the Owner's expense (rather than the Association) shall maintain and landscape such areas as are adjacent to such Owner's Lot.

4.3.8 Fences, Landscaping, Etc. To the extent deemed advisable by the Board, pay for the cost of constructing, maintaining, repairing and replacing: perimeter and interior fences, if any; and landscaping and improvements on easements, if any, which are located on or across Lots; provided, the Board at its option may require a Lot Owner at the Owner's expense to maintain, repair and replace such fences, landscaping and improvements as are adjacent to such Owner's Lot. All such perimeter and interior fences shall be constructed, maintained, repaired and replaced in accordance with the Common Fence Design Standards contained in attached Exhibit B.

4.3.9 Enforce Declaration. Enforce the applicable provisions of the Declaration for the management and control of the Property.

4.3.10 Attorney-in-Fact. Each Owner, by the mere act of becoming an Owner, shall irrevocably appoint the Association as his/her attorney-in-fact, with full power of substitution, to take such action as reasonably necessary to promptly perform the duties of the Association and Board hereunder, including but not limited to the duties to maintain, repair and improve the Property, to deal with the Property upon damage or destruction, and to secure insurance proceeds.

Section 4.4 Adoption of Rules and Regulations. When and to the extent it deems advisable, the Board may adopt reasonable rules and regulations governing the maintenance and use of the Common Area and the Property and other matters of mutual concern to the Owners, which rules and regulations are not inconsistent with this Declaration and the Bylaws and which treat all Owners fairly and in a non-discriminatory manner.

Section 4.5 Additional Powers of the Association. In addition to the duties and powers of the Association, as specified herein and elsewhere in this Declaration, but subject to the provisions of this Declaration, the Association, acting through its Board, shall have the power to do all other things which may be deemed reasonably necessary to carry out its duties and the purpose of this Declaration.

ARTICLE 5
ARCHITECTURAL CONTROL

Section 5.1 Construction and Exterior Alterations or Repairs.

5.1.1 All Structures (including, without limitation, concrete or masonry walls, rockeries, driveways, fences, hedges, swimming pools, if any, or other Structures) to be constructed, erected, placed or altered within the Property, all exterior alterations and repairs (including, but not limited to, re-roofing or repainting) of any Structures on the Property and visible from any street or other Lot, and any construction or alteration of landscaping on the Property must be approved by the Board or an Architectural Control Committee ("ACC") composed of three (3) or more representatives appointed by the Board, provided, that until the Transition Date, Declarant shall act as the ACC. Complete plans and specifications of all such proposed buildings, structures, exterior alterations, and repairs, or landscaping together with detailed plans showing the proposed location of the same on the particular building site and other data requested by the ACC shall be submitted to the ACC before construction, alteration or repair is begun. Construction, alterations or repair shall not be started until written approval thereof is given by the ACC.

5.1.2 The ACC will review submittals for quality of workmanship and materials planned and for conformity and harmony of the exterior design with proposed or existing structures on the Lots and, as to location of the building, with respect to topography, finish grade elevation and building setback restrictions and compliance with the Plat Map, in accordance with architectural guidelines to be adopted by the ACC. Each Owner acknowledges that Declarant has a substantial interest in enhancing the reputation of the Declarant as a developer and therefore agrees to these restrictions, and further acknowledges that the Association has a similar interest with respect to the Association and the properties. Declarant is authorized to act solely in its own interest and owes no duty to any other Person.

5.1.3 All plans and specifications submitted for approval by the ACC must be submitted in duplicate at least thirty (30) days prior to the proposed construction or exterior alteration or repair starting date. In the event the ACC fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, the ACC will be deemed to have given its approval.

5.1.4 The maximum height of any building shall be established by the ACC as part of plan approval and shall be given in writing together with the approval. If the ACC has failed to disapprove such design and location within the thirty (30) day limit, and such design and location is thereby deemed approved, the maximum height of any building shall no greater than thirty-five feet (35') and must also comply with local zoning, land use building codes.

5.1.5 The ACC may require that all plans or specifications be prepared by an architect or a competent house designer approved by the ACC. One (1) complete set of the plans and specifications shall in each case be permanently left with the ACC. All buildings or structures shall be erected or constructed, and all exterior alterations or repairs made, by a contractor, house builder or other person or entity approved by the ACC. The ACC shall have the

right to refuse to approve any design, plan or color for such improvements, construction or exterior, alteration or repair visible from a street or other Lot which is not suitable or desirable, in the ACC's opinion, and such refusal may be based entirely on aesthetic or other factors.

5.1.6 In evaluating any design, the ACC may consider the suitability of the proposed building or other structure, the material of which it is to be built, the exterior color scheme, the site upon which such buildings or structures are proposed to be built, the harmony thereof with the surroundings, and the effect or impairment that such building or structure will have on the view or outlook of surrounding Lots, compliance with the Plat Map, and any and all other factors which, in the ACC's opinion, shall affect the desirability or suitability of such proposed structure, building, improvements, or exterior alteration or repair. Each Owner acknowledges that the interpretation of the foregoing standards and the individuals serving on the ACC change from time to time, as do opinions on aesthetic matters, and that it is not always apparent that what was approved before construction may not be consistent with the foregoing standards. Therefore, approval of a proposal shall not constitute waiver of the ACC's right to reject a similar proposal.

5.1.7 The ACC shall have the right to disapprove the design or installation of a swimming pool or any other recreational structure or equipment deemed undesirable, in the ACC's reasonable opinion, based on aesthetic factors or otherwise. The ACC may consider the visual impact of the proposed structure or equipment and the noise impact of the related activities upon all nearby Lots or Common Area. Any enclosure or cover used in connection with such a recreational structure or equipment whether temporary, collapsible, or seasonal, shall be treated as a permanent structure for purposes of these covenants, and shall be subject to all the conditions, restrictions, and requirements as set forth herein for all buildings and structures.

5.1.8 The ACC may require, at the Owner's expense, the trimming, topping or, if deemed necessary by the ACC, removal of any tree, hedge or shrub on the Owner's Lot which, the ACC determines is reasonably blocking or interfering with the view or access to sunlight of another Lot or any Common Area. Removal of trees shall be subject to compliance with the rules or regulations of the jurisdiction where the Property is located.

5.1.9 Declarant (including any successor in interest to Declarant's status as Declarant) shall not be subject to the restrictions of this Section 5.1 as to any Lot owned by Declarant.

5.1.10 By majority vote, the ACC may adopt or amend architectural guidelines consistent with this Declaration for making its determinations hereunder.

5.1.11 No Structure shall be erected, altered, placed or permitted to remain on any Lots unless the Structure complies with the Plat Map and with applicable building codes. The ACC may require that the Owner furnish the ACC with evidence that all necessary permits have been obtained from the County or other appropriate jurisdictions for any work on a Lot for which ACC approval is required under this Section prior to commencement of the work.

5.1.12 These standards and procedures are for the purpose of enhancing the aesthetics and harmony of the Property and do not create a duty to any Person.

Section 5.2 Declarant Facilities. Notwithstanding any provision in this Declaration to the contrary, Declarant and its agents, employees and contractors shall be permitted to maintain during the period of sale of Lots or Homes upon such portion of the Property (other than Lots sold by Declarant) as Declarant may choose, such facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction, sale or rental of Lots and Homes, including but not limited to a business offices, storage area, signs, model units, sales office, construction office and parking areas for all prospective tenants or purchasers of Declarant.

