



KLAHANIE ASSOCIATION

Covenants, Conditions & Restrictions

Adoption date: January 2018

Summary of Amended Declaration of Covenants, Conditions, Restrictions, and Easements for Klahanie: A Master Planned Community

The following is a summary of the major provisions of the Declaration of Covenants, Conditions, and Restrictions (often referred to as "the CC&R's") for Klahanie. This summary is provided for your convenience in order to highlight some of the major features of the CC&R's. In case of any question about a provision, please refer to the CC&R's themselves, as the actual language of the CC&R's will govern what can and cannot be done in Klahanie.

The Klahanie Master Plan (Article 2)

Article 2 of the CC&R's specifies that Klahanie will be developed pursuant to a Master Plan, the current version of which is illustrated on Exhibit B of the CC&R's. Under the Master Plan, it is projected that Klahanie will be developed by stages eventually into a community of up to 3,200 dwellings, while at the same time a large portion of Klahanie will be preserved in its unspoiled, natural state. Other portions will be developed into recreational areas. The Master Plan may be refined and changed to evolve over time as Klahanie grows.

The Klahanie Association (Article 3)

The Klahanie Association is the homeowners' association responsible for ownership, control, and maintenance of the extensive common areas in Klahanie. These include both natural and developed common areas. The Association is governed by a board of directors elected by the Association membership. Everyone who owns a dwelling unit in Klahanie automatically belongs to the Association. The Architectural Control Committee is established by the Association to regulate the appearance of houses, fences, and all other structures constructed in Klahanie. No house or other structure may be built until the approval of the Architectural Control Committee is first obtained.

Klahanie Association Assessments (Article 4)

Each owner in Klahanie is required to pay a general assessment levied annually by the Klahanie Association to finance its operating expenses. The general assessment may be paid in installments as established by the Association. In addition, special assessments may be levied from time to time to pay for extraordinary expenses that arise. If an owner does not pay an assessment when due, the unpaid assessment becomes a lien against the owner's property in Klahanie, in the same way that a mortgage is a lien on your property. Like an unpaid mortgage, the Association's lien may be foreclosed by a lawsuit that results in the sale of the owner's property to pay off the overdue assessment.

Use Restrictions in Klahanie (Article 6)

Article 6 contains provisions that restrict permissible activities in Klahanie. For example, commercial uses in areas not specifically designated for commercial use on the Klahanie Master Plan are generally prohibited. The Association may prohibit mobile home or trailer storage within Klahanie except in areas specifically designated for the common storage of trailers or recreational vehicles. Signs are prohibited on lots, except ordinary "for sale" signs. Certain maintenance responsibilities are imposed on all owners in order to ensure that their homes are kept in good condition and their lots attractively maintained. Firearms and other dangerous weapons may not be used within Klahanie. No hunting is permitted.

Common Areas (Article 7)

All Klahanie residents have an equal right to use all the Klahanie common areas, which will be owned by the Klahanie Association except for certain areas to be transferred to King County for public park purposes. The Association is responsible for the maintenance and improvement of all common areas. Certain common areas are designated as Native Growth Protection Areas. Within these areas, the cutting of trees or significant ground cover is generally prohibited except in connection with specified development activities undertaken by the Association or the developer of Klahanie, in order to maintain these areas essentially in a native, undeveloped state.

The foregoing summary is no substitute for a careful reading of the CC&R's themselves. Please take time to read them. In a way, the CC&R's are the underlying "constitution" for Klahanie. Together with state and local laws and ordinances, the Klahanie Association By-Laws, and the Association's Rules and Regulations, the CC&R's are the foundation for a safe, successful, and attractive private community. Each owner has a responsibility to abide by the provisions of the CC&R's in order to make Klahanie the special place it was designed to be.

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Amended
Declaration of Covenants, Conditions, Restrictions,
and Easements for Klahanie: A Master Planned Community

THIS DECLARATION is made on this 30th day of January, 1985, by the undersigned who is the owner of certain land situated in the State of Washington, County of King, known as Klahanie, hereafter referred to and defined and more particularly described on Exhibit A, which is attached hereto and incorporated herein by this reference as fully set forth.

DESCRIPTION OF DECLARATION

Declarant desires to create in Klahanie as defined herein a planned community with residential, retail, and commercial uses, services, and facilities, as well as other public and private uses, services, and facilities. Declarant also desires to create permanent open space areas and other common facilities for the benefit of the Klahanie community, to provide for the preservation of the natural values and amenities in Klahanie, and to provide for the maintenance of open spaces and other common facilities.

This Declaration establishes a plan for the private ownership of lots and buildings constructed thereon, for the dedication of certain areas to municipal corporations and King County, and for the beneficial ownership through a non-profit corporation of all the remaining land and related easements, hereafter defined and referred to as the "Common Areas." The non-profit corporation is the KLAHANIE ASSOCIATION, hereafter referred to and defined as the "Association," to which shall be delegated and assigned the duties and powers of maintaining and administering the Common Areas and facilities and administering and enforcing the covenants, conditions, and restrictions, and collecting and disbursing the assessments and charges hereinafter created.

This Declaration contemplates a plan for the phased development of Klahanie pursuant to Declarant's Master Plan, as hereafter referred to and defined, in order that the Klahanie community may grow in an orderly fashion under a rational scheme of development. The Declaration further establishes the right and power of the Association to levy general and special assessments on each Owner, as hereafter referred to and defined, in order to finance the construction and maintenance of improvements to the Common Areas and facilities, and in order to effectuate all the powers and duties of the Association, as described herein. The Declaration further establishes certain restrictions on the various uses and activities that may be permitted in Klahanie and further establishes the right of the Association to promulgate rules and regulations which may further define and limit permissible uses and activities consistent with the provisions of this Declaration.

NOW, THEREFORE, the undersigned hereby covenants, agrees, and declares that all of Klahanie as defined herein and the buildings and structures hereafter constructed thereon are, and will be, held, sold, and conveyed subject to and burdened by the following covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of Klahanie and all for the benefit of the Owners thereof, their heirs, successors, grantees, and assigns. All provisions of this Declaration shall be binding upon all parties having or acquiring any right, title, or interest in Klahanie or any part thereof, and shall inure to the benefit of the Owners thereof and to the benefit of the Association and are intended to be and shall in all respects be regarded as covenants running with the land.

ARTICLE 1
DEFINITIONS

Section 1.1. "Apartment Building" shall mean and refer to a building on one or more Lots owned by a person or entity, consisting of two or more attached residential living units under one roof, but excluding Condominium Units.

Section 1.2. "Association" shall mean and refer to the Klahanie Association, a Washington non-profit corporation, its successors and assigns.

Section 1.3. "Association Action" shall mean and refer to a written corporate action of the Association in the form of either a by-law or resolution duly passed by either the Board or the Owners.

Section 1.4. "Board" shall mean and refer to the Board of Directors of the Association.

Section 1.5. (Revised by the Ninth Amendment to the CC&RS. Recorded under King County Recording number 9702250530.) **"Common Areas"** shall mean and refer to all real property that is owned by the Association, or that is designated by Declarant for future ownership by the Association on a final plat or other recorded document creating a Phase, including without limitation open space areas and improvements thereon, recreational and athletic facilities, pedestrian and equestrian trails, bicycle paths, lakes, ponds, wetlands, marshes, parking areas, landscaping, and other areas available for common use and enjoyment by members of the Association, and irrigation, sewer, water, storm drainage and other utility systems located on or in the Common Areas or between the Common Areas and the streets or on or in other public or utility easements. All other parts of Klahanie necessary or convenient to its existence, maintenance and safety or normally in common use and which are not Living Units as defined in Section 1.23 or Lots as defined in Section 1.13.

