

OF John Cannon
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Foster Pepper & Shefelman PLLC
Attention: Gary N. Ackerman
1111 Third Avenue, Suite 3400
Seattle, Washington 98101-3299



2006 1177017

Clallam
County

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS,
AND RESERVATIONS FOR SOLANA ESTATE LOTS

Grantor/Declarant: SEQUIM HIGHLANDS ESTATE HOMES L.L.C., a Washington
limited liability company
Additional names on pg. N/A

Grantee: SOLANA ESTATE LOTS HOMEOWNERS ASSOCIATION
Additional names on pg. N/A

Legal Description: Ptn. of W 1/2 of Sec. 28, Twp. 30 N., Rge. 3 W., W.M.
Official legal description on Exhibit A

Assessor's Tax Parcel ID#: _____

Reference # (if applicable): N/A

DECLARATION
OF
COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS
FOR
SOLANA ESTATE LOTS

This Declaration of Covenants, Conditions, Restrictions, Easements and Reservations for Solana Estate Lots is made as of this 15th day of February, 2006, by Sequim Highlands Estate Homes L.L.C., a Washington limited liability company, hereinafter referred to as "Declarant."

RECITALS

A. Declarant is the owner of that certain real property and improvements located within the City of Sequim, Clallam County, Washington, known as Solana Estate Lots Phase 1 ("Solana Estate Lots" or the "Property") and legally described in Exhibit A attached hereto and certain other property known as Solana Estate Lots Phases 2 and 3 and legally described on Exhibit B attached hereto (the "Additional Property").

B. Declarant desires to create an association at Solana Estate Lots to provide for the maintenance, preservation, and architectural control of the Lots and Common Areas (all as defined below) within the community and to promote the health, safety, happiness, and welfare of the residents of the community.

C. For the benefit and protection of the Property, to enhance its value and attractiveness, Declarant provides herein for a comprehensive system of land-use and building controls within the Property.

SUBMISSION OF THE PROPERTY TO THIS DECLARATION

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 inure to the benefit of each owner thereof. This Declaration shall run with the land and bind Declarant, its successors and assigns, 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

Declaration. The provisions of this Declaration shall be enforceable by Declarant, any Lot Owner, the Association, and any first Mortgagee of any Lot.

Article 1. DEFINITIONS

Section 1.1 Definitions. For the purposes of this Declaration and any amendments hereto, the following definitions shall apply.

"Additional Property" shall mean the property described in Exhibit B which Declarant reserves the right subject to this Declaration pursuant to Article 15.

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

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

"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 Areas; (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 a delinquent Owner's 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.

"Association" shall mean the Solana Estate Lots Homeowners Association, a Washington non-profit corporation, as described more fully in Article 3, and its successors and assigns.

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

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

"City" shall mean the City of Sequim, Washington.

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

"Common Expenses" shall mean the expenses and liabilities of the Association, including, but not limited to, the expenses of the Association relating to the maintenance of

Common Areas, including reserves for repair or replacement of improvements within the Common Areas.

"Declarant" shall mean Sequim Highlands Estate Homes L.L.C., a Washington limited liability corporation, and its successors and assigns if such successors or assigns should (i) acquire more than one Lot from the Declarant for the purpose of development, and (ii) be specifically assigned the rights and duties of Declarant by written instrument in recordable form.

"Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions, Easements and Reservations for Solana Estate Lots and any amendments thereto.

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

"Lot" shall mean and refer to any of the numbered lots shown on the recorded Plat of the Property. Ownership of a Lot shall include ownership of the Home and improvements now or hereafter constructed on the Lot.

"Member" shall mean a person entitled to membership in the Association pursuant to Section 3.5.

"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.

"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.

"Notice and Opportunity to be Heard" 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 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 was given.

"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.

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

"Plat" shall mean the plat of Solana Estate Lots Phase I recorded at Volume ___ of Plats, at pages 14 through 89, Recorder's File No. 2006-1177015, records of Clallam County, Washington, and the plats for later phases of Solana Estate Lots, when they are filed; and any subsequently filed amendments, corrections, or addenda.

"Property" shall mean that portion of the Plat described in Exhibit A attached hereto, as it may be amended to add portions of the Additional Property as it is platted as later phases of Solana Estate Lots, and all improvements and Structures now or hereafter placed on the Property.