Section 5.3 Variances. So long as Declarant owns any Lot, the Board may in its reasonable discretion, upon written request of the Declarant, grant a variance from the requirements of Article 6; thereafter, the Board may, upon written request of an Owner, grant a variance from the requirements of Article 7 only in cases where, because of the physical characteristics of the Lot, strict enforcement would result in an unnecessary hardship. Beginning at such time that Declarant owns no Lots, the Board may only grant a variance from the provisions of Sections 6.14, 6.26 through 6.33, 6.35, 6.36 and 6.45. The Board's authority to grant such a variance shall not be delegated to the ACC. Prior to granting such a variance, the Board shall hold an open hearing at which other Owners may comment. At least fifteen (15) days prior to such hearing, the Board shall give written notice of the nature of the requested variance: to the Owner of each Lot immediately adjacent to the Lot for which the variance is requested; to other Owners that would reasonably be affected by the variance; and by requiring the Owner requesting the variance to post a notice on such Owner's Lot in a form reasonably satisfactory to the Board.

Section 5.4 Appeals. After the Transition Date, any aggrieved Owner may appeal a decision of the ACC to the Board by written notice within thirty (30) days after the ACC's written decision. The Board will review the ACC decision at the Board's next regularly scheduled meeting (but in any event not later than thirty (30) days after receipt of the notice of appeal). The Board shall give written notice to the appealing Owner of the time and place of such meeting at least five (5) days in advance. The decision of the Board is the final and binding upon all parties.

ARTICLE 6 USE AND MAINTENANCE OBLIGATIONS OF OWNERS

Section 6.1 Home and Yard Maintenance. Except for such maintenance and repairs which are to be performed by the Association pursuant to the provisions of this Declaration, each Owner, at said Owner's cost and expense, shall promptly and continuously maintain, repair, replace and restore the Home and other Structures or improvements on the Owner's Lot in a good, clean, attractive, safe and sanitary condition and in full compliance with all applicable laws, the provisions of this Declaration, and any rules and regulations of the Association. If any Owner fails to maintain, repair, replace or restore the Owner's Home, other Structures located on the Lot, or the Owner's Lot, the Association may, after Notice and Opportunity to be Heard, at the Owner's cost and expense, maintain, repair, replace or restore such items or areas and the Owner shall pay or reimburse the Association on demand for all such costs and expenses. All trees, hedges, shrubs, and flowers shall be kept in an attractive, neat, trimmed and pruned

condition. If the Lots have a sprinkler system installed, the sprinkler systems shall not be turned off during the months of June 1 through October 1 of each year. Owners shall not allow their Lots to become overgrown or unkempt so as to create visual nuisance. Leaves, clippings, dead plants and other yard waste shall be placed in a compost pile or appropriate containers for disposal.

Section 6.2 Restrictions on Storage. No Owner shall store or allow any occupant or tenant to store any trailers, boats, motor homes, recreational vehicles, motorcycles, or trucks over two (2) tons (except those used by Declarant in connection with the development of the Property or construction of the Homes) or any disabled or inoperable motor vehicle on the Property unless any such vehicle is parked not less than twenty (20) feet from any street and screened from view or enclosed in a manner approved in advance by the ACC. Violations of this Section shall subject such vehicles to impound, at the expense and risk of the owner thereof. No more than one motor home may be stored on any one Lot.

Section 6.3 Roads and Sidewalks. The road and sidewalks, located in Hidden Ridge II shall be used exclusively for normal access, ingress and egress, and no obstructions shall be placed thereon or therein except by express written consent of the Board. The Board may adopt rules and regulations governing parking by Owners and their guests in Hidden Ridge II.

Section 6.4 Residential Use. All Lots and Structures located thereon shall be used, improved and devoted exclusively for residential purposes only, including: (i) sleeping, eating, food preparation for on-site consumption by occupants and guests, entertaining by occupants or personal guests, and similar activities commonly conducted within a residential dwelling (without regard to whether the Owner or occupant uses the Home as a primary or secondary personal residence, on an ownership, rental, lease or invitee basis) or such other reasonable ancillary purposes commonly associated with residential dwellings and otherwise in compliance with this Declaration and all applicable laws for residential dwellings; (ii) for use as a home office or for a home occupation not involving use by nonresident employees or regular visits by customers or clients, (iii) for the common social, recreational or other reasonable uses normally incident to such purposes, and (iv) for purposes of operating the Association and managing the Property.

Section 6.5 No Nuisances. No noxious or offensive conditions shall be permitted or maintained upon any Lot or upon any other portion of the Property, nor shall anything be done thereon which is or may become an annoyance to other occupants on the Property. If the Board determines that a condition is noxious or offensive, that determination shall be conclusive.

Section 6.6 Restriction on Further Subdivision. No Lot, or any portion of a Lot in the Property, shall be divided and sold or resold, or ownership changed or transferred whereby, the ownership of any portion of the Property shall be less than the area required for the use district in which the Property is located, provided, the foregoing shall not prohibit deeds of correction, deeds to resolve boundary disputes and similar corrective instruments.

Section 6.7 Garbage and Trash Removal. No Lot or Common Area shall be used as a dumping ground for rubbish, trash, garbage, litter, junk and other debris. All garbage, trash and yard waste shall be placed in appropriate sanitary containers for regular disposal or recycling.

Each Owner shall be responsible for the prompt and regular disposal of all of garbage, trash, junk, and yard waste from the Owner's Lot. All containers for garbage, trash and yard waste may be placed in public view only on the designated collection day. Containers will be maintained according to section 6.22.

Section 6.8 Animal Restrictions. No insects, reptiles, poultry or animals of any kind shall be raised, bred or kept for any commercial purposes in or on any Home or Lot or on any Common Area, except that domesticated dogs, cats or other usual household pets (hereinafter referred to as "pets") not exceeding two (2) dogs and two (2) cats per Home may be kept on the Lots subject to rules and regulations adopted by the Board. Dog houses, kennels, dog runs or the like may be kept or maintained on any Lot or on the outside of any Home, so long as any of the foregoing items cannot be viewed from the street facing any lot or from the first floor of any residence within the Plat. The materials used for any such items shall be consistent with the requirements under this Declaration. All pets when outside a Home shall be maintained on an adequate leash or other means of physically controlling the pet, by a person capable of controlling the pet at all times or by a suitable invisible electronic confinement system not dangerous to humans. Pets shall not be allowed to leave excrement on any Lot or on any portion of the Common Area. Any Owner whose pet violates shall be liable to all such harmed Owners and their families, guests, and invitees. The Board may, after Notice and Opportunity to be Heard, require the removal of any pet which the Board finds is disturbing other Owners unreasonably, and may exercise this authority for specific pets even though other pets are permitted to remain.

Section 6.9 Signs. No signs shall be displayed to public view on any Lot until after the Transition Date, except for signs used by Declarant to advertise Lots or Homes for sale. After the Transition Date, only the following signs shall be permitted: (i) one (1) professionally created sign of not more than one (1) square foot displaying the resident's name, (ii) one (1) sign of not more than five (5) square feet advertising the Lot for sale or rent, and (iii) signs used by Declarant or other home builders to advertise Lots or Homes for sale.

Section 6.10 Renting and Leasing.

6.10.1 With respect to the leasing, renting, or creation of any kind of tenancy of a Home, the Owner (except for a lender in possession of a Lot and improvements located thereon following a default in a first Mortgage, a foreclosure proceeding, or any deed of trust sale or other arrangement in lieu of a foreclosure) shall be prohibited from leasing or renting less than the entire Home, and for any term less than thirty (30) days, and all leasing or rental agreements shall be in writing and be subject to this Declaration, the Articles and Bylaws with a default of the tenant in complying with this Declaration, the Articles or Bylaws constituting a default under such lease or rental agreement.

6.10.2 If a Home is rented by its Owner, the Board may collect, and the tenant or lessee shall pay over to the Board, so much of the rent for such Home as is required to pay any amounts due the Association hereunder, plus interest and costs, if such amounts are in default over thirty (30) days. The renter or lessee shall not have the right to contest payment over to the Board, and such payment will discharge the lessee's or renter's duty of payment to the Owner for

rent to the extent such rent is paid to the Association, but will not discharge the liability of the Owner (and the Home under this Declaration for assessments and charges) or operate as an approval of the lease. The Board shall not exercise this power where a receiver has been appointed with respect to the Home or its Owner, or in derogation of any rights which a Mortgagee of such Home may have with respect to such rents. Other than as stated herein, there are no restrictions on the right of any Owner to lease or otherwise rent his Home.