Section 1.6. "Condominium" shall mean and refer to any Living Unit created in a declaration filed pursuant to the Horizontal Property Regimes Act, RCW ch. 64.32, or any successor statute, including without limitation such units located in duplexes, fourplexes, and other multi-dwelling- unit buildings, and any building composed of such units if the context shall require.

Section 1.7. "Declarant" shall mean and refer to LOWE ENTERPRISES NORTHWEST, INC., a Washington corporation, its successors and assigns, if such successors or assigns should acquire all or substantially all of the then-undeveloped Parcels of Klahanie from Declarant for the purpose of development (excluding Participating Builders); provided, however, that no successor or assign of Declarant shall have any rights or obligations of Declarant hereunder unless such rights and obligations are specifically set forth in the instrument of succession or assignment or other recorded instrument or passed by operation of law. Certain rights and obligations of Declarant, as set forth herein, shall cease at the end of the Development Period.

Section 1.8. "Declaration" shall mean and refer to this instrument, as the same may be supplemented or amended from time to time.

Section 1.9. "Development Period" shall mean and refer to that period of time beginning on the date of this Declaration and ending whenever any of the following first occurs: (i) 30 years from the date hereof; or (ii) 4 months after Declarant has transferred title to purchasers of Lots or Condominiums representing ninety-five percent (95%) of the total voting power of all Owners as then constituted; or (iii) written notice from Declarant to the Association in which Declarant elects to terminate the Development Period.

Section 1.10. (Revised by the Ninth Amendment to the CC&RS. Recorded under King County Recording number 9702250530.) **"Governing Documents"** shall mean and refer to this Declaration, Supplementary Declarations, and the Articles of Incorporation and By-Laws of the Association, as any of the foregoing may be amended from time to time as well as the Architectural Guidelines, Community Rules and Regulations and such other documents lawfully adopted by the Board or the Owners which further define and or limit the operations of Klahanie.

Section 1.11. "Klahanie" shall mean and refer to that certain real property described on Exhibit A (with amendments shown on Exhibit A-1 through A-5) attached hereto, and such additions thereto as may hereafter be brought within the terms and conditions hereof, in accordance with Article 2 of this Declaration.

Section 1.12. (Revised by the Ninth Amendment to the CC&RS. Recorded under King County Recording number 9702250530.) **"Living Unit"** shall mean and refer to a building or structure or any portion thereof situated in Klahanie that is designed and intended for use and occupancy as a residence by a Single Family, including attached or detached houses, Condominiums, and units within Apartment Buildings, and the appurtenant landscaping, fences, garages, driveways, or parking areas occupying any Lot on which a Living Unit is situated. If a Living Unit is constructed on Lot, the definition of Living Unit shall be deemed to encompass the underlying Lot, as well, but, except as otherwise expressly provided in Amended Section 4.3, the definition shall not include any Lot on which a Living Unit has not yet received a certificate of occupancy or analogous certificate from the applicable governmental authority.

Section 1.13. "Lot" shall mean and refer to any legally segmented and alienable portion of Klahanie created after the date of this Declaration (and including Lots in the Plat of Klahanie Division 1, whether or not such plat is recorded after the date of this Declaration), through subdivision, short subdivision, site plan approval, or any other legal process for dividing land, with the exception of streets and other public areas and Common Areas.

Section 1.14. "Master Plan" shall mean and refer to the total general scheme of intended uses of Klahanie as approved by King County, the present version of which is illustrated in Exhibit B attached hereto (and amended on Exhibit B-1), which exhibit is incorporated herein by this reference as if fully set forth, and as further defined in Article 2. If the Master Plan shall be amended, this definition shall refer to the most current version thereof.

Section 1.15. "Mortgage" shall mean and refer to any recorded mortgage or deed of trust encumbering one or more of the Lots or Living Units. "First Mortgage" shall mean and refer to a Mortgage with priority over other Mortgages. "Mortgagee" shall mean and refer to the holder or beneficiary of any Mortgage and shall not be limited to Institutional Mortgagees. As used herein, the term "Institutional Mortgagees" or "Institutional Holder" shall include banks, trust companies, insurance companies, mortgage companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations, and any agency or department of the United States Government or of any state or municipal government.

Section 1.16. "Native Growth Protection Area" shall mean and refer to an area in a Lot or Common Area so designated on a final plat, short plat, binding site plan, or other analogous recorded plan or map creating a Phase, in which the removal of trees and significant natural ground cover, as well as the conduct of other activities, are restricted pursuant to the provisions of Article 7 herein.

Section 1.17. "Owner" shall mean and refer to the record owner (whether one or more persons or entities) of a fee interest in any Lot or Living Unit, including Participating Builders but excluding Mortgagees or other persons or entities having such interest merely as security for the performance of an obligation. Purchasers or assignees under recorded real estate contracts shall be deemed Owners as against their respective sellers or assignors.

Section 1.18. "Parcel" shall mean and refer to any portion of Klahanie not yet included within a Phase.

Section 1.19. "Participating Builder" shall mean and refer to a person or entity that acquires a portion of Klahanie for the purpose of improving such portion in accordance with the Master Plan for resale to Owners or lease to tenants.

Section 1.20. "Phase" shall mean and refer to any portion of Klahanie that is segregated by Declarant's filing for recording of a final plat, short plat, binding site plan, condominium declaration, or other analogous recorded plan, map, or document, that creates Lots, Living Units, or Common Areas.

Section 1.21. "Single Family" shall mean and refer to a single housekeeping unit that includes not more than 4 adults who are legally unrelated.

Section 1.22. "Supplementary Declaration" shall mean and refer to any recorded declaration of covenants, conditions, and restrictions which extends the provisions of this Declaration to a Phase or which contains such complementary provisions for a Phase as are deemed appropriate by Declarant.

ARTICLE 2
MASTER PLAN AND ADDITIONS

Section 2.1. The Master Plan. The Master Plan, the present version of which is illustrated on Exhibit B, is Declarant's dynamic design for the staged development of Klahanie as a community, and may be regularly modified and amended by Declarant as provided herein during the period of years required to develop the Klahanie community. Because the Master Plan is necessarily an evolving design, it shall not bind Declarant to make any of the additions to Klahanie that are shown on the Master Plan or to improve any portion of such lands in accordance with the Master Plan unless and until a Supplementary Declaration is filed for record by the Declarant for a Phase of Klahanie subjecting it to this Declaration.

Section 2.2. Additions and Amendments. Declarant hereby reserves the right to add to or amend the Master Plan. Such additions or amendments shall be affected by (1) giving notice of the proposed changes to the Association; (2) securing any necessary approval of King County or any successor governmental entity with jurisdiction over the Klahanie Property of any proposed addition or amendment; and (3) securing any necessary approval of any federal mortgage agency.