"Solana" shall mean the Property included in the Plat and the Solana Cluster Plat, including all Lots and Common Areas shown thereon.

"Solana Cluster Plat" shall mean the plat for Solana Cluster Lots Phase 1 recorded at Volume 14 of Plats, at pages 90 through —, Auditor's File No. 2006-1177019, and any subsequent plats for later phases of Solana Cluster Lots.

"Solana Community Association" shall mean the owners association for Solana pursuant to the Declaration of Covenants, Conditions, Restrictions, Easements and Reservations recorded under Clallam County Recording No. 2006-1177023.

"Structure" shall mean any building, wall, pole, driveway, hedge, walkway, patio, swimming pool, or the like.

Article 2. COMMON AREAS

Section 2.1 Description of Common Areas. The Common Areas are described on Exhibit C attached hereto, as it may be amended upon the submission of Additional Property

to this Declaration. In addition, Declarant reserves the right to create additional Common Areas by easements recorded subsequent to the recordation of the Plats.

Section 2.2 Conveyance. Declarant, by recording the Plat, dedicates, transfers and conveys the Common Areas and any easements appurtenant thereto to the Association.

Section 2.3 Use of Common Areas. Each Owner shall have the right to use the Common Areas in common with all other Owners, subject to this Declaration, the Bylaws, 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 Areas where ordinary use could be dangerous, unreasonably increase Association costs, or be detrimental to the environment.

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 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 Areas, 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 Members. No such dedication or transfer shall be effective unless two-thirds of each class of Members vote or consent in writing to such dedication or transfer. The instrument dedicating or transferring all or any portion of the Common Areas shall be executed by the president and secretary of the Association who shall certify that the requisite vote or consent has been obtained.

Section 2.4 Delegation of Use. Any Member 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 Areas to family members, guests, and tenants of such Member. 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 Areas. Each Owner shall be personally liable for any damage to any Common Areas 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. The Association shall have full responsibility for the maintenance, repair, replacement and improvement of the Common Areas. All such areas and

facilities shall be reasonably maintained for their intended use, subject to applicable governmental restrictions. In the event that any tract within or adjacent to the Plat which has been dedicated to the City of Sequim or other governmental entity is not being maintained at a level which is acceptable to the Association, the Association may, but is not required to, maintain the tract as it deems appropriate, including the performance of grass cutting and maintenance of shrubs, trees, and flowers. The cost of such maintenance shall be a Common Expense of the Association. Any maintenance performed by the Association on tracts dedicated to the City of Sequim or other governmental entity shall not obligate the Association to continue to maintain such tracts.

Article 3. HOMEOWNERS ASSOCIATION

Section 3.1 Establishment. There is hereby created an association called the Solana Estate Lots Homeowners Association or such other name as Declarant or the Board shall determine (the "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 will 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. The Association shall be managed by a Board of Directors who are members of the Association. They shall be elected as set forth in the Articles of Incorporation and Bylaws of the Association.

Section 3.5 Membership and Voting Rights. The Association shall have two classes of voting membership:

3.5.1 Class A Members shall be all Owners except the Declarant, and each Class A Member shall be entitled to one vote for each Lot owned, whether improved or not. When more than one Person holds an interest in any Lot, all such Persons shall be Members. The vote for such Lot shall be exercised as the joint owners may decide among themselves, but in no event shall more than one vote be cast with respect to any Lot.

3.5.2 The Class B Member shall be the Declarant who shall be entitled to ten votes for each Lot owned by it. The Class B class of membership shall cease and be converted to Class A membership upon the occurrence of the earlier of the following events: (i) the votes of the Class A Members equal the votes of the Class B Member after the Declarant has added all of the Additional Property to this Declaration; or (ii) the tenth anniversary of the date on which this Declaration is recorded.

Section 3.6 Transfer of Membership. 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 receipts 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.

Article 4. MANAGEMENT OF THE ASSOCIATION

Section 4.1 Administration of the Property. The Members 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 which are made a part hereof. Administrative power and authority shall be vested in the Board.

Section 4.2 Authority and Duties of the Board. On behalf of and acting for the Association, the Board, for the benefit of the Property and the Members, shall have all powers and authority permitted to the Board under this Declaration including, but not limited to, the following:

4.2.1 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.