Section 6.11 Zoning Regulations. Zoning regulations, building regulations, environmental regulations and other similar governmental regulations applicable to the Property subject to this Declaration shall be observed. In the event of any conflict between any provision of such governmental regulations and restrictions of this Declaration, the more restrictive provisions shall apply.

Section 6.12 Business Use. No business of any kind shall be conducted on any Lot with the exception of (i) the business of the Declarant in developing and selling Homes or Lots, and (ii) home occupations approved by the Board which do not involve employees, regular visits by customers or clients, create excess traffic, parking problems, noise, or otherwise violate this Declaration. Owners shall also comply with all of the requirements of the appropriate local government concerning the operation of such home occupations. No business materials, supplies or equipment shall be stored on any Lot within the view of another Lot, except for items relating to an improvement which is under construction in conformance with this Declaration.

Section 6.13 Temporary Residence. No outbuilding, tent, shack, garage, trailer, shed or temporary building of any kind shall be used as a residence either temporarily or permanently, except for trailers used by Declarant, builders, or contractors during the construction period.

Section 6.14 Satellite Dishes. Except for a dish no larger than thirty inches (30") not in view from the front of any residence located within the Plat or as otherwise approved by the ACC in writing, no antenna, satellite dish or similar shall be affixed to the exterior any Structure or otherwise placed on any Lot. The ACC may regulate the location and screening of any antenna, satellite dish or similar equipment which the Owner may have a right to install on the Owner's Lot pursuant to the federal law.

Section 6.15 Governmental and Plat Requirements. All Structures and other Lot improvements shall comply with the Plat Map and all applicable governmental requirements including, without limitations, minimum setback requirements.

Section 6.16 Oil and Mining Operations. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 6.17 Use and Disposal of Hazardous Substances. The Owner of each Lot shall comply with all state, federal and local laws and regulations governing or in any way relating to the handling, storage, use, dumping, discharge or disposal of any hazardous substance or

material. The owner of each Lot shall not dispose of or discharge any hazardous substance or materials on any Lot, Common Area, Public Street or other are located within the Property.

Section 6.18 Completion of Property. Any Structures or improvements, including any repairs or replacement thereof, constructed on any Lot shall be completed as to external appearance, including finish painting, within six (6) months from the commencement of construction except for reasons beyond the control of the Owner, in which case a longer period may be permitted by the ACC. This period may be extended by the ACC due to inclement weather.

Section 6.19 Mailboxes. Each of the mailboxes and mailbox structures shall be placed in locations approved by the United States Postal Service. Owners may not damage or otherwise interfere with a mailbox structure.

Section 6.20 Exterior Add-ons. No awnings, air conditioning units, or other projections shall be placed on or hang from the exterior surfaces of any Home unless they have been approved by the ACC. Notwithstanding the foregoing, basketball hoops may hang from exterior surfaces of a Home as long as the hoop is hidden from view from the road located within the Property.

Section 6.21 Outdoor Fires. Outdoor barbeques may be used for cooking on the Lots when permitted by law. Reasonable and adequate precautions against fires must be taken. Excessive smoke or soot accumulation from fires shall not be allowed. No other outdoor fires shall be permitted on the Property, except for fires by Declarant or contractors for burning construction wastes where all necessary government permits have been obtained, or with fireplace chimneys constructed with material approved by the ACC and as otherwise required by this Declaration.

Section 6.22 Screened Service Areas. Unsightly items must be hidden from view within a Home or garage or within a fenced or screened area where they will not be seen from any Lot or road. Unsightly items shall include, but shall not be limited to, garbage and trash, clothes lines, bicycles, recreational gear, outdoor maintenance equipment, firewood and ladders. The design and materials used for any fenced or screened area shall be consistent with the general appearance of the Home and must receive prior approval from the ACC.

Section 6.23 Damage and Repair of Property. Upon any Substantial Damage (as defined below) to any Home or Lot, the Owner shall promptly restore and Repair (as defined below) the Home to substantially the same size and design as the original Home. The prior written consent or vote of the Board and a vote of sixty-seven percent (67%) of the total votes entitled to be cast by the Owners of the Lots is required to rebuild in accordance with a plan that is different from the original plan or as modified by alterations approved by the Board. As used in this Section, Substantial Damage shall mean that in the judgment of a majority of the Board the estimated damage for this Home exceeds ten percent (10%) of the full, fair market value of the Home before the damage occurred, as determined by the then current assessment for the purpose of real estate taxation.

Section 6.24 Catch Basin. The Owner of each Lot shall ensure the cleaning of all catch basins, if any, located on such Lot at least once prior to September 15 of each calendar year.

Section 6.25 Lot Size. No residential structure shall be erected or placed on any Lot which has a Lot area of less than that required by the government entity having appropriate jurisdiction over the Property.

Section 6.26 Garages. Every Home must have a garage capable of holding at least two (2) full-size cars, but no more than four (4) full-size cars (any car, boat, recreational vehicle, etc. shall be deemed one (1) car for purposes of this limitation). All vehicles must be stored in garages or in a manner which the Board reasonably determines is not offensive when viewed from the street or from the ground level of adjacent Lots or Common Area.

Section 6.27 Detached Garages. A private detached garage of a permanent character up to two stories in height may be placed or constructed on any part of a Lot, provided that it is finished in substantially the same material as the main Home. Such detached garage shall not be used as permanent residence unless designed and permitted by the appropriate agency to accommodate additional living space. Placement, design and construction of a detached garage shall require the approval of the ACC as set forth in Article 5 above and shall be subject to the requirements adopted by the ACC.

Section 6.28 Square Footage. Each single family residence must include a minimum of one thousand eight hundred (1,800) square feet for single story Homes and one thousand nine hundred (2,000) square feet for two-story Homes, excluding garage, porches and decks.

Section 6.29 Mobile or Manufactured Housing. No mobile or manufactured housing is permitted upon the Property.

Section 6.30 Driveway Standards. All driveways shall be constructed of concrete with a minimum of aggregate finish or other material approved by ACC. Declarant shall have the option of using asphalt to construct driveways longer than twenty feet (20').

Section 6.31 Parking. Unless substantially screened from view from the street or from the ground level of adjacent Lots and Common Area in a manner reasonably approved by the ACC, no recreational vehicles, commercial vehicles, construction or like equipment, motorcycles, or trailers (utility, boat, camping, horse, or otherwise), shall be allowed to be parked or stored on any Lot or street for a cumulative period in excess of fourteen (14) days in anyone (1) calendar year. No motor vehicles of any kind shall be parked overnight on any street adjoining any Lot or Common Area; provided that, such vehicles belonging to guests of a Lot Owner may occasionally be so parked so long as such parking will not violate any other provision of this Section 6.31. No motor vehicle of any kind that is inoperative by reason of mechanical failure shall be parked or stored on any Lot or in any right-of-way or street adjoining any Lot or Common Area for more than seventy-two (72) hours. The Board shall have full authority to determine, in its sole discretion, if any vehicle is obnoxious or undesirable to other Lot Owners and to enforce this covenant. Pursuant to Article 8 of this Declaration, the Association may levy fines or have vehicles that are parked in violation of this Section towed and impounded at the Owner's expense.

Section 6.32 Roof. The exterior of all roofs shall be composed of materials approved by ACC. All roofs must have a pitch of at least 4112 (four on twelve), unless approved by the ACC based on considerations regarding a specific Lot. Under no circumstances are flat roofs allowed. Roof material shall be at least twenty-five (25) year architectural composition asphalt shingle, charcoal color or other color approved by the ACC, and by a manufacturer approved and accepted by ACC.