ARTICLE 3
KLAHANIE ASSOCIATION

Section 3.1. Description of Association. The Association is a non-profit corporation organized and existing under the laws of the State of Washington charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents, as they may be amended from time to time; provided, however, that no Governing Documents other than this Declaration shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

Section 3.2. (Revised by the Eighth Amendment to the CC&RS. Recorded under King County Recording number 9702250576.) **Association Board.** Declarant shall within 90 days of execution of this Declaration, select an initial Board of not fewer than 3 persons who need not be Owners. The initial Board shall have the full authority and all rights, responsibilities, privileges, and duties to manage the Association under the Governing Documents. The term of the initial directors of the Board shall expire at the first annual meeting of the Association following their appointment by Declarant. The Board shall elect officers of the Association from among the Board members, which shall include a president who shall preside over meetings of the Board and meetings of the Association. A majority of the Board must be Owners whose primary residence is within Klahanie. During the Development Period this residency requirement shall apply to a majority of the Board

who are not representatives of the Declarant. Following the Development Period a majority of the Board must, in any event, be owners whose primary residence is within Klahanie.

Section 3.3. Association Membership. Every person or entity who is an Owner shall by reason thereof be a member of the Association. Such membership shall be appurtenant to and held and owned in the same manner as the beneficial fee interest in the Lot or Living Unit to which it relates. Membership shall not be separated from ownership of the Lot or Living Unit to which it relates; provided, however, that any Owner may delegate his rights of membership in the Association and rights of enjoyment in the Common Areas to the members of his family and to his tenants occupying a Living Unit.

Section 3.4. Votes Appurtenant to Living Units. Every Owner shall be entitled to cast one vote in the Association for each Lot or Living Unit owned. For any unimproved Lot on which more than one Living Unit is authorized by King County (such as Lots zoned for Apartment Buildings), the Owner thereof shall be entitled to cast one vote for each Living Unit authorized thereon; but if fewer Living Units are actually constructed thereon than the number authorized, the Owner thereof shall, after the date of the certificate of occupancy, be entitled to cast only one vote for each Living Unit actually constructed on such Lot. A vote shall be appurtenant to and held and owned in the same manner as the beneficial fee interest in the Lot or Living Unit to which it relates. A vote shall not be separated from ownership of the Lot or Living Unit to which it relates; provided, however, that when more than one entity holds the beneficial fee interest in any Lot or Living Unit, the vote therefor shall be cast as the Owners among themselves determine, but in no event shall more than one vote be cast with respect to any Living Unit; and if the several Owners of a Lot or Living Unit are unable to agree as to the casting of their vote, such vote shall not be counted. When a single entity owns more than one Lot or Living Unit, each vote may be cast separately.

Section 3.5. Initial Number of Votes. From the commencement of the existence of the Association, there shall be a total of 3,200 outstanding votes in the Association, representing one vote for each 3,200 Living Units, the maximum number presently authorized by King County for Klahanie. During the Development Period, the Declarant shall be entitled to cast 3,200 votes, less one vote for each Lot or Living Unit then owned by an Owner other than Declarant.

Section 3.6. Adjustment to Number of Votes. If more than 3,200 Living Units are authorized by King County for Klahanie at any time during the Development Period, the number of votes in the Association shall be readjusted at such time to reflect the increased number of Living Units, and Declarant shall be entitled to cast all such votes, less one vote for each Lot or Living Unit owned by an Owner other than Declarant. At the end of the Development Period, the number of votes in the Association shall be readjusted to equal the number of Living Units actually constructed in Klahanie to that date, plus the number of any Living Units authorized by King County that have not yet been constructed. Thereafter, Declarant shall be entitled to cast votes only for Lots or Living Units then owned by



Declarant. If, after the end of the Development Period, additional Lots are platted or Living Units constructed from time to time in Klahanie, the number of votes in the Association shall similarly be readjusted from time to time, in order that there shall thereafter always be one vote for each Living Unit constructed in Klahanie, plus one vote for each Living Unit authorized by King County that has not yet been constructed.

Section 3.7. (Revised by the Ninth Amendment to the CC&RS. Recorded under King County Recording number 9702250530.) **Owner's Compliance with Governing Documents.** By acceptance of a deed to a Lot or Living Unit, execution of a contract therefor, or any other means of acquisition of an ownership interest, whether or not it shall be so expressed in any such deed or other instrument, the Owner thereof covenants and agrees thereby, on behalf of himself and his heirs, successors, and assigns, to observe and comply with all terms of the Governing Documents of the Association, and all rules and regulations duly promulgated pursuant to Association Action. Each owner and occupant at Klahanie shall comply strictly with the provisions of this Declaration, the By-Laws and all Governing Documents, as the same may be lawfully amended from time to time, and all decisions adopted pursuant to this Declaration, the By-Laws and all other Governing Documents. Failure to comply shall be grounds for an action to recover sums due for damages or injunctive relief, or both, maintainable by the Board acting through its officers on behalf of the Owners, or by any aggrieved Owner on his own.

Section 3.8. Rules and Regulations. The Association shall have the power to adopt from time to time by Association Action and to enforce rules and regulations governing the use of Klahanie, in addition to the use restrictions contained in this Declaration and whether or not expressly contemplated herein, provided that such rules and regulations shall not be inconsistent with this Declaration. The rules and regulations may not discriminate among Owners. The Association may prescribe penalties for the violation of such rules and regulations, including but not limited to suspension of the right to use the Common Areas or portions thereof. Any such rules and regulations shall become effective 30 days after promulgation or amendment and shall be mailed to all Owners within 30 days after promulgation or amendment. A copy of the rules and regulations then in force shall be retained by the secretary of the Association and shall be available for inspection by any Owner during reasonable business hours. Such rules shall have the same force and effect as if set forth herein.

Section 3.9. Architectural Control Committee. The Association shall establish and continuously maintain an Architectural Control Committee composed of three or more representatives as provided in the By-Laws of the Association, to review and approve or disapprove the details and written plans and specifications showing the nature, kind, shape, height, material, colors, and location of proposed Living Units, buildings, fences, walls, or other structures, exterior additions to or changes or alterations therein, clearing or excavation of Lots, or cutting of trees within Klahanie. The Association shall have the power to adopt from time to time by Association Action and to enforce guidelines, criteria, and procedures governing the Architectural Control Committee and the Owners' compliance with the

provisions of Section 6.2 hereof. The provisions of Section 3.8 hereof shall apply to such guidelines, criteria, and procedures as if fully set forth in this Section 3.9.

Section 3.10 (Added by the Ninth Amendment to the CC&RS. Recorded under King County Recording number 9702250530.) **Managing Agent.** The Board may, but shall not be required to, contract with an experienced professional Managing Agent to assist the Board in the management and operation of Klahanie and may delegate such of its powers and duties to the Managing Agent as it deems to be appropriate, except as limited herein. Only the Board can approve an annual budget or supplemental budget, and only the Board can impose a special assessment on any Living Unit or authorize foreclosure of an assessment lien. Any contract with a Managing Agent, or any other contract to provide for services, shall have a term no longer than one (1) year (but may be renewable by agreement of the parties for successive one year periods) and shall be terminable by the Board without payment of a termination fee, with or without cause, on thirty (30) days prior written notice.

ARTICLE 4 ASSOCIATION BUDGET, ASSESSMENTS, AND LIENS

Section 4.1 Owner's Covenant to Pay Assessments. By acceptance of a deed to a Lot or Living Unit, execution of a contract therefor, or any other means of acquisition of an ownership interest, whether or not it shall be so expressed in any such deed or other instrument, the Owner thereof covenants and agrees thereby, on behalf of himself and his heirs, successors, and assigns, to pay the Association, in advance, all general and special assessments levied as provided herein.