4.2.2 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.

4.2.3 Enter into agreements with one or more qualified persons to provide for the maintenance and repair of the Common Areas, the collection of assessments, the sending of all required notices to Owners, the operation of Association meetings, and other regular activities of the Association.

4.2.4 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 or easements. The Board may pay the Declarant a reasonable fee for any services it performs on behalf of the Association.

4.2.5 Impose and collect charges for late payment of Assessments as further provided in Article 7, and, after Notice and Opportunity to be Heard by the Board or by such representative designated by the Board and in accordance with such procedures as provided in this Declaration, the Bylaws, or rules and regulations adopted by the Board, levy reasonable fines in accordance with a previously established schedule thereof adopted by the Board and furnished to the Owners for violations of this Declaration, the Bylaws, and rules and regulations of the Association.

4.2.6 Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself on matters affecting the Association; provided, however, that the approval of Owners holding at least 67% of the votes in the Association shall be required before the Association may institute, commence or intervene in any litigation or administrative proceeding, including arbitration, other than litigation or other proceedings against Owners for collection of delinquent Assessments or for enforcement of the Declaration or rules and regulations of the Association; but Owner approval shall not be required for settlement of such litigation or administrative proceedings.

4.2.7 Grant easements, leases, licenses, and concessions through or over the Common Areas.

4.2.8 Impose and collect any payments, fees, or charges for the use, rental, or operation of the Common Areas and for services provided to Owners.

4.2.9 Acquire, hold, encumber, convey, and dispose of, in the Association's name, right, title, or interest to real or tangible and intangible personal property; provided that the encumbrance, conveyance or other disposition of any portion of the Association's real property shall require the approval of the Owners holding a majority of the votes in the Association.

4.2.10 Arrange for and supervise any addition or improvement to the Common Areas, provided that if the estimated cost of any separate property acquisition, addition, or improvement to the Common Areas exceeds \$25,000, the approval of the Owners holding a majority of the votes in the Association shall be required.

4.2.11 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.

Section 4.3 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 Areas and the Property and other matters of mutual concern to the Members, which rules and regulations are not inconsistent with this Declaration and the Bylaws and which treat all Members fairly and in a non-discriminatory manner.

Section 4.4 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.

5.1.1 All Structures (including, without limitation, concrete or masonry walls, rockeries, driveways, paving, hedges, trellises, arbors, play structures, swimming pools, sport courts, if any, or other improvements) to be constructed, erected, placed or altered on a Lot, landscaping on a Lot and any exterior alterations of any Structures or landscaping on a Lot must be approved by the Board or an Architectural Control Committee ("ACC") composed of three or more representatives appointed by the Board; provided, that until completed Homes have been constructed on all of the Lots, Declarant may act as the ACC. Complete plans and specifications of all such proposed Structures, landscaping, exterior alterations together with detailed site plan showing the proposed location of the same on the

particular building site, any proposed grading and other data requested by the ACC shall be submitted to the ACC before construction or alteration is begun. Construction or alteration shall not be started until written approval thereof is given by the ACC. Fences shall not be permitted on any Lot.

5.1.2 In order to protect views from the Homes, the Plat establishes setbacks and elevations for acceptable building sites or envelopes for Homes on the Lots (the "View Protection Plan"). The View Protection Plan may not be altered without the approval of the ACC, the Owners of any Lots particularly affected, as determined by the ACC, and the Board. Any alteration of the View Protection Plan. The Declarant or the ACC may establish, as part of the View Protection Plan, heights and locations for trees, hedges and shrubs on the Lots. The Declarant or the ACC may also adopt and amend rules, as part of the Design Guidelines, for the Homes, other Structures, driveway entry and other exterior lighting, house numbers and/or landscaping on the Lots consistent with this Declaration. In order to minimize interference with viewing night skies from the Property, exterior lighting shall be designed to achieve low lighting levels. The ACC may also consider wildlife protection in its Design Guidelines and plan approvals.

5.1.3 In order to control storm water run-off from the Lots and for aesthetic reasons, the Plats establishes impervious surface limitations for each Lot. These limitations are mandatory and may not be altered or waived by the ACC or the Board. The plans submitted with the application must show all proposed impervious surfaces and demonstrate that they meet the impervious surface limitations for the Lot.