Section 6.33 Exterior Finish. The exterior of each Home shall be designed, built and maintained in such a manner as to blend in with the natural surroundings, existing structures and landscaping of the Property. All exterior materials and all exterior colors must be approved by the ACC in accordance with the provisions of this Declaration. Exterior trim, fences, doors, railing, decks, eaves, gutters and the exterior finish of garages and other accessory buildings (including garden sheds) shall be designed, built and maintained to be compatible with the exterior of the structures they adjoin. Homes and other structures shall not be finished or accented in vinyl siding unless specifically approved by the ACC. In no event shall T-111 panelized type siding be permitted on any Home or other structure.

Section 6.34 Utilities. All utilities shall be installed underground. No fuel tank shall be maintained above ground unless properly screened in a manner acceptable to the ACC and placed to the rear of the home. All Lots shall be served by public water. No wells shall be constructed or maintained on any Lot.

Section 6.35 Fireplace Chimneys. Fireplace chimneys must be constructed with material approved by the ACC and as otherwise required by this Declaration.

Section 6.36 Games and Play Structures. No deck, platform, dog house, playhouse or structure of a similar kind or nature shall be constructed on any part of a Lot located in front of the rear line of the residence constructed thereon, and any such structure must have prior approval of the ACC.

Section 6.37 Construction of Significant Recreation Facilities. The construction of any significant recreational facilities on any Lot including, but not limited to, such items as swimming pools and tennis, badminton or pickle ball courts shall require the approval of the ACC and shall be subject to the requirements adopted by the ACC.

Section 6.38 Landscaping. All cleared areas between the front building line and the street shall be fully landscaped within sixty (60) days, depending on weather conditions, of the time when Home is ready for occupancy. Owner shall install or have installed fully landscaped rear and side yards within nine (9) months of occupancy unless a longer time is approved by the ACC.

Section 6.39 Temporary Structures. No trailer, basement, tent, shack, garage, barn or other outbuildings or any structure of a temporary character erected or placed on the Property shall at any time be used as a residence, even temporarily. No building or structure shall be moved on to the Property from any land outside the Property. A trailer may be placed and occupied by the designated subdivision sales agent. A construction shack may be used by an Owner's construction contractor during the construction period. Builder may employ a security

guard for the purpose of protecting property while under construction. Security guard may reside on the premises in a temporary building or trailer until such time as the last house is completed and sold.

Section 6.40 Easements. Easements for the installation and maintenance of utilities, drainage and irrigation facilities are reserved as shown on the Plat Map and as described in Article 11. Within these easements no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and/or maintenance of such utilities, or which may change the directions of flow of water through a drainage channel in the easement, or which may obstruct or retard the flow of water through drainage channels in the easement. Any easement or portion thereof located on any Lot and all improvements thereon shall be maintained continuously by the Lot Owner.

Section 6.41 Use During Construction. Except with the approval of the ACC, no person shall reside in any structure on any Lot until such time as the improvements to be erected thereon in accordance with the plans and specifications approved by the ACC have been completed. Completion shall be considered receipt of a final inspection of the dwelling unit by the County or other applicable government official.

Section 6.42 Excavations. Except with the permission of the ACC, or except as may be necessary in connection with the construction of any approved improvement, no excavation shall be made nor shall any dirt be removed from or added to any Lot. Except with permission of ACC, no retaining wall of more than four feet (4') in height (exposed height) may be constructed on any Lot.

Section 6.43 Clothes Lines, Other Structures. No clothes lines or other structures of a similar nature shall be visible from any street or the ground level of any adjacent Lot or Common Area.

Section 6.44 Common Drives. Common drives, walks (if any) and paths (if any) shall be used exclusively for normal transit and no obstructions shall be placed thereon or therein except by express written consent of the Board.

Section 6.45 Building Height. Except for daylight basement or with the permission of the ACC, no building height shall exceed thirty-five feet (35'), as measured from the lowest floor elevation of the house (either garage floor or living area floor) to the maximum point on the roof.

Section 6.46 Storm Runoff. Each Lot Owner shall ensure that all roof down spout drains are properly cleaned and maintained, and that the tight line drainage lines or storm infiltration system on each Lot are clean and free of any debris. Due diligence shall be exercised by each Lot Owner to prevent adverse impact of storm runoff onto down stream Lots.

Section 6.47 Window Coverings. All window coverings shall be installed six (6) months after Lot Owner takes possession of his or her residence. Use of sheets, blankets or other materials is strictly prohibited.

Section 6.48 Native Growth Protection Area. Any native growth protection areas are to be left permanently undisturbed in a substantially natural state. No Clearing, grading, filling, building construction or placement of road construction of any kind shall occur, except removal of hazardous trees and invasive plants. The activities as set forth in Snohomish County Code are allowed when approved by the County and other appropriate jurisdictions.

ARTICLE 7 COMMON EXPENSES AND ASSESSMENTS

Section 7.1 Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Property, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association any assessment duly levied by the Association as provided herein. Such assessments, together with interest, costs, late charges and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made. Each such assessment, together with interest, costs, late charges and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to successors in title unless the lien for such delinquent assessments had been properly recorded prior to title transfer or unless expressly assumed by them. Provided, however, that in the case of a sale of any Lot which is charged with the payment of an assessment or assessments payable in installments, the person or entity who is the Owner immediately prior to the date of any such sale shall be personally liable only for the amount of the installments due prior to said date. The new Owner shall be personally liable for installments which become due on and after said date.

Section 7.2 Uniform Rate. Any assessments which may be levied from time to time pursuant to the authority of the Board as set forth in Section 4.3.1, shall be fixed at a uniform rate for each Lot, except for assessments levied against an Owner for the purpose of reimbursing the Association for costs incurred in bringing the Owner or his/her Home and/or Lot into compliance with the provisions of this Declaration. Declarant shall not be obligated to pay any assessment levied against any Lots owned by it. An assessment against a Lot shall be the joint and several personal obligation of all Owners of that Lot.

Section 7.3 Initial Start-Up Fee. Upon the sale of each Lot by the Declarant (whether to a builder or otherwise), each Lot Owner, at the time of his/her purchase of the Lot, shall pay an initial start-up fee directly to the Declarant at closing in the amount of Five Hundred and no/100 Dollars (\$500.00). Such initial start-up fee shall be in addition to any annual assessment provided for in this Article 7 and shall be for the purpose of partial reimbursement of the Declarant for maintenance and operating expenses of and for the Common Area during the initial development and house sales period on behalf of the Association. Notwithstanding the provisions set forth above, the Declarant shall not be liable for any Initial Start-Up Fees assessed or due so long as Declarant owns any Lot.

Section 7.4 Budget. The Board shall establish a budget for the Association, which shall include, without limitation, the costs of maintaining the Common Area during the ensuing

fiscal year, and shall mail a summary of the budget to all of the Owners. Within thirty (30) days after adoption by the Board, the Board shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing of the summary. Unless at that meeting the Owners of a majority of the votes in the Association reject the budget, in person or by proxy, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

Section 7.5 Limitation on Annual Assessment Amount.

7.5.1 Board Authority. At any time after the sale of the first Lot by the Declarant (whether to a builder or otherwise), the Board shall have the authority, without obtaining prior approval of the Owners, to levy assessments in a given calendar. The annual expenditures contained in the Budget, net of budgeted income, shall be assessed in equal shares against each lot. Assessments included in the foregoing statement shall not include any assessments which are levied against an Owner for reimbursing the Association for costs incurred in bringing the Owner or his/her Home and/or Lot into compliance with the provisions of this Declaration, nor any initial start-up fees provided for in Section 7.3. Notwithstanding the provisions set forth above, the Declarant shall not be liable for any fees or assessments assessed or due so long as Declarant owns any Lot.

7.5.2 Annual Increase in Dollar Limit. The maximum dollar amount specified in Section 7.5.1 shall not be increased by more than fifteen percent (15%) without the approval of a majority of the Lot Owners voting at a meeting duly called for such purpose.