Section 4.2 Association Budget. The Association shall prepare, or cause the preparation of, an operating budget for the Association at least annually, in accordance with generally accepted accounting principles. The operating budget shall set forth all sums required by the Association, as estimated by the Association, to meet its annual costs and expenses, including but in no way limited to all management and administration costs, operating and maintenance expenses of the Common Areas, and services furnished to or in connection with the Common Areas, including the amount of all taxes and assessments levied against, and the costs of liability and other insurance on, the Common Areas, and including charges for any services furnished by or to the Association; the cost of utilities and other services; and the cost of funding all reserves established by the Association, including, when appropriate, a general operating reserve and a reserve for replacements. The funds required to meet the Association's annual expenses shall be raised from a general assessment against each Owner and Living Unit as provided hereafter. The Association may revise the operating budget after its preparation at any time and from time to time, as it deems necessary or advisable in order to take into account and defray additional costs and expenses of the Association.

Section 4.3 (Revised by the Fifth Amendment to the CC&RS. Recorded under King County Recording number 9112131736.) **Levy of General Assessment.** In order to meet the costs and expenses projected in its operating budget, the Association shall by Association Action determine and levy in advance on every Owner a general assessment, as follows.

4.3.1. The general assessment shall be calculated as follows. The amount of the Association's operating budget shall be divided by the sum of (i) the number of existing Living Units that have received certificates of occupancy and (ii) the number of future Living Units either under construction or that feasibly could be constructed on unimproved or partially improved Lots not owned by Declarant. The resulting quotient shall be the per-unit assessment share. Such quotient shall then be multiplied by the sum of the number of an Owner's undeveloped single-family Lots and the number of Living Units deemed owned by such Owners as of the date the general assessment is levied; provided, however, that such sum shall not include any Lot that is exempt from assessment for one year as provided in Section 4.6. The resulting product shall be the amount of such Owner's general assessment.

4.3.2. For purposes of calculating the general assessment, an Owner other than Declarant shall, on the date the general assessment is levied, be deemed to own not only the Owner's unimproved single-family Lots and the Owner's existing Living Units that have received certificates of occupancy, but also all future Living Units either under construction or that feasibly could be constructed on the Owner's unimproved or partially improved Lot or Lots. Declarant shall be deemed to own only existing Living Units on its Lots.

4.3.3. The projected number of feasible future Living Units used in calculating the per-unit assessment share and each Owner's general assessment shall be reasonably estimated by Declarant during the Development Period and thereafter by the Board, in light of applicable land use regulations, physical constraints of a Lot, and site plan approval or building permit for a Lot granted by King County or other governmental entity with jurisdiction, or applied for, if the same have not yet been granted, any phasing or other plans or studies for a Lot, and any other relevant factors affecting the development potential of a Lot that are known to Declarant (or the Board, as applicable).

4.3.4. Any owner of a Lot or Lots on which one or more Apartment Buildings is or can be constructed shall pay the general assessment for only ninety-five percent (95%) of all existing and future Living Units thereon deemed owned on the date the general assessment is levied; provided, however, that if more than 95% of the Living Units in an existing Apartment Building are then occupied, the Owner thereof shall pay the general assessment for the actual number of occupied Living Units therein.

4.3.5. The Association shall make reasonable efforts to determine the amount of the general assessment payable by each Owner for an assessment period at least 30 days in advance of the beginning of such period and shall at that time prepare a roster of the Owners and the general assessment allocated to each, which shall be kept in the office of the Association and shall be open to inspection by any Owner upon reasonable notice to Association. Notice of the general assessment shall thereupon be sent to each Owner; provided, however, that notification to an Owner of the amount of an assessment shall not be necessary to the validity thereof.

4.3.6. The omission by the Association, before the expiration of any assessment period, to fix the amount of the general assessment hereunder for that or the next period, shall not be deemed a waiver or modification in any respect of the provisions of this Article or a release of any Owner from the obligation to pay the general assessment, or any installment thereof, for that or any subsequent assessment period, but the general assessment fixed for the preceding period shall continue until a new assessment is fixed.

4.3.7. Upon any revision by the Association of the operating budget during the assessment period for which such budget was prepared, the Association shall, if necessary, revise the general assessment levied against the Owners and give notice of the same in the same manner as the initial levy of a general assessment for an assessment period.

Section 4.4. Payment of General Assessment. Upon Association Action, installments of general assessments may be collected on a monthly, quarterly, semi-annual, or annual basis. Any Owner may prepay one or more installments on any assessment levied by the Association without premium or penalty.

Section 4.5. (Revised by the Fifth & Ninth Amendments to the CC&RS. Recorded under King County Recording numbers 9112131736 & 9702250530.) **Non-Discriminatory Assessment.** Except as authorized in Section 4.3, 4.6, and 6.14 hereof, no assessment shall be made at any time which may unreasonably discriminate against any particular Owner or group of Owners in favor of other Owners. However, a special assessment may be made against a particular Owner by a two-thirds majority vote of the Board or other Association committee to which such oversight responsibility has been delegated, in the event that, after notice from the Association of failing to maintain the same in a condition comparable to the other Lots or Living Units in Klahanie has been given to the Owner thereof, the Association elects to expend funds to bring such Owner's Lot or Living Unit up to such comparable standard. If a common expense is caused by the misconduct or negligence of a particular unit owner or owners, the Association has the right to assess that expense against that owner or owners.

Section 4.6 Commencement of Assessments; One-Year Exemption of Vacant Lots. Liability of an Owner for assessments shall commence on the first day of the calendar month following the date

upon which any instrument of transfer to such Owner becomes operative (such as the date of a deed, the date of a recorded real estate contract for the sale of any Lot or Living Unit, the date of death in the case of a transfer by will or intestate succession, etc.). and, if earlier, the first day of the calendar month following the first occupancy of a Living Unit by an Owner; provided, however, that a Participating Builder shall not be liable for any assessments with respect to a Lot acquired from Declarant for a period of one year from the date of acquisition. The Association may in its rules and regulations provide for an administratively convenient date for commencement of assessments that is not more than 90 days after the effective date established above. The due dates of any special assessment payment shall be fixed by the Association Action authorizing such special assessment.

Section 4.7. Certificates and Assessment Payment. Upon request, the Board shall furnish written certificates certifying the extent to which assessment payments on a specified Lot or Living Unit are paid and current to the date stated therein. Issuance of such certificates shall be conclusive evidence of payment of any assessments therein declared to have been paid. A reasonable charge may be made by the Association for the issuance of such certificate.

Section 4.8. Special Assessments. In addition to the general assessments authorized by this Article, the Association may, by Association Action, levy a special assessment or assessments at any time against existing Living Units only, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, inordinate repair, or replacement of a described capital improvement located upon or forming a part of the Common Areas, including necessary fixtures and personal property related thereto, or for such other purpose as the Association may consider appropriate; provided, however, that any such assessment must have the prior favorable vote of Owners representing two-thirds of the existing Living Units. The amount of each Owner's special assessment for any year shall be the total special assessment for such year, divided by the sum of the number of existing Living Units.

Section 4.9. Effect of Non-Payment of Assessment. If any assessment payment is not made in full within 30 days after it was first due and payable, the unpaid amounts shall constitute a lien against the Lot or Living Unit assessed and shall bear interest from such due date at a rate not to exceed the highest rate then permitted by law. By acceptance of a deed to a Lot or Living Unit, execution of a contract therefor, or any other means of acquisition of an ownership interest, and whether or not it shall be so expressed in any such deed or other instrument, each Owner shall be deemed to grant thereby to the Association, its agents and employees, and to Declarant during the Development Period, the right and power to bring all actions against such Owner personally for the collection of such assessments as a debt, and to enforce the liens created by this Declaration in favor of the Association by foreclosure of the continuing liens in the same form of action as is then provided for the foreclosure of a mortgage on real property. The liens provided for in this Declaration shall be for the benefit of the Association as a corporate entity, and the Association shall have the power to bid in at any lien foreclosure sale and to acquire, hold, lease, mortgage, and convey the Lot or Living Unit foreclosed against.