5.1.4 The ACC will review submittals as to the quality of workmanship and materials planned and for conformity and harmony of the exterior design with, and effect on views on, proposed or existing Structures on the Lots and, as to location of the Structure, with respect to topography, finish grade elevation and building setback restrictions and compliance with the Plat, View Protection Plan, impervious surface limitations and Design Guidelines. Depending upon the proposal, the plans may require additional review by engineers, architects, other design professionals and/or governmental agencies, the cost of which may be assessed to the Owner. The ACC may recommend changes to the plans that would enhance the likelihood of approval.

5.1.5 All plans and specifications submitted for approval by the ACC must be submitted in duplicate at least 60 days prior to the proposed construction or exterior alteration starting date. The ACC may require the Owner to pay an application fee and to reimburse the Association for the cost of additional reviews by engineers, architects, other design professionals and/or governmental agencies.

5.1.6 The maximum height of any Structure shall be established by the ACC as part of plan approval and shall be given in writing together with the approval. The

maximum height shall be no higher than that permitted under local zoning, land use and building codes or the View Protection Plan, whichever is lower.

5.1.7 The ACC may require that all plans or specifications be prepared by an architect or a competent house designer (landscape architect for landscaping plans and specifications) approved by the ACC. One complete set of the plans and specifications shall in each case be delivered to and permanently left with the ACC. All Structures shall be erected or constructed, and all exterior alterations made, by a licensed 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 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.

5.1.8 In evaluating any design, the ACC may consider the suitability of the proposed Structure, landscaping, or exterior alteration, 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, compliance with the Plat, View Protection Plan and Design Guidelines, and any and all other factors which, in the ACC's opinion, shall affect the desirability or suitability of such proposed Structure, landscaping or exterior alteration.

5.1.9 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 Areas. 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 to be subject to all the conditions, restrictions, and requirements as set forth herein for all buildings and Structures.

5.1.10 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 contrary to the View Protection Plan or is blocking or interfering with the view or access to sunlight of another Lot. Except as otherwise provided in the View Protection Plan, no tree, shrub, or hedge shall be greater than ten feet in height.

5.1.11 No Structure shall be erected, altered, placed or permitted to remain on any Lot unless the Structure complies with the Plat 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 City for any work on a Lot for which ACC approval is required under this Section prior to commencement of the work.

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 office, storage area, signs, model units, sales office, construction office and parking areas for all prospective tenants or purchasers of Declarant.

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 and in compliance with the View Protection Plan. Owners shall not allow their Lots to become overgrown or unkempt so as to create a visual nuisance. Leaves, clippings, dead plants and other yard waste shall be placed in a compost pile or appropriate containers for disposal but not in front yard or on vacant Lots.

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 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 completely enclosed and hidden from view within a garage or within such other enclosure as may be 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.

Section 6.3 Roads and Sidewalks. The road and sidewalks located within the Property 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 within the Property by Owners and their guests.

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 upon any Lot or improvement thereon, nor shall anything be done thereon which is or may become an annoyance or nuisance to other occupants on the Property.

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.

Section 6.8 Animal Restrictions. No insects, reptiles, poultry or animals of any kind shall be raised, bred or kept in any Home or on any Lot or Common Area, except that domesticated dogs, cats or other usual household pets (hereinafter referred to as "pets") may be kept on the Lots subject to rules and regulations adopted by the Board. No dog houses, kennels, dog runs or the like may be kept or maintained on any Lot or on the outside of any Home. 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. Owners shall clean up after their Pets. Any Owner whose pet violates these provisions or who causes any unreasonable noise or damage to persons or property 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 except (i) one professionally created sign of not more than one square foot displaying the resident's name; (ii) one sign of not more than five square feet advertising the Lot for sale, (iii) signs used by Declarant or other home builders to advertise Lots or Homes for sale, or (iv) the permanent entry signs for Solana Estate Lots.