7.5.3 Owner Approval Required. Any assessment to be levied in a given calendar year which would cause the total of all assessments for the year to exceed the sum per Lot permitted by Sections 7.5.1 and 7.5.2 shall require the calling of a meeting of the Association upon notice sent to all Owners not less than thirty (30) nor more than sixty (60) days in advance of the meeting, and the approval at such meeting of the levy of such assessment by a majority of the Lots represented at such meeting, provided a quorum is present as defined in the Bylaws.

Section 7.6 Manner and Time of Payment. Assessments shall be payable by each Owner in such reasonable manner as the Board shall designate. Any assessment or installment thereof which remains unpaid for at least fifteen (15) days after the due date thereof shall bear interest at an annual rate of twelve percent (12%), and the Board may also assess a late charge in an amount not exceeding twenty-five percent (25%) of any unpaid assessment which has been delinquent for more than fifteen (15) days.

Section 7.7 Accounts. Any assessments collected by the Association shall be deposited in one or more insured institutional depository accounts established by the Board. The Board shall have exclusive control of such accounts and shall maintain accurate records thereof; provided, however, that the Board may exercise such control through a property manager retained pursuant to Section 4.3.3. No withdrawal shall be made from said accounts except to pay for charges and expenses authorized by this Declaration.

Section 7.8 Lien. In the event any assessment or installment thereof remains delinquent for more than thirty (30) days, the Board may, upon fifteen (15) days prior written notice to the Owner of such Lot of the existence of the default, accelerate and demand immediate payment of the entire assessment. The amount of any assessment assessed or charged to any Lot plus interest, costs, late charges and reasonable attorneys' fees, shall be a lien upon such Lot. A claim of lien may be recorded in the office where real estate conveyances are recorded for the county in which this Property is located. Such claim of lien may be filed at any time at least fifteen (15) days following delivery of the notice of default referred to above. The lien for payment of such assessments and charges shall have priority over all other liens and encumbrances, recorded or unrecorded, limited as provided in Section 10.1. Suit to recover a money judgment for unpaid assessments or charges shall be maintainable with or without foreclosure or waiver of the lien securing the same.

Section 7.9 Waiver of Homestead. Each Owner hereby waives, to the extent of any liens created pursuant to this Article 7, the benefit of any homestead or exemption law in effect at the time any assessment or installment thereof becomes delinquent or any lien is imposed pursuant to the terms hereof.

Section 7.10 Continuing Liability for Assessments. No Owner may exempt himself/herself from liability for his/her Assessments by abandonment of his/her Lot.

Section 7.11 Records. Financial Statements. The Board shall prepare or cause to be prepared, for any calendar year in which the Association levies or collects any assessments, and shall distribute to all Owners, a balance sheet and an operating (income/expense) statement for the Association, which shall include a schedule of assessments received and receivable, identified by the number of the Lot and the name of the Owner so assessed. The Board shall cause detailed and accurate records of the receipts and expenditures of the Association to be kept specifying and itemizing the maintenance, operating, and any other expenses incurred. Such records, copies of this Declaration, the Articles and the Bylaws, and any resolutions authorizing expenditures of Association funds shall be available for examination by any Owner at reasonably convenient hours.

Section 7.12 Certificate of Assessment. A certificate executed and acknowledged by the treasurer or the president of the Board, or an authorized agent thereof if neither the president nor treasurer is available, stating the indebtedness for assessments and charges or lack thereof secured by the assessment lien upon any Lot shall be conclusive upon the Association as to the amount of such indebtedness on the date of the certificate, in favor of all persons who rely thereon in good faith. Such a certificate shall be furnished to any Owner or any encumbrancer of a Lot within a reasonable time after request, in recordable form, at a reasonable fee. Unless otherwise prohibited by law, any encumbrancer holding a lien on a Lot may pay any unpaid assessments or charges with respect to such Lot, and, upon such payment, shall have a lien on such Lot for the amounts paid of the same rank as the lien of his/her encumbrance.

Section 7.13 Foreclosure of Assessment Lien. Attorneys' Fees and Costs. The Declarant or Board, on behalf of the Association, may initiate action to foreclose the lien of, or collect, any assessment. In any action to foreclose the lien of, or otherwise collect, delinquent

assessments or charges, any judgment rendered in favor of the Association shall include a reasonable sum for attorneys' fees and all costs and expenses reasonably incurred in preparation for or in the prosecution of said action (including in any arbitration, on appeal, and in any bankruptcy proceeding), in addition to taxable costs permitted by law.

Section 7.14 Curing of Default. The Board shall prepare and record a satisfaction and release of the lien for which a claim of lien has been filed and recorded in accordance with this Article upon timely payment or other satisfaction of all delinquent assessments set forth in the Notice, and all other assessments which have become due and payable following the date of such recordation with respect to the Lot as to which such claim of lien was recorded, together with all costs, late charges and interest which have accrued thereon. Prior to the preparation and recordation of the satisfaction and release of such lien, an additional administrative fee covering the cost of preparation and recordation of such satisfaction and release, including, without limitation, reasonable attorneys' fees, shall be paid to the Association prior to such action. The satisfaction of the lien created by the claim of lien shall be executed by the president or treasurer of the Association or by any authorized representative of the Board. For the purposes of this Section 7.14, the term "costs" shall include costs and expenses actually incurred or expended by the Association in connection with the cost of preparation and recordation of the claim of lien and in efforts to collect the delinquent assessments secured by the lien and a reasonable sum for attorneys' fees.

Section 7.15 Omission of Assessment. The omission by the Board or the Association to fix the estimate for assessments and charges hereunder for the next year before the expiration of any current year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owner from the obligation to pay the assessments and charges, or any installment thereof for that or any subsequent year. The assessment and charge fixed for the preceding year shall continue until a new assessment or charge is fixed.

Section 7.16 Exempt Property. The following property subject to this Declaration shall be exempt from the assessments created herein:

7.16.1 All properties dedicated to and accepted by a governmental entity; and

7.16.2 All Common Area.

However, the land or improvements, which are referred to in Sections 7.16.1 and 7.16.2 which are devoted to dwelling use, shall not be exempt from said assessments. The exemption hereunder shall not apply to the properties owned by a charitable or nonprofit organization or an organization exempt from taxation by the laws of the State of Washington.

Section 7.17 Effect of Legal Proceedings. In any legal proceeding commenced pursuant to Section 8.1.1, and notwithstanding the assessment limitations provided for in this Declaration, the court having jurisdiction over such proceeding shall also have jurisdiction and power to cause assessments to be levied and collected on an equal per Lot basis in such amounts as is reasonably necessary to cause the Property to be properly administered in accordance with the provisions of this Declaration and the Bylaws, or to cause the provisions of this Declaration and the Bylaws to be properly applied and enforced.

ARTICLE 8

EXPANSION AND WITHDRAWALS

Section 8.1 Expansion. Declarant may from time to time make additional property subject to this Declaration that is owned by Declarant or any Declarant Affiliate (as defined below) by recording a supplemental declaration describing the property to be included. No Person's consent shall be required for Declarant for the exercise of Declarant's rights in this Article 8. This right shall expire ten (10) years after the recording of this Declaration. Declarant may subject the Property to such additional covenants and easements in the supplemental declaration or in a separate declaration. The additional property shall be subject to all of the rights, duties and obligations of this Declaration.

8.1.1 Such expansion shall include property referred to on the Plat Map as Tract 999, Phase 2; Future Development Tract.

Section 8.2 Withdrawals. Declarant reserves the right to withdraw any portion of the Property from this Declaration that is not a part of the Common Area and has not been improved for so long as it retains the right to add additional property as described in Section 8.1.

ARTICLE 9

COMPLIANCE AND ENFORCEMENT

Section 9.1 Enforcement.