Section 4.10. Lien to Secure Payment of Assessments. Declarant hereby creates in the Association perpetually the power to create a lien in favor of the Association against each Lot and Living Unit, to secure to the Association the payment to it of all assessments, interest, costs, and attorneys' fees; and Declarant hereby subjects all Lots and Living Units perpetually to such power of the Association. Such lien shall arise in accordance with the terms of this Declaration without the necessity of any further action by the Association, and any such lien when created, shall be a security interest in the nature of a mortgage in favor of the Association. Such lien shall become a continuing lien in the amount stated in the assessment from the time of the assessment, but expiring prorata as the assessment payments are made, and shall also be the personal obligation of the person or entity who is the Owner of the Lot or Living Unit at the time of the assessment. The personal obligation to pay a prior assessment shall not pass to successors in interest unless expressly assumed by them; provided, however, that in the case of a sale or contract for the sale of any Lot or Living Unit which is charged with the payment of an assessment, the person or entity who is the Owner immediately prior to the date of such sale shall be personally liable for the amounts of the monthly installments due prior to said date, and the new Owner shall be personally liable for monthly installments becoming due on or after such date. The foregoing limitation on the duration of the personal obligation of an Owner to pay assessments shall not, however, affect the validity or duration of the continuing lien for unpaid assessments against the respective Lot or Living Unit.

Section 4.11. Suspension for Non-Payment of Assessment. If an Owner shall be in arrears in the payment of any assessment due, or shall otherwise be in default of the performance of any terms of the Governing Documents of the Association for a period of 30 days, said Owner's voting rights shall without the necessity of any further action by the Association, be suspended (except as against foreclosing secured parties) and shall remain suspended until all payments, including interest thereon, are brought current and any other default is remedied. No Owner is relieved of liability for assessments by non-use of the Common Areas or by abandonment of a Lot or Living Unit.

Section 4.12. Reserves for Replacement. As a common expense, the Association shall establish and maintain a reserve fund for replacement of the Common Areas and any improvements and community facilities thereon by the allocation and payment monthly to such reserve fund of an amount to be designated from time to time by the Association. Such fund shall either be deposited with a banking institution, the accounts of which are insured by any state or by any agency of the United States of America or, in the discretion of the Association, be invested in obligations of, or fully guaranteed as to principal by, the United States of America. The reserve fund shall be expended only for the purpose of affecting the replacement of the Common Areas and any improvements and community facilities thereon, major repairs to any sidewalks, parking areas, or pathways developed as a part of Klahanie, equipment replacement, and for start-up expenses and operating contingencies of a nonrecurring nature. The Association may establish such other reserves for such other purposes as it may from time to time consider to be necessary or

appropriate. The proportional interest of any Owner in any such reserves shall be considered an appurtenance of his Lot or Living Unit and shall not be separately withdrawn, assigned, or transferred, or otherwise separated from the Lot or Living Unit to which it appertains and shall be deemed to be transferred with such Lot or Living Unit.

Section 4.13. (Revised by the Fifth Amendment to the CC&RS. Recorded under King County Recording number 9112131736.) **Certain Areas Exempt.** The Common Areas, all Parcels, all Lots owned by Declarant without Living Units thereon, and all portions of Klahanie owned by or dedicated to and accepted by a public authority or other charitable or non-profit organization that is exempt from federal income taxation under section 501(c) (2) or (3) of the Internal Revenue Code (as the same may hereafter be amended or under any successor statute) or that is exempt from taxation under the laws of the State of Washington, shall be exempt from assessments by the Association.

ARTICLE 5

SUBORDINATION OF LIENS

Section 5.1. Intent of Provisions. The provisions of this Article 5 apply for the benefit of each Mortgagee who lends money for purposes of construction or to secure the payment of the purchase price of a Lot or Living Unit.

Section 5.2. Mortgagee's Non-Liability. The holder of a Mortgage shall not, by reason of the security interest only, be liable for the payment of any assessment or charge, nor for the observance or performance of any covenant or restriction, excepting only those enforceable by equitable relief and not requiring the payment of money, and except as hereafter provided.

Section 5.3. Mortgagee's Rights During Foreclosure. During the pendency of any proceeding to foreclose a Mortgage, including any period of redemption, the holder of the Mortgage, or the receiver, if any, may exercise any or all of the rights and privileges of the Owner of the encumbered Lot or Living Unit, including but not limited to the right to vote in the Association to the exclusion of the Owner's exercise of such rights and privileges.

Section 5.4. Mortgagee as Owner. At such time as a Mortgagee shall become the record Owner of the Lot or Living Unit previously encumbered by the Mortgage, the Mortgagee shall be subject to all of the terms and conditions of this Declaration, including the obligation to pay for all assessments and charges in the same manner as any Owner.

Section 5.5. Mortgagee's Title Free and Clear of Liens. A Mortgagee or other secured party acquiring title to a Lot or Living Unit through foreclosure, suit, deed of trust sale, deed in lieu of foreclosure, or equivalent method, shall acquire title to the encumbered Lot or Living Unit free and

clear of any lien authorized by or arising out of the provisions of this Declaration, insofar as such lien secures the payment of any assessment or charge installment due but unpaid before the final conclusion of any such proceeding, including the expiration date of any period of redemption. The Association may treat any unpaid assessments against a Lot or Living Unit foreclosed against as a common expense, in which case it shall prorate such unpaid assessments among the remaining Lots and Living Units, and each such remaining Lot and Living Unit shall be liable for its prorated share of such expenses in the same manner as for any other assessment.

Section 5.6. Survival of Assessment Obligation. After the foreclosure of a security interest in a Lot or Living Unit, any unpaid assessments shall continue to exist and remain as a personal obligation of the Owner against whom the same was levied, and the Association shall use reasonable efforts to collect the same from such Owner.

Section 5.7. Subordination of Assessment Liens. The liens for assessments provided for in this Declaration shall be subordinate to the lien of any Mortgage or other security interest placed upon a Lot or Living Unit as a construction loan security interest or as a purchase price security interest, and the Association will, upon demand, execute a written subordination document to confirm the particular superior security interest. The sale or transfer of any Lot or Living Unit or any interest therein shall not affect the liens provided for in this Declaration except as otherwise specifically provided for herein, and in the case of a transfer of a Lot or Living Unit for purposes of realizing a security interest, liens shall arise against the Lot or Living Unit for any assessment payments coming due after the date of completion of foreclosure (including the expiration date of any period of redemption).

ARTICLE 6

USE COVENANTS, CONDITIONS, AND RESTRICTIONS

Section 6.1. Authorized Uses. Klahanie shall be used solely for the uses authorized in the Master Plan, as amended from time to time. Such uses may include, but are not limited to, residential, retail, and commercial uses, active and passive recreational uses and facilities, utility stations, public uses and facilities such as schools and fire stations, and other uses and facilities normally incidental to a master planned community. During the Development Period, no Lot or Living Unit shall be further subdivided without Declarant's prior written approval. Thereafter, no Lot or Living Unit shall be further subdivided without prior approval conferred by Association Action.