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 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 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 Protected Antennas. Owners may not install antennas, dishes or other receiving devices in or on any portion of the Lots, except as provided in this Section. Each Owner shall have the right to install a Protected Antenna (as defined by the provisions of 47 C.F.R. § 1.4000 ("FCC Rule") as it now exists or is hereafter amended or replaced, or any other federal, state or local law, code, rule or regulation that preempts, prohibits or limits restrictions on, or conditions to, the installation, maintenance or repair of telecommunications equipment desired by an Owner) (but no other kind of antenna, dish or receiving device) on the Owner's Lot, subject to such reasonable rules and regulations as the Board may adopt; provided, however, the Association may prohibit the installation of a Protected Antenna by Owners if the Association provides a central antenna system that complies with the FCC Rule or any other law, ordinance, rule or regulation that permits such prohibition. If the provisions of this Section conflict with any applicable federal, state or local law, ordinance, rule or regulation, the terms of such law, ordinance, rule or regulation shall prevail, but the conditions and limitations set forth in this Section shall be enforced by the ACC to the maximum extent permitted by law.

Section 6.15 Governmental and Plat Requirements. All Structures and other Lot improvements shall comply with the Plat and all applicable governmental requirements including, without limitation, 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 or 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 or Common Area located within or adjacent to the Property.

Section 6.18 Completion of Projects. 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 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 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 6.20 Outdoor Fires. Outdoor barbecues 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.

Section 6.21 Screened Service Areas. Unsightly items must be hidden from view within a Home or garage or within a 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 screened area shall be consistent with the general appearance of the Home and must receive prior approval from the ACC.

Article 7. ASSESSMENTS

Section 7.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of a 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 in this Declaration. Such assessments, together with interest, costs, late charges and reasonable attorneys' fees, shall also be a charge on the land and shall be a continuing lien upon the Lot 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 Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successor title unless the lien for such delinquent assessments had been properly recorded prior to title transfer or unless expressly assumed by that party. When ownership of a Lot changes, assessments payable in installments which have been established for the current fiscal year shall be prorated between the Buyer and Seller based on a 365 day year.

Section 7.2 Liability for Assessments. Any assessments which may be levied from time to time pursuant to the authority of the Board shall be established in accordance with this Article 7 or for the purpose of paying or reimbursing the Association for costs incurred or to be incurred in connection with bringing an Owner's Lot into compliance with the provisions of this Declaration. Common Expenses shall be allocated equally among the Lots; provided that the Declarant shall not be obligated to pay any assessment levied against any Lots owned by it unless a Home has been constructed on the Lot and the Home is occupied. No Owner may exempt himself or herself from liability for his assessments by abandoning the Owner's Lot.

Section 7.3 Association Budgets. The initial budget for the Association shall be adopted by Declarant, which shall be based on a total development consisting of 85 Lots and projected improvements on the in all divisions of Solana Estate Lots according to Declarant's current plans, which are subject to change. Subsequent budgets shall be prepared by the Board, subject to ratification by the members of the Association as provided below. The budgets shall set forth sums required by the Association for the completed development, as estimated by the Board, to meet its annual costs for Common Expenses, including a reasonable sum for reserves for future repair and replacement of improvements within the Common Areas. Assessments on each Lot shall commence upon the closing of the sale by Declarant of the Lot with a completed Home or upon the occupancy of the Home, whichever is earlier. Until Assessments have commenced on all Lots, Declarant shall pay to the Association an amount equal to the excess, if any, of actual expenses of the Association over the amount of Assessments levied by the Association for operating expenses (excluding amounts levied for reserves).

Section 7.4 Ratification of Budget. Within 30 days after adoption of any proposed budget for the Association after the initial budget adopted by Declarant, the Board shall provide a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than 14 nor more than 60 days after mailing of the summary. Unless at that meeting the Owners to which a majority of the votes in the Association are allocated reject the budget, 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 prior budget shall continue until such time as the Owners ratify a subsequent budget proposed by the Board.

Section 7.5 Supplemental Budget. If during the year the budget proves to be inadequate for any reason, including nonpayment of any Owner's Assessments, the Board may prepare a supplemental budget for the remainder of the year. A supplemental budget shall be subject to ratification by the Owners pursuant to Section 7.4.

Section 7.6 Levy of General Assessment. In order to meet the costs and expenses projected in its operating budget, the Board shall determine and levy on every Owner a

general assessment. The Association's operating budget shall be allocated equally among the total number of projected Lots.