9.1.1 Each Owner, Board member and the Association shall comply strictly with the provisions of this Declaration and with the Bylaws and administrative rules and regulations adopted by the Association (as the same may be lawfully amended from time to time). Failure to comply shall result in a claim for damages or injunctive relief, or both, by the Board (acting through its officers on behalf of the Association and the Owners) or by the aggrieved Owner on his own, against the party (including an Owner or the Association) failing to comply.

9.1.2 Each Owner who shall rent or lease his/her Lot shall insure that the lease or rental agreement is in writing and subject to the terms of this Declaration, Articles of Incorporation, and Bylaws. Said agreement shall further provide that failure of any lessee to comply with the provisions of said documents shall be a default under the lease.

9.1.3 In any action or arbitration to enforce the provisions of this Section 9.1 or any other provisions of this Declaration, the Articles or the Bylaws, the prevailing party in such action or arbitration shall be entitled to an award for reasonable attorneys' fees and all costs and expenses reasonably incurred in preparation for prosecution of said action or arbitration, in addition to all costs permitted by law.

Section 9.2 No Waiver of Strict Performance. The failure of the Board or Declarant, as applicable, in anyone or more instances to insist upon or enforce the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration, or of any Bylaws or administrative rules or regulations, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition or restriction, but such term, covenant, condition or restriction shall remain in full force and effect. No waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board.

Section 9.3 Arbitration. (a) Any dispute between any Owners, between an Owner and the Board or the Association or between an Owner, the Board or the Association and Declarant, regardless of the nature of the claim, including claims arising out of construction, work or services performed by the Declarant, shall be determined by arbitration in Snohomish County, Washington, under the American Arbitration Association (AAA); Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof, as modified by the Declaration. There shall be one (1) arbitrator selected by the parties within seven (7) days of the arbitration demand or, if not, then selected pursuant to the AAA rules. The arbitrator shall be an attorney with at least five (5) years experience in owners association, subdivision or real estate law. Any issue about whether a claim must be arbitrated shall be determined by the arbitrator. At the request of either party made not later than forty-five (45) days after the arbitration demand, the parties agree to submit the dispute to nonbinding mediation, which shall not delay the arbitration hearing date. There shall be no substantive motions or discovery, except the arbitrator shall authorize such discovery as may be necessary to ensure a fair hearing, which shall be held within ninety (90) days of the demand and concluded within two (2) days. These time limits are not jurisdictional. The arbitrator shall apply substantive law and may award injunctive relief or any other remedy available from a judge, but the arbitrator shall not have the power to award costs, attorney or expert fees, or punitive damages. Charges of any mediator or arbitrator shall be divided equally between the parties to the dispute. This arbitration provision shall not cover claims by the Association for collection of assessments, which shall be governed by Article 7.

(b) The Association shall not commence any litigation or arbitration proceeding without the affirmative vote of sixty seven percent (67%) of the Owners.

Section 9.4 Remedies Cumulative. Except for claims which must be arbitrated pursuant to Section 9.3 above, the remedies provided herein are cumulative and the Board may pursue them concurrently, as well as any other remedies which may be available under law although not expressed herein.

ARTICLE 10 LIMITATION OF LIABILITY

Section 10.1 No Personal Liability. So long as a Board member, Association committee member, Association officer, or authorized agent(s) has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, no person shall be personally liable to any Owner, or other party including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, negligence (except gross negligence), any discretionary decision or failure to make a

discretionary decision, by such person in such person's official capacity; provided, however, that this Section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance or bond obtained by the Board pursuant to Article 4 or Article 14 hereof.

Section 10.2 Indemnification. Each Board member or Association committee member, or Association Officer, and their respective heirs and successors, shall be indemnified by the Association against all expenses and liability, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may become involved, by reason of being or having held such position at the time such expenses or liabilities are incurred, except in such cases wherein such person is adjudged guilty of intentional misconduct, or gross negligence or a knowing violation of law in the performance of his or her duties, and except in such cases where such person has participated in a transaction from which said person will personally receive a benefit in money, property, or services to which said person is not legally entitled; provided, however, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interests of the Association. Nothing contained in this Section 9.2 shall, however, be deemed to obligate the Association to indemnify any Owner who is or has been a Board member or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by him or her under and by virtue of the Declaration as an Owner of a Lot covered thereby and not as a Board member or officer of the Association.

ARTICLE 11 MORTGAGEE PROTECTION

Section 11.1 Priority of Mortgages. Notwithstanding all other provisions hereof, the liens created under this Declaration upon any Lot for assessments shall be subject to tax liens on the Lot in favor of any assessing and/or special district and be subject to the rights of the secured party in the case of any indebtedness secured by first lien mortgages or deeds of trust which were made in good faith and for value upon the Lot. A mortgagee of a Lot, or other purchase of a Lot, who obtains possession of a Lot as a result of foreclosure or deed in lieu thereof will be liable for any assessment accruing after such possession. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Lot Owners including such possessor, his successor and assigns. For the purpose of this Article, the terms "mortgage" and "mortgagee" shall not mean a real estate contract (or the vendor thereunder), or a mortgage or deed of trust (or mortgagee or beneficiary thereunder) securing a deferred purchase price balance owed with respect to a sale by an individual Lot Owner other than Declarant.

Section 11.2 Effect of Declaration Amendments. No amendment of this Declaration shall be effective to modify, change or limit or alter the rights expressly conferred upon mortgagees in this instrument with respect to any unsatisfied mortgage duly recorded unless the amendment shall be consented to in writing by the holder of such mortgage. Any provision of this Article conferring rights upon mortgagees which is inconsistent with any other provision of this Declaration shall control over such other inconsistent provisions.

Section 11.3 Rights of Lien Holders. A breach of any of the provisions, conditions, restrictions, covenants, easements or reservations herein contained shall not affect or impair the lien or charge of any bona fide mortgage made in good faith for value on any Lots, provided, however, that any subsequent owner of the Lot shall be bound by these provisions whether such owner's title was acquired by foreclosure or trustee's sale or otherwise.

Section 11.4 Copies of Notices. If the first mortgagee of any Lot has so requested of the Association in writing, the Association shall give written notice to such first mortgagee that an Owner/mortgagor of a Lot has for more than sixty (60) days failed to meet any obligation under this Declaration. Any first mortgagee shall, upon written request, also be entitled to receive written notice of all meetings of the Associations and be permitted to designate a representative to attend such meetings.

Section 11.5 Change in Manner of Architectural Review and Maintenance Within Property. The Association shall not, without prior written approval of seventy-five percent (75%) of all first Mortgagees (based upon one (1) vote for each first Mortgage owned) and seventy-five percent (75%) of all Owners (other than Declarant) of record by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Homes, the exterior maintenance of Homes, maintenance of walkways, fences and driveways, or the upkeep of lawns and plantings in the development, including the provisions of Articles 3 and 4 hereof.

Section 11.6 Furnishing of Documents. The Association shall make available to prospective purchasers, Mortgagees, insurers, and guarantors, at their request, current copies of the Declaration, Bylaws, and other rules governing the Property, and the most recent balance sheet and income/expense statement for the Association, if any has been prepared.

ARTICLE 12 EASEMENTS AND SPECIAL TRACTS

Section 12.1 Association Functions. There is hereby reserved to Declarant and the Association or their duly authorized agents and representatives such easements as are necessary to perform the duties and obligations of the Association as are set forth in the Declaration, or in the Bylaws, and rules and regulations adopted by the Association.