Section 6.2. Approval for Building or Clearing Plans Required. No Living Unit, building, fence, wall, or other structure shall be commenced, erected, or maintained upon a Lot or any other portion of Klahanie, nor shall any exterior addition to or change or alteration therein be made, nor shall a Lot be cleared or excavated for use, nor shall any tree of 8 inches or more diameter on any Lot,

measured one foot above ground level, be cut, until after the details and written plans and specifications showing the nature, kind, shape, height, materials, colors, and location of the same shall have been submitted to and approved in writing by the Architectural Control Committee as to the harmony of external design and location in relation to surrounding structures, vegetation, and topography.

Section 6.3. Leasing Restrictions. No Lot or Living Unit may be leased or rented by any party for a period of fewer than 30 days, nor shall less than the whole of any Lot or Living Unit be leased or rented. Each lease or rental agreement shall be in writing and shall by its terms provide that it is subject in all respects to the provisions of the Governing Documents. Any failure by a lessee to comply with the terms of the Governing Documents shall be a default under the lease, whether or not it is so expressed therein. Other than the foregoing, there is no restriction on the right of any Owner to lease his Lot or Living Unit.

Section 6.4. Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or kept; provided, however, that dogs, cats or other conventional household pets may be kept if they are not kept, bred, or maintained for any commercial purposes. No domestic pet may be kept if it is a source of annoyance or a nuisance. The Association shall have the authority to determine whether a particular pet is a nuisance or a source of annoyance, and such determination shall be final and conclusive. Pets shall be attended at all times and shall be registered, licensed, and inoculated from time to time as required by law. When not confined to the Owner's Lot or Living Unit, pets within Klahanie must be accompanied by a responsible person.

Section 6.5. Commercial Uses. No commercial enterprise, including itinerant vendors, shall be permitted on any Lot or in any Living Unit, except as such uses are specifically designated for certain retail and commercial areas of Klahanie, in accordance with the approved Klahanie Master Plan; provided, however, that the Association may permit specified home occupations to be conducted if allowed by law and if such occupation will not, in the reasonable judgment of the Association, cause traffic congestion or other disruption of the Klahanie community.

Section 6.6 Trailers and Campers. The Association may prohibit the storage within Klahanie of all or any of the following: mobile homes, house trailers, campers, camp trucks, boats, boat trailers, junk vehicles, or any other similar machinery or equipment of any kind or character. The Association may, in its discretion, provide and maintain one or more suitable areas designated for the parking and storage of such vehicles or the like at one or more specified locations in Klahanie. If such an area is so provided, any of such vehicles not prohibited by the Association shall be stored exclusively in such parking and storage area. However, an Owner may keep on or in a Lot or Living Unit such equipment and machinery as may be reasonable, customary, and usual in connection with the use and maintenance of any Lot or Living Unit, provided such equipment and machinery when not in use is screened from view from adjacent streets, Lots, and Living Units. The Association may keep such equipment and machinery as it may require in connection with the maintenance and operation of the common areas. Except for

bona fide emergencies, the repair or extraordinary maintenance of automobiles or other vehicles shall not be carried out in Klahanie.

Section 6.7. Garbage. No garbage, refuse, or rubbish shall be deposited or left in Klahanie, unless placed in a suitable covered container. Trash and garbage containers shall not be permitted to remain in public view except on days of trash collection. No incinerator shall be kept or maintained, and no burning of any trash, refuse, or scrap of any kind shall be permitted.

Section 6.8. Utilities Underground. Except for hoses and the like which are reasonably necessary in connection with normal lawn maintenance, no water pipe, sewer pipe, gas pipe, drainage pipe, telephone, power or television cable, or similar transmission line shall be installed or maintained above the surface of the ground.

Section 6.9. Mining Prohibited. No portion of Klahanie shall be used for the purpose of boring, mining, quarrying, or exploring for or removing oil or other hydrocarbons, minerals, gravel, or earth.

Section 6.10. Signs. Except for entrance, street, directional, traffic control, and safety signs, and such promotional signs as may be maintained by Declarant and Participating Builders, or agents or contractors thereof, or the Association, no signs or advertising devices of any character shall be erected, posted, or displayed upon, in or about Klahanie; provided, however, that one temporary real estate sign not exceeding 6 square feet in area may be erected upon any Lot or attached to any Living Unit placed upon the market for sale or lease. Any such temporary real estate sign shall be removed promptly following the sale or rental of such Lot or Living Unit.

Section 6.11. No Obstruction of Easements. No structure, planting, or other material shall be placed or permitted to remain upon Klahanie which may damage or interfere with any easement or the installation or maintenance of utilities, or which may unreasonably change, obstruct, or retard direction or flow of any drainage channels.

Section 6.12. Antennae. No external shortwave or citizen's band antennae, free-standing antenna towers, or satellite reception dishes of any kind shall be permitted in Klahanie. All television and/or FM radio antennae must be physically attached to a structure and must comply with applicable governmental standards and guidelines and any Association rules and regulations.

Section 6.13 Wells and Septic Tanks. There shall be no water wells or septic tanks on Lots. Owners shall be required at all times to connect their Living Units to the public water and sewer facilities administered by King County Water and Sewer District No. 82, or its successor, and at all times to maintain such facilities in good working order and repair.

Section 6.14. Owners' Maintenance Responsibilities. The maintenance, upkeep, and repair of individual Lots and Living Units shall be the sole responsibility of the individual Owners thereof, and in no way shall it be the responsibility of the Association, its agents, subagents, officers or directors.

Owners shall maintain their Lots and Living Units and any and all appurtenances thereto in good order, condition, and repair, and in a clean, sightly, and sanitary condition at all times. Without limitation as to the foregoing, each owner shall be obligated to maintain the landscaping on his Lot in healthy and attractive state and in a manner comparable to that on the other Lots in Klahanie. After notice to an Owner from the Association of such Owner's failure to so maintain his landscaping, and after approval of a two-thirds majority vote by the Board or other Association committee to which such oversight responsibility shall have been delegated, the Association shall have the right, through its agents and employees, to enter upon any Lot which has been found to violate the foregoing standards in order to repair, maintain, and/or restore the landscaping to such standards. The cost of such work shall be a special assessment on such Owner and his Lot only, and the provisions of this Declaration regarding collection of assessments shall apply thereto.

Section 6.15. Weapons. No firearms of any kind or nature, including rifles, handguns, bows, slingshots, BB guns, slings, traps, or any other like weapon shall be used or discharged within Klahanie except by authorized governmental officials. No hunting shall be permitted within Klahanie.

Section 6.16. Sales and Construction Facilities. Despite any other provisions of this Declaration, it is expressly permissible during the Development Period for declarant and Participating Builders, or agents or contractors thereof, to maintain on any portion of Klahanie owned by Declarant or Participating Builders such facilities as in the sole opinion of Declarant may be reasonably required, convenient, or incidental to the construction and sale of Lots or Living Units, including without limitation business offices, storage areas, construction yards, signs, model Living Units, or sales offices.

Section 6.17. Nuisances Prohibited. No noxious or offensive trade or activity shall be conducted in any portion of Klahanie, nor shall anything be done or maintained therein in derogation or violation of the laws of the State of Washington, King County, or any other applicable governmental entity. Nothing shall be done or maintained on any portion of Klahanie which may be or become an annoyance or nuisance to the neighborhood or other Owners or detract from the value of the Klahanie community. The Association shall determine by Association Action whether any given use of a Lot or Living Unit unreasonably interferes with the rights of the other Owners to the use and enjoyment of their respective Lots or Living Units, or of the Common Areas, and such determination shall be final and conclusive.