Section 7.7 Amount of General Assessment. The Board 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 beginning of such period. Notice of the general assessment shall thereupon be sent to each Owner subject to assessment; provided, however, that failure to notify an Owner of the amount of an assessment shall not render such assessment void or invalid. Any failure by the Board, before the expiration of any assessment period, to fix the amount of the general assessment hereunder for 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.

Section 7.8 Assessment Period. The general assessment fixed for the preceding period shall continue until a new assessment is fixed. Upon any revision by the Association of the operating budget during the assessment period for which each budget was prepared, the Board 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 the assessment period.

Section 7.9 Manner and Time of Payment. Assessments shall be payable in monthly or quarterly installments, as determined by the Board. Any Assessment or installment thereof which remains unpaid for ten days after the due date to thereof shall bear interest at the rate of 12% per annum, and the Board may also assess a late charge in an amount not exceeding 25% of any unpaid Assessment which has been delinquent for more than ten days.

Section 7.10 Initial Contribution to Working Capital. In connection with the closing of the sale of each Lot with a completed Home, the first purchaser thereof shall pay to the Association, as a nonrefundable contribution to an initial working capital fund, an amount equal to two times the initial monthly Assessment (including reserves) against the Lot, which amount shall not be considered as an advance payment of regular Assessments. Declarant shall not use any of the working capital fund to defray any of its expenses, reserve contributions or construction costs.

Section 7.11 Accounts. Any assessments collected by the Association shall be deposited in one or more Federally insured institutional depository accounts established by the Board. The Board shall have exclusive control of such accounts and shall maintain accurate records thereof. No withdrawal shall be made from said accounts except to pay for charges and expenses authorized by this Declaration.

Section 7.12 Lien. In the event any assessment or installment thereof remains delinquent for more than 30 days, the Board may, upon 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 notice of assessment may be recorded in the office where real estate conveyances are recorded for the county in which this property is located. Such notice of assessment may be filed at any time at least 15 days following delivery of the notice of default referred to above in this Section. The lien for payment of such assessment and charges shall have priority over all other liens and encumbrances, recorded or unrecorded, limited as provided in Section 9.1. Suit to recover a money judgment for unpaid assessments or charges shall be maintainable without foreclosure or waiver of the lien securing the same. Said liens may be foreclosed as a mortgage.

Section 7.13 Special Assessments. The Board may also levy special Assessments for unanticipated Common Expenses or Home Expenses against the Owners on the same basis as general Assessments for such expenses, as provided in Section 7.2. The special Assessment shall be levied pursuant to a budget which shall be subject to ratification by the Owners pursuant to Section 7.4. To the extent that any Common Expense is caused by the misconduct of an Owner or tenant of any Lot, the Association may, after Notice and Opportunity to be Heard, levy a special Assessment for the expense against the Owner of the Lot.

Section 7.14 Waiver of Homestead. Each Owner hereby waives, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law in effect at the time any assessment or installment thereof become delinquent or any lien is imposed pursuant to the terms hereof.

Section 7.15 Financial Statements and Records. The Board shall prepare or cause to be prepared for any fiscal year in which the Association levies or collects any assessments, a balance sheet and an operating (income/expense) statement for the Association which shall include a schedule of delinquent assessments identified by the number of the Lot and the name of the Lot Owner; provided, however, such documents need not be prepared by a certified public accountant unless requested by the Board or a majority of the Owners. 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 expense 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 convenient weekday hours.

Section 7.16 Certificate of Assessment. A certificate executed and acknowledged by the treasurer or the president of the Board or the managing agent for the Association stating the indebtedness for assessment and charges or lack thereof secured by the assessments 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 Mortgagee of a Lot within a reasonable time after request, in recordable form, at a reasonable fee. Unless otherwise prohibited by law, any Mortgagee 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 priority as its lien.

Section 7.17 Foreclosure of Assessment Lien; Attorneys' fees and Costs. The Board (or authorized agent), on behalf the Association, may initiate an 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, in addition to all costs permitted by law. Said liens may be foreclosed as a mortgage.