Section 12.2 Utility Easements. Various easements are reserved on the Lots, as provided by the Plat Map and applicable laws, ordinances and other governmental rule and regulations for utility installation and maintenance, including, but not limited to, underground electric power, telephone, cable television, water, sewer, gas and drainage and accessory equipment, together with the right to enter upon the Lots at all times for said purposes. The Board, with the consent of at least sixty percent (60%) of the voting power of the Association, shall be entitled to designate additional utilities that shall be entitled to utilize the easement area reserved in this Section 11.2. Within these easements, no structure, planting, or other material shall be placed or permitted to remain that may damage, interfere with the installation and maintenance of utilities, that may change the direction of flow of drainage channels in the easements, or that may obstruct or retard the flow of water through drainage channels in the

easements. The easement area of each Lot, and all improvements thereon, shall be maintained continuously by the Owner of each Lot, except for those improvements for which a public authority or utility company or the Association is responsible within the easement areas. The Owner shall maintain the portion of any utility on the Owner's Lot or within a private easement for the Owner's Lot that serves only the Owner's Lot to the point of connection to the portion of the system that serves more than one Lot. The Association shall have an easement for the maintenance, repair and replacement of the portions of the easements that serves more than one Lot up to the point of connection to the public system.

Section 12.3 Entry by Security Patrol. If the Board contracts for security patrol service, said service, and its employees, shall have the right to enter onto any of the Lots and the Common Area in order to carry out their duties under such security patrol agreement; provided, however, that said patrol service can enter a Lot only if it is either (i) doing so with reasonable cause, or (ii) acting with the consent of the Owner or tenant of such Lot.

Section 12.4 Access to Public Streets. Each Owner and his/her guests and invitees shall have a perpetual, non-exclusive easement across all roadways constructed within the Property, thereby providing access throughout the Property and to public streets.

Section 12.5 Easements Benefiting Adjacent Parcels. There is hereby reserved to Declarant, and to any entity under the control of, controlled by, or under common control with Declarant (a "Declarant Affiliate"), and their duly authorized agents and contractors, a nonexclusive easement under, through and over the Common Area for underground utilities and for vehicular and pedestrian access, which easement shall benefit of any property immediately adjacent to any such Common Area that is at any time (whether then or in the future) owned by Declarant or any Declarant Affiliate. Any entity shall be deemed to be "controlling" or "controlled" if it owns or is owned by an entity with twenty percent (20%) or more of the beneficial ownership of such entity, either directly or indirectly.

ARTICLE 13 ABANDONMENT OF SUBDIVISION STATUS

Section 13.1 Duration of Covenants. The covenants contained herein shall run with and bind the land and be perpetual, unless modified, by an instrument executed in accordance with the Article 13.

Section 13.2 Abandonment of Subdivision Status. The Association shall not, without the prior written approval of the governmental entity having jurisdiction over the Property and without prior written approval of one hundred percent (100%) of all first Mortgagees and Owners (other than the sponsor, developer or builder) of record, seek by act or omission to abandon or terminate the subdivision status of the Property as approved by the governmental entity having appropriate jurisdiction over the Property.

ARTICLE 14
AMENDMENT OF DECLARATION OR PLAT MAP

Section 14.1 Declaration Amendment. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Until the first conveyance of any Lot to any Person, the Declarant may unilaterally amend this Declaration for any purpose. Thereafter, but prior to the Transition Date, this Declaration may be amended by an instrument approved and executed by Declarant and approved by fifty-one percent (51%) of the Owners. Thereafter, amendments must be approved by Owners, including Declarant, having over seventy-five percent (75%) of the votes in the Association. The members' approval may be obtained by a special vote of the members at a meeting of the Association, or the written consent of the requisite percentage of members. The amendment shall be executed by the president and secretary of the Association who shall certify that the requisite vote or consent has been obtained. Notwithstanding any of the foregoing, the prior written approval of seventy-five percent (75%) of all Mortgagees who have requested from the Association notification of amendment shall be required for any material amendment to the Declaration or the Bylaws of any of the following: voting rights, assessments, assessment liens, and subordination of such liens; reserves for maintenance, repair, and replacement of Common Area, insurance or fidelity insurance, responsibility for maintenance and repair, the boundaries of any Lot, convertibility of Lots into Common Area or of Common Area into Lots; leasing of Lots other than set further herein, imposition of any restrictions on the right of an Owner to sell or transfer his Lot; a decision by the Association to establish self-management when professional management has been required previously by the Mortgagees, or any provisions which are for the express benefit of Mortgagees or eligible insurers or guarantors of first Mortgages. It is specifically covenanted and understood that any amendment to this Declaration properly adopted will be completely effective to amend any or all of the covenants, conditions and restrictions contained herein which may be affected and any or all clauses of this Declaration unless otherwise specifically provided in the section being amended or the amendment itself.

Section 14.2 Plat Map. Except as otherwise provided herein, the Plat Map may be amended by revised versions or revised portions there referred to and described as to affect an amendment to the Declaration adopted as provided for in Section 13.1. Copies of any such proposed amendment to the Plat Map shall be made available for the examination of every Owner. Such an amendment to the Plat Map shall be effective, once properly adopted, upon having received any governmental approval required by law and recordation in the appropriate city or county offices in conjunction with the Declaration amendment.

Section 14.3 Amendments to Conform to Construction. Declarant, upon Declarant's sole signature, and as attorney-in-fact for all Lot Owners with irrevocable power coupled with an interest, may at any time, until all Lots have been sold by Declarant, file an amendment to the Declaration and to the Plat Map to conform to improvements as actually constructed and to establish, vacate and relocate easements.

Section 14.4 Amendments to Conform to Lending Institution Guidelines and Similar Purposes. So long as Declarant continues to own one or more Lots, Declarant, upon Declarant's sole signature, and as an attorney-in-fact for all Lot Owners with an irrevocable power coupled

with an interest, may at any time, until all Lots have been sold by Declarant, file such amendments to the Declaration and Plat Map as are necessary to meet the then requirements of Federal National Mortgage Association, Veterans Administration, Federal Home Loan Mortgage Corporation, or other agencies, institutions or lenders financing and/or title insuring the purchase of a Lot from the Declarant.

ARTICLE 15 INSURANCE

Section 15.1 Association Insurance. The Board shall cause the Association to purchase and maintain at all times as a common expense a policy or policies necessary to provide comprehensive liability insurance, fidelity insurance, worker's compensation insurance to the extent required by applicable laws, insurance against loss of personal property of the Association by fire, theft, or other causes with such deductible provisions as the Board deems advisable, and such other insurance as the Board deems advisable. The Board may also, in its sole discretion, cause the Association to purchase and maintain insurance, if available, for the protection of the Association's directors, officers, and representatives from personal liability in the management of the Association's affairs. The Board shall review at least annually the adequacy of the Association's insurance coverage. All insurance shall be obtained from insurance carriers that are generally acceptable for similar properties/projects and licensed to do business in the state of Washington. All such insurance policies and fidelity bonds shall provide that coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to any and all insureds named therein, including Owners, holders of mortgages, and designated services of mortgagees.

Section 15.2 Owner's Insurance.

15.2.1 All Owners shall obtain and maintain property insurance, liability insurance, and such other insurance as the Board deems advisable. All insurance shall be obtained from insurance carriers that are generally acceptable for similar residential properties and authorized to do business in the state of Washington. All such insurance policies shall provide that coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the Association. All Owners shall provide the Association with proof of insurance upon the request of the Association.

15.2.2 The property insurance maintained by each Owner shall, at the minimum, provide all risk or special cause of loss coverage, in an amount equal to the full replacement cost of each Home and all fixtures and improvements located thereon, with such reasonable deductibles and exclusions from coverage as the Board may from time to time approve or by rule or regulation establish.

15.2.3 The liability insurance coverage maintained by each Owner shall cover liability of the insureds for property damage and bodily injury and death of persons arising out of the operation, maintenance, and use of the Lot and such other risks as are customarily covered

for similar residential properties with a limit of liability of at least three hundred thousand dollars (\$300,000.00).

15.2.4 Any person of the Home or Lot for which insurance is required under this Article which is damaged or destroyed shall be repaired or replaced promptly by the Owner pursuant to Section 6.23 unless the subdivision is terminated or repair or replacement would be illegal under any state or local health safety statute or ordinance.