Section 6.18. Relief from Certain Provisions. In cases where an Owner has made a factual showing that strict application of the provisions of Sections 6.4, 6.5, 6.6, 6.10, 6.12, and 6.15 only of this Article (regulating animals, commercial uses, trailers and campers, signs, antennae, and weapons, respectively) would work a severe hardship upon him, the Board by Association Action may grant the Owner relief from any of such provisions, in addition to any exceptions or provisions already

contained in those sections; provided, however, that such relief shall be limited by its scope or by conditions to only that necessary to relieve the hardship; and provided further, that no such relief shall be granted if the condition thereby created would in the reasonable judgment of the Board violate the provisions of Section 6.17 of this Article. The decision of the Board in granting or denying such relief shall be final and conclusive.

ARTICLE 7 COMMON AREAS

Section 7.1. Title to Common Areas and Parklands. Declarant shall from time to time during the Development Period convey to the Association the Common Areas designated on a final plat or other recorded map or plan creating a Phase. Upon its creation as a Common Area in a Phase, and whether or not it shall have been conveyed as yet to the Association, every Common Area shall be subject to an easement of common use and enjoyment in favor of the Association and every Owner, their heirs, successors, and assigns, in accordance with the terms and conditions of the Governing Documents. Such easement shall be appurtenant to and shall not be separated from ownership of any Lot or Living Unit and shall not be assigned or conveyed in any way except upon the transfer to title to such Lot or Living Unit, and then only to the transferee of such title and shall be deemed so transferred and conveyed whether or not it shall be so expressed in the deed or other instrument conveying title. Certain rights of use, ingress, egress, occupation, and management authority in the Common Areas set forth elsewhere in this Declaration shall be reserved to Declarant for the duration of the Development Period. Declarant shall further convey not less than 30 acres of Klahanie to King County or the successor governmental entity with jurisdiction over the Klahanie Property, such acreage to be selected by Declarant and acceptable to King County, for a public park. Such conveyance shall be made prior to or concurrently with recording of the Phase which brings the total number of Living Units in approved Phases to that date to at least 1,900. All Common Areas when conveyed to the Association, and all parklands when conveyed to King County, shall be free and clear of financial liens and encumbrances. Assessments shall not be used to defray operating and maintenance costs of Common Areas which have not yet been conveyed to the Association.

Section 7.2. Owner's Common Rights. Owners in each Phase shall have equal rights with the Owners in all other Phases to use the Common Areas in all Phases, unless certain Common Areas are specifically designated as limited Common Areas on the face of a plat or other recorded instrument creating a Phase or in an amendment to this Declaration or in a Supplementary Declaration. All easements for ingress, egress, utilities, and use of facilities, unless otherwise specifically limited, shall exist in favor of all Owners in each and all Phases.

Section 7.3. Maintenance of Common Areas. The Association shall maintain, repair, replace, improve, and otherwise manage all of the Common Areas so as to keep them in good repair and condition and shall conduct such additional maintenance, repair, replacement, construction, or reconstruction as may be determined pursuant to Association Action to promote the recreation, health, safety, and welfare of the Owners. Any action necessary or appropriate to the maintenance and upkeep of the Common Areas, the landscaping, irrigation, sewer and water systems, all buildings, gas, telephone, or electrical or television facilities applicable to the Common Areas, shall be taken by the Association only.

Section 7.4. Description of Native Growth Protection Areas. Native Growth Protection Areas may include, but are not limited to, portions of Lots on the perimeter of Klahanie, certain Common Areas that have as one of their major functions the natural retention and transmission of storm water drainage, portions of the Common Areas intended for passive recreational use by retaining them in their native state, and major hydrological features of Klahanie, such as lakes and certain valuable bogs and wetlands; provided, however, that no area shall be deemed to be a Native Growth Protection Area unless it is so designated on the face of a plat or other recorded instrument creating a Phase.

Section 7.5. Prohibitions Within Native Growth Protections Areas. Within the boundaries of Native Growth Protection Areas, no tree or significant ground cover shall be cut, removed, or destroyed, except as specifically provided herein, but such areas shall instead be kept and maintained as much as possible in their native, undeveloped state. No structure, stairway, deck, patio, building, or other improvement ("Development" herein), shall be constructed within a Native Growth Protection Area except for the following specified Developments, which shall be constructed only by Declarant or the Association

7.5.1. Recreational areas, streets, and other vehicular access ways, pedestrian, equestrian, and bicycle paths, and other walks, driveways, and utility service paths, if shown on a final plat or other recorded map or plan creating a Phase;

7.5.2. Docks, piers, moorages, or observation structures located on, in, or adjacent to any lake in Klahanie, and an observation structure, if located on, in, or adjacent to any marsh in Klahanie;

7.5.3. Utility transmission lines, including sanitary sewer, water, natural gas, telephone, cable television, or other utility lines, together with facilities and appurtenances related thereto; and

7.5.4. Storm water retention/detention ponds or basins, storm water drainage lines, and all other elements, appurtenances, and facilities of the storm water drainage system.

Section 7.6 Pruning and Vegetation Removal in Native Growth Protection Areas. Pruning of trees for view maintenance or solar access within a Native Growth Protection Area located on an Owner's

Lot shall be permitted only upon prior written approval of the Association. Such approval shall be granted only after the Association has determined that the proposed pruning will not endanger soil stability, will not defeat the intent or purposes meant to be served by the establishment of Native Growth Protection Areas, and will not adversely affect the tree or trees to be pruned. The Association shall require that any such pruning be done in a competent and workmanlike manner, and the Association may require that such pruning be done by a professional gardening service or licensed tree surgeon. Trees and significant ground cover within a Native Growth Protection Area located on a Lot may be removed by the Owner of such Lot if such action is necessary to remove a clear and present danger to life or property, and dead, dying or diseased trees and ground cover, or trees and ground cover which present a fire hazard, may also be removed; provided, however, that prior written approval of the Association shall be obtained before any such removal. Trees and significant ground cover within Native Growth Protection Areas located in Common Areas may be pruned, cut, or removed only by the Association and only after prior written approval of such action by the Association. Pruning, cutting, or removal of trees or significant ground cover within Native Growth Protection Areas in Common Areas shall be subject to the same conditions and restrictions on such actions as imposed above for such actions within Native Growth Protection Areas on Lots.

ARTICLE 8

INSURANCE; CASUALTY LOSSES; CONDEMNATION

Section 8.1. Insurance Coverage. The Association shall obtain and maintain at all times as a common expense a policy or policies and bonds written by companies licensed to do business in Washington required to provide:

8.1.1. Insurance against loss or damage by fire and other hazards covered by the standard extended coverage endorsement in an amount as near as practicable to the full insurable replacement value (without deduction for depreciation) of the Common Areas, with the Association named as insured as trustee for the benefit of Owners and Mortgagees as their interests appear, or such other fire and casualty insurance as the Association shall determine will give substantially equal or greater protection insuring the Owners and their Mortgagees, as their interests may appear.

8.1.2. General comprehensive liability insurance insuring the Association, the Owners, Declarant, and any managing agent, against any liability to the public or to the Owners and their guests, invitees, licensees, or tenants, incident to the ownership or use of the Common Areas.

8.1.3. Worker's compensation insurance to the extent required by applicable laws.

8.1.4. Fidelity coverage naming the Association as an obliged to protect against dishonest acts by the Board, Association officers, committees, managers, and employees of any of them, and all

others who are responsible for handling Association funds, in an amount equal to three months' general assessments on all Lots and Living Units, including reserves.