Section 7.18 Curing of Default. The Board shall prepare and record a satisfaction and release of the lien for which a notice of assessment 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 to which such notice of assessment was recorded, together with all costs, late charges and interest which have accrued thereon. A fee of \$25 or such other amount as may from time to time be set by the Board covering the cost of preparation and recordation shall be paid to the Association prior to such action. The satisfaction and release of the lien created by the notice of assessment shall be executed by the president or treasurer of the Association or the managing agent for the Association. For the purpose of this paragraph, 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 notice of assessment and any efforts to collect the delinquent assessments, including a reasonable sum for attorneys' fees and costs.

Article 8. COMPLIANCE AND ENFORCEMENT

Section 8.1 Enforcement.

8.1.1 Each Member, 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.

8.1.2 In any action or arbitration to enforce the provisions of Section 8.1 or any other provision 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 8.2 No Waiver of Strict Performance. The failure of the Board or Declarant, as applicable, in any one 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 8.3 Remedies Cumulative. 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 9. LIMITATION OF LIABILITY

Section 9.1 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 Member, 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 9.2 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 liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may be party, or in 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, 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 Member 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 a Member or Owner of a Lot.

Article 10. MORTGAGEE PROTECTION

Section 10.1 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 purchaser 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 10.2 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 10.3 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 10.4 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 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 Association and be permitted to designate a representative to attend such meetings.

Section 10.5 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 11. EASEMENTS AND SPECIAL TRACTS

Section 11.1 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 11.2 Utility Easements. Various easements are reserved on the Lots, as provided by the Plat 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. 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 benefited, except for those improvements for which a public authority or utility company or which the Association or Solana Community Association is responsible, as provided on the Plat or in this Declaration. The Owner shall maintain the portion of any utility on 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 or is maintained by a public authority or utility company, the Association or the Solana Community Association. The Association shall have an easement over each Lot for the maintenance, repair and replacement of the portion of the private storm drainage system which serves more than one Lot up to the point of connection to the public drainage system.

Section 11.3 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 Common Areas 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.

Article 12. ABANDONMENT OF SUBDIVISION STATUS

Section 12.1 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 Article 13.

Section 12.2 Abandonment at 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 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 13. AMENDMENT OF DECLARATION OR PLAT MAP

Section 13.1 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 Transition Date, this Declaration may be amended by an instrument approved and executed by Declarant and approved by members holding 67% of the votes in the Association; provided that no amendment shall be effective unless approved by the Declarant as long as the Declarant owns a Lot or has the right to add Additional Property to the Declaration. 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 51% of all Mortgagees who have requested from the Association notification of amendments 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 Areas; insurance or fidelity insurance; responsibility for maintenance and repair; the boundaries of any Lot; convertibility of Lots into Common Areas or of Common Areas into Lots; leasing of Lots other than set forth 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. No amendment to this Declaration concerning maintenance of the private street, storm water facility or common utilities shall be effective without prior written consent of the City.

Section 13.2 Plat. Except as otherwise provided herein, the Plat may be amended by revised versions or revised portions thereof 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 shall be made available for the examination of every Owner. Such an amendment to the Plat 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 13.3 Amendments to Conform to Construction. Declarant, upon Declarant's sole signature, and as an 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 amendments to the Declaration and to the Plat to conform data depicted therein to improvements as actually constructed and to establish, vacate and relocate easements.

Article 14. INSURANCE

Section 14.1 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 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 30 days' prior written notice to any and all insureds named therein, including Owners, holders of mortgages, and designated servicers of mortgagees.

Section 14.2 Owners' Insurance.

14.2.1 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 30 days' prior written notice to the Association.

All Owners shall provide the Association with proof of insurance upon the request of the Association.

14.2.2 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.

14.2.3 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 \$300,000.

14.2.4 Any portion 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 unless the subdivision is terminated or repair or replacement would be illegal under any state or local health or safety statute or ordinance.