ARTICLE 16 OWNER'S PROPERTY RIGHTS

Section 16.1 Owner's Rights of Enjoyment. Every Owner shall have a non-exclusive right and easement, in common with all Owners, of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

16.1.1 The right of the Association to limit access to those portions of the Common Area, which in the opinion of the Board are dangerous.

16.1.2 The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon any Common Area.

16.1.3 The right of the Association to suspend the voting rights and right to use of the Common Area by an Owner for any period during which any assessment against such Owner's Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

16.1.4 The rights of the Association to dedicate or transfer all or any part of the Common Area, including easements across said properties, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members of the Association. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer signed by two-thirds (2/3) of the Owners has been recorded and the provisions of this Declaration hereof have been observed; provided, only a majority of Owners will be necessary to approve dedicating a stone retention pond or similar facility, if any, to a governmental entity which shall maintain such ponds or facilities.

16.1.5 The right of the Association to limit the number of guests of members.

16.1.6 The right of the Association, in accordance with this Declaration and its Articles of Incorporation and Bylaws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, but the rights of such Mortgagee in said property shall be subordinate to the rights of the Owners hereunder.

16.1.7 The right of the Association to take such steps as are reasonably necessary to protect any property mortgaged in accordance with Section 3.1.6 against foreclosure, including, but not limited to, the right to charge admission and other fees as a condition to

continued enjoyment by the Owners and, if necessary, to open the enjoyment of such properties to the public.

16.1.8 The right of the Declarant, at any time during the Declarant Control Period, to reserve to itself rights of entry, licenses, easements, or similar rights to use the Common Area for the purposes specified in such reservation.

16.1.9 During the Declarant Control Period, the exercise of all of the rights and powers set forth in Article 3 shall require the prior written approval of Declarant.

Section 16.2 Delegation of Use. Any Owner may delegate his/her right of enjoyment to the Common Area and facilities to the members of his/her family, or his/her tenants or contract purchasers who reside on the Owner's Lot and (subject to regulation by the Association) to his/her temporary guests.

ARTICLE 17 MISCELLANEOUS

Section 17.1 Notices.

17.1.1 Any written notice or other documents as required by this Declaration may be delivered personally or by certified mail. If by mail, such notice, unless expressly provided for herein to the contrary with regard to the type of notice being given, shall be deemed to have been delivered and received forty-eight (48) hours after a copy thereof has been deposited in the United States mail, postage prepaid, addressed as follows:

17.1.1.1 If to a Owner, other than Declarant: to the mailing address of such Owner maintained by the Association, pursuant to the Bylaws.

17.1.1.2 If to Declarant, whether in its capacity as an Owner, or in any other capacity, the following address (unless Declarant shall have advised the Board in writing of some other address):

Hidden Ridge II, LLC
2440 West Commodore Way
Suite 200
Seattle, Washington 98199

17.1.1.3 Prior to the organization of the Association, notices to the Association shall be addressed as set forth above. Thereafter, notices to the Association shall be addressed to the official mailing address furnished by written notice from the Association. In addition, from and after the organizational meeting, notice of the address of the Association shall be given by the Board to each Owner, within a reasonable time after the Board has received actual notice of such Owner's purchase of a Lot.

Section 17.2 Conveyance Notice Required. The rights of an Owner to sell, transfer, or otherwise convey his or her Lot shall not be subject to any right of approval, disapproval, first

refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. If a Lot is being sold, the Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the Lot, whether or not such information is requested.

Section 17.3 Successors and Assigns. This Declaration shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of Declarant, and the heirs, personal representatives, grantees, lessees, sublessees and assignees of the Owner.

Section 17.4 Joint and Several Liability. In the case of joint ownership of a Lot, the liability of each of the Owners thereof in connection with the liabilities and obligations of Owners, set forth in or imposed by this Declaration, shall be joint and several.

Section 17.5 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of anyone provision or portion thereof shall not affect the validity or enforceability of any other provision hereof.

Section 17.6 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation and maintenance of the Property.

Section 17.7 Captions. Captions given to the various articles and sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof.

Section 17.8 Effective Date. The Declaration shall take effect upon recording.

LEGAL DESCRIPTION

PARCEL A THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 19, TOWNSHIP 28 NORTH, RANGE 7 EAST, W.M.; EXCEPT THAT PORTION THEREOF CONVEYED TO THE CITY OF EVERETT BY DEED RECORDED IN VOLUME 171 OF DEEDS ON PAGE 439, RECORDS OF SNOHOMISH COUNTY, WASHINGTON AND RE-RECORDED UNDER AUDITOR'S FILE NUMBER 9512060439 AND EXCEPT THAT PORTION DEEDED TO THE CITY OF MONROE UNDER AUDITOR'S FILE NUMBER 200307111005 DESCRIBED AS FOLLOWS:

ALL THAT PORTION OF THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER OF SECTION 19, TOWNSHIP 28 NORTH, RANGE 7 EAST, W.M., DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTHEAST CORNER OF SAID SUBDIVISION;

THENCE NORTH 01°20'51" WEST ALONG THE EASTERLY LINE OF SAID SUBDIVISION, A DISTANCE OF 987.40 FEET TO THE TRUE POINT OF BEGINNING;

THENCE CONTINUE NORTH 01°20'51" WEST A DISTANCE OF 181.00 FEET TO THE SOUTHERLY MARGIN OF THE CITY OF EVERETT WATERLINE RIGHT OF WAY;

THENCE NORTH 32°30'51" WEST ALONG SAID MARGIN A DISTANCE OF 179.93 FEET TO THE NORTH LINE OF SAID SUBDIVISION;

THENCE SOUTH 89°51'02" WEST A DISTANCE OF 36.00 FEET;

THENCE SOUTH 00°00'00" WEST A DISTANCE OF 54.99 FEET;

THENCE NORTH 89°55'53" EAST A DISTANCE OF 47.36 FEET;

THENCE SOUTH 32°30'51" EAST A DISTANCE OF 67.28 FEET;

THENCE SOUTH 09°04'19" WEST A DISTANCE OF 132.16 FEET;

THENCE SOUTH 17°57'11" EAST A DISTANCE OF 94.93 FEET;

THENCE SOUTH 89°52'54" EAST A DISTANCE OF 45.03 FEET TO THE POINT OF BEGINNING.

PARCEL B THE SOUTH 30 FEET OF GOVERNMENT LOT 2, SECTION 19, TOWNSHIP 28 NORTH, RANGE 7 EAST, W.M.

PARCEL C ALL THAT PORTION OF THE SOUTH HALF OF THE NORTHEAST QUARTER OF SECTION 19, TOWNSHIP 28 NORTH, RANGE 7 EAST, W.M., LYING SOUTH OF THE SOUTH BOUNDARY LINE OF THE WATER PIPE LINE RIGHT-OF-WAY OF THE CITY OF EVERETT AS THE SAME IS DESCRIBED IN AN EASEMENT FROM WEYERHAEUSER TIMBER COMPANY TO SAID CITY, DATED AUGUST 30, 1918, AND NORTH AND WEST OF THE CENTER LINE OF AN ABANDONED RAILROAD GRADE AS NOW LOCATED; AND ALSO THAT PORTION OF THE NORTH HALF OF THE SOUTHEAST QUARTER AND THE SOUTH HALF OF THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SAID SECTION 19, LYING NORTH AND WEST OF THE CENTERLINE OF AN ABANDONED RAILROAD GRADE AS NOW LOCATED.

PARCEL D THAT PORTION OF THE SOUTH HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER LYING NORTHWESTERLY OF THE CENTER LINE OF THE ABANDONED LOGGING GRADE OF WEYERHAEUSER TIMBER CO., ALL IN SECTION 19, TOWNSHIP 28 NORTH, RANGE 7 EAST, W.M. SITUATE IN THE COUNTY OF SNOHOMISH, STATE OF WASHINGTON.