8.1.5. Insurance against loss of personal property of the Association by fire, theft, and other losses with deductible provisions as the Association deems advisable.

8.1.6. Such other insurance as the Association deems advisable; provided, that notwithstanding any other provisions herein, the Association shall continuously maintain in effect casualty, flood, and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for similar projects established by Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Authority, and Veterans Administration, so long as any of them is a Mortgagee or Owner, except to the extent such coverage is not available or has been waived in writing by Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Authority, or Veterans Administration.

Section 8.2. Casualty Losses. In the event of substantial damage to or destruction of any of the Common Areas, the Association shall give prompt written notice of such damage or destruction to the Owners and to the holders of all First Mortgages. Insurance proceeds for damage or destruction to any part of the Common Areas shall be paid to the Association as a trustee for the Owners, or its authorized representative, including an insurance trustee, which shall segregate such proceeds from other funds of the Association.

Section 8.3. Condemnation. In the event any part of the Common Areas is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, the Association shall give prompt notice of any such proceeding or proposed acquisition to the Owners and to the holders of all First Mortgages who have requested from the Association notification of any such proceeding or proposed acquisition. All compensation, damages, or other proceeds therefrom, shall be payable to the Association.

ARTICLE 9 ENFORCEMENT

Section 9.1. Right to Enforce. The Association, Declarant, or any Owner, shall have the right to enforce, by any appropriate proceeding at law or in equity, all covenants, conditions, restrictions, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure or forbearance by any person or entity so entitled to enforce the provisions of this Declaration to pursue enforcement shall in no event be deemed a waiver of the right to do so thereafter.

Section 9.2. Remedies Cumulative. Remedies provided by this Declaration are in addition to, cumulative with, and are not in lieu of, other remedies provided by law. There shall be, and there is hereby created and declared to be, a conclusive presumption that any violation or breach or attempted violation or breach of the covenants, conditions, and restrictions herein cannot be adequately remedied by an action at law or exclusively by recovery of damages.

Section 9.3. Covenants Running with the Land. The covenants, conditions, restrictions, liens, easements, enjoyment rights, and other provisions contained herein are intended to and shall run with the land and shall be binding upon all persons purchasing, leasing, subleasing or otherwise occupying any portion of Klahanie, their heirs, executors, administrators, successors, grantees, and assigns. All instruments granting or conveying any interest in any Lot or Living Unit and all leases or subleases shall refer to this Declaration and shall recite that it is subject to the terms hereof as if fully set forth therein. However, all terms and provisions of this Declaration are binding upon all successors in interest despite an absence of reference thereto in the instrument of conveyance, lease, or sublease.

ARTICLE 10 AMENDMENT AND REVOCATION

Section 10.1. Amendment by Declarant or Association. Declarant may, during the Development Period, amend this Declaration on its sole signature. This Declaration may also be amended by an instrument executed by the Association for and on behalf of the Owners, provided, however, that such amendments shall have received the prior approval of a vote of the Owners (except Declarant) having 75 percent of the total outstanding votes in the Association; and provided, further, that no such amendment shall be valid during the Development Period without the prior written consent of the Declarant. Notwithstanding any of the foregoing, the prior written approval of 51 percent of all Mortgagees who have requested from the Association notification of amendments shall be required for any material amendment to the Declaration or the Association's By-Laws of any of the following:

voting rights; assessments, assessment liens, and subordination of such liens; reserves for maintenance, repair, and replacement of Common Areas; insurance or fidelity bonds; responsibility for maintenance and repair; the boundaries of any Lot; reallocation of interest in the Common Areas, or rights to their use; convertibility of Lots into Common Areas or of Common Areas into Lots; leasing of Lots or Living Units other than as set forth herein; imposition of any restrictions on the right of an Owner to sell or transfer his Lot or Living Unit; a decision by the Association to establish self-management when professional management had been required previously by an eligible Mortgagee; any action to terminate the legal status of the Klahanie development after substantial destruction or condemnation occurs; or any provisions which are for the express benefit of Mortgagees or eligible insurers or guarantors of First Mortgages.

Section 10.2. Effective Date. Amendments shall take effect only upon recording with the King County Department of Records and Elections or any successor recording office.

ARTICLE 11 GENERAL-PROVISIONS

Section 11.1. Taxes. Each Owner shall pay without abatement, deduction, or offset, all real and personal property taxes, general and special assessments, including local improvement assessments, and other charges of every description levied on or assessed against his Lot or Living Unit, or personal property located on or in the Lot or Living Unit. The Association shall likewise pay without abatement, deduction, or offset, all of the foregoing taxes, assessments, and charges levied or assessed against the Common Areas.

Section 11.2. Transfer of Certain Utilities, Utility Repair Easement. Declarant, and the Association after conveyance thereto, may transfer and convey any sewer, water, storm drainage, or other general utility in Klahanie to a public body for ownership and maintenance, together with any necessary easements relating thereto, and each Lot and Living Unit shall become burdened thereby.

Section 11.3. Non-Waiver. No waiver of any breach of this Declaration shall constitute a waiver of any other breach, whether of the same or any other covenant, condition or restriction.

Section 11.4. Attorneys' Fees. In the event of a suit or action to enforce any provision of this Declaration or to collect any money due hereunder or to foreclose a lien, the unsuccessful party in such suit or action shall pay to the prevailing party all costs and expenses, including title reports, and all attorney's fees that the prevailing party has incurred in connection with the suit or action, in such amounts as the court may deem to be reasonable therein, and also including all costs, expenses, and attorney's fees incurred in connection with any appeal from the decision of a trial court or any intermediate appellate court.

Section 11.5. No Abandonment of Obligation. No Owner, through his non-use of any Common Area, or by abandonment of his Lot or Living Unit, may avoid or diminish the burdens or obligations imposed by this Declaration.

Section 11.6. Interpretation. The captions of the various articles, sections and paragraphs of this Declaration are for convenience of use and reference only and do not define, limit, augment, or describe the scope, content or intent of this Declaration or any parts of this Declaration. The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the masculine and neuter, and each includes a legal entity when the context so requires. The single number includes the plural whenever the context so requires.

Section 11.7. (Revised by the Ninth Amendment to the CC&RS. Recorded under King County Recording number 9702250530.) **Severability.** Invalidation of any one of these covenants, conditions, restrictions, easements, and any portion of the governing documents or provisions by judgment or court order shall in no way affect any other of the same, all of which shall remain in full force and effect.

Section 11.8. Notices. All notices, demands, or other communications ("Notices") permitted or required to be given by this Declaration shall be in writing and, if mailed postage prepaid by certified or registered mail, return receipt requested (if a Notice to Declarant, the Association, or to fewer than all Owners), or if mailed first-class postage prepaid (if a Notice to all Owners), shall be deemed given three days after the date of mailing thereof, or on the date of actual receipt, if sooner; otherwise, Notices shall be deemed given on the date of actual receipt. Notices shall be addressed to the last known address of the addressee. Notice to any Owner may be given at any Lot or Living Unit owned by such Owner; provided, however, that an Owner may from time to time by Notice to the Association designate such other place or places or individuals for the receipt of future Notices. If there is more than one Owner of a Lot or Living Unit, Notice to any one such Owner shall be sufficient. The address of Declarant and of the Association shall be given to each Owner at or before the time he becomes an Owner. If the address of Declarant or the Association shall be changed, Notice shall be given to all Owners.

Section 11.9. Applicable Law. This Declaration shall be construed in all respects under the laws of the State of Washington.