Article 15. LATER PHASES; ANNEXATION

Declarant may from time to time subject to the provisions of this Declaration all or any portion of the Additional Property by recording a supplemental declaration amending the description of the Property in Exhibit A to add the portion of the Additional Property to be subjected to this Declaration and filing a plat for a later phase of Solana Estate Lots. The later plat and supplemental declaration filed or recorded pursuant to this Article shall not require the consent of any person other than Declarant or successor to Declarant. In connection with a later phase, Declarant shall amend Exhibit B to delete the portion of the Additional Property being subjected to this Declaration, Exhibit C to list any additional Common Areas and may amend any of the provisions of this Declaration dealing with the Lots or Tracts in that phase. Declarant's right to subject the Additional Property to this Declaration shall expire when all property described in Exhibit B has been subjected to this Declaration, ten years after this Declaration is recorded or when Declarant records an amendment to the Declaration relinquishing its right to subject any Additional Property to the Declaration, whichever is earlier. Until then, Declarant may transfer or assign this right to any person who is the developer of a portion of the real property described in Exhibit B. Any such transfer shall be memorialized in a written, recorded instrument executed by Declarant.

Article 16. MISCELLANEOUS

Section 16.1 Notices.

16.1.1 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 48 hours after a copy thereof has been deposited in the United States mail, postage prepaid, addressed as follows:

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

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

Sequim Highlands Estate Homes L.L.C.
325 Washington Avenue South, Unit 83
Kent, Washington 98032

15.1.1.3 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 16.2 Conveyance: Notice Required. The right 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 16.3 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 Member.

Section 16.4 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 16.5 Mortgagee's Acceptance.

16.5.1 This Declaration shall not initially be binding upon any Mortgagee of record at the time of recording of said Declaration but rather shall be subject and subordinate to said Mortgagee's Mortgage.

16.5.2 Declarant shall not consummate the conveyance of title of any Lot until the Mortgagee of the Lot shall have accepted the provisions of this Declaration and made appropriate arrangements for partial release of the Lot from the lien of the Mortgage. The issuance and recording of the first such partial release by said Mortgagee shall constitute its acceptance of the provisions of this Declaration and the status of the Lots remaining subject to its Mortgage as well as its acknowledgment that such appropriate arrangements for partial release of Lots has been made; provided, that, except as to Lots so released, said Mortgage shall remain in full force and effect as to the entire property.

Section 16.6 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof.

Section 16.7 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 16.8 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 16.9 Effective Date. The Declaration shall take effect upon recording.

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

DECLARANT:

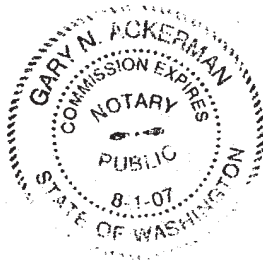
SEQUIM HIGHLANDS ESTATE HOMES
L.L.C., a Washington limited liability company

By John Cannon
Its: Managing Member

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that JOHN Q. CANNON
is the person who appeared before me, and said person acknowledged that said person signed
this instrument, on oath stated that said person was authorized to execute the instrument and
acknowledged it as the MANAGING MEMBER of SEQUIM HIGHLANDS ESTATE HOMES L.L.C., a
Washington limited liability company, to be the free and voluntary act of such parties for the
uses and purposes mentioned in the instrument.

Dated this 1st day of February, 2006.



Gary N. Ackerman
(Signature of Notary)
GARY N. ACKERMAN
(Legibly Print or Stamp Name of Notary)
Notary public in and for the state of Washington,
residing at SEATTLE
My appointment expires Aug 1, 2007

EXHIBIT A

LEGAL DESCRIPTION OF PROPERTY SUBJECT TO DECLARATION

Lots 1- 46 of Solana Estate Lots Phase 1, per plat recorded in Volume 14 of Plats, at pages 89 through -, Recorder's File No. 2006-1177015, records of Clallam County, Washington; together with the private roads utility easements serving the Lots shown as Solana Parkway, Flying Cloud Street, Tamerlane Loop and Exeter Street (Tract I) on said plat.

EXHIBIT B

LEGAL DESCRIPTION OF ADDITIONAL PROPERTY

Solana Estate Lots Phase 2 per plat of Solana Estate Lots Phase 1, recorded in Volume 14 of Plats, at pages 89 through , Recorder's File No. 2006-1177015, records of Clallam County, Washington.

EXHIBIT C

COMMON AREA

The private roads and utility easements serving the Lots shown as Solana Parkway, Flying Cloud Street, Tamerlane Loop and Exeter Street (Tract I) shown on the plat of Solana Estate Lots Phase 1, recorded in Volume 14 of Plats, at pages 89 through —, Recorder's File No. 2006-1177015, records of Clallam County, Washington.