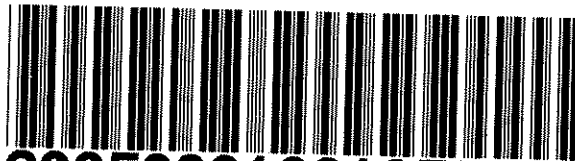


RETURN ADDRESS:

Gregory F. Cromwell
Curran Mendoza P.S.
Post Office Box 140
555 West Smith Street
Kent, Washington 98032



20050301001358

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KING COUNTY, WA

DOCUMENT TITLE(S) (or transactions contained therein): Declarant's First Amendment to the Declaration and Covenants, Conditions, Restrictions, Easements and Reservations for China Falls.
REFERENCE NUMBER(S) OF DOCUMENTS ASSIGNED OR RELEASED: 20000728001585
GRANTOR(S) MLD Land Development, LLC.
GRANTEE(S) China Falls Homeowners Association.
LEGAL DESCRIPTION (abbreviated: i.e., lot, block, plat or section, township, range) All of the Real Property within the Plat of China Falls, as per Plat recorded in Volume 195 of Plats, Pages 23 through 29, Records of King County; except Lot 38.
ASSESSOR'S PROPERTY TAX PARCEL/ACCOUNT NUMBER: 156400 0010 through 156400 0370 and 156400 0390 through 156400 0780.

**FIRST AMENDED & RESTATED
DECLARATION AND COVENANTS, CONDITIONS, RESTRICTIONS,
EASEMENTS AND RESERVATIONS FOR
CHINA FALLS**

THIS **FIRST AMENDED & RESTATED** DECLARATION AND COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS FOR CHINA FALLS (the "Declaration") is made by MLD Land Development, LLC, a Washington limited liability company ("Declarant") as of this _____ day of _____, 2005.

RECITALS

Declarant is the developer of certain real property (the "Property") in King County, Washington, legally described on **Exhibit A** hereto.

The Property is subdivided as shown in the Plat for China Falls, recorded in Volume 195 of Plats, pages 23 through 29, Records of King County, Washington (the "Plat").

Declarant previously recorded a Declaration and Covenants, Conditions, Restrictions, Easements and Reservations for China Falls on July 28, 2000 under Auditor's Recording Number 20000728001585 (the "Original Declaration"). Pursuant to Article 17 of the Original Declaration Declarant hereby adopts and makes this First Amended & Restated Declaration, which supercedes and is now substituted for the original Declaration. Accordingly, the Original Declaration shall be and is hereby amended so that the Declaration shall hereafter be restated in its entirety as follows.

NOW, THEREFORE, Declarant declares that the Property subject to all restrictions and easements of the Plat, shall be held, transferred, sold, conveyed, leased, used and occupied subject to the covenants, conditions, restrictions, easements, assessments, and liens hereinafter set forth which are for the purpose of protecting and enhancing the value, desirability and attractiveness of the Property and the community as a whole, and which covenants, conditions, restrictions, easements, assessments, and liens shall touch and concern and run with title to the Property and which shall be binding on all parties having any right, title, or interest in the Property or any portion thereof, and their respective heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE 1. DEFINITIONS

Section 1.1 Words Defined. In this Declaration and any amendments hereto, the following terms shall have the following meanings and all definitions shall be applicable to the singular and plural forms of such terms:

1.1.1 "Association" shall mean China Falls Homeowners Association described in Article 4 of this Declaration, which will be incorporated and maintained as a Washington non-profit corporation, its successors and assigns.

1.1.2 "Alter" and "Alteration" shall mean or refer to any and all future changes or modifications that an Owner may make to any part of his Lot or the improvements upon it, including without limitation changes or additions to Structures regarding painting (paint color), siding, or roofing, as well as to all other changes or additions to the Lot and/or improvements thereon, as more fully described or dealt with in Section 3.2 below and any other sections of this Declaration touching upon the use and/or maintenance of Structures and Lots.

1.1.3 "Board" shall mean the Board of Directors of the Association, and "Directors" shall mean members of the Board of Directors.

1.1.4 "Common Areas" shall mean the real property (including the improvements and facilities thereon) described as all areas of the Property outside the Lots, including roadways, walkways, parking areas, parks, open space buffer and landscape areas shown on the Plat which will be conveyed by Declarant to the Association and held for the common use and enjoyment of the members of the Association, but shall not include any streets or other areas now or hereafter dedicated for public use. Common Areas specifically shall include Tracts C and F, as shown on the face of the Plat, for purposes of monument placement and entryway landscape.

1.1.5 "Construction" and "Constructed" shall mean any construction, reconstruction, erection or alteration of a Structure, except wholly interior alterations to a then existing Structure.

1.1.6 "Declarant" shall mean MLD Land Development, LLC, a Washington limited liability company, or such successor or assign (including a Participating Builder) as Declarant may designate by a writing recorded in the records of the Auditor of King County.

1.1.7 "Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions, and Reservations for China Falls, as it may from time to time be amended.

1.1.8 "First Mortgage" and "First Mortgagee" shall mean, respectively, (a) a recorded mortgage on a Lot that has legal priority over all other Mortgages thereon, and (b) the holder of a First Mortgage.

1.1.9 "Lot" shall mean any legally platted plot of land shown upon any recorded subdivision map of the Property, with the exception of the Common Areas.

1.1.10 "Lot 38" shall mean Lot 38 of the Plat.

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

1.1.12 "Mortgagee" shall mean the beneficial owner, or the designee of the beneficial owner, of an encumbrance on a Lot created by a mortgage or deed of trust and shall also mean the vendor, or the designee of a vendor, of a real estate contract for the sale of a Lot.

1.1.13 "Owner" shall mean the record owner, whether one or more Persons, of fee simple title to a Lot within the Property, including a contract purchaser entitled to beneficial possession.

1.1.14 "Participating Builder" shall mean a Person who acquires from Declarant one or more Lots for the purpose of improving the same for resale to future Owners.

1.1.15 "Person" shall mean an individual, corporation, partnership, association, trustee, or other legal entity.

1.1.16 "Plat" shall mean the recorded plat of China Falls and any amendments, corrections or addenda thereto subsequently recorded.

1.1.17 "Property" shall mean the land described on **Exhibit A** and such additions to **Exhibit A** as may hereafter be subjected to the terms of the Declaration, and all improvements and structures now or hereafter placed on the land.

1.1.18 "Retail Purchaser" shall mean a Person who acquires a Lot for the purpose of constructing their own residence or who acquires from a Participating Builder a Lot improved with a residence.

1.1.19 "Structure", unless otherwise provided for in any section herein, shall mean any building, fence, wall, driveway, walkway, patio, garage, storage shed, carport,

mailboxes, basketball hoop, play equipment, climbing apparatus, swimming pool, rockery, dog run or the like.

1.1.20 "Transition Date" shall be as defined in Section 4.9.

Section 1.2 Form of Words. The singular form of words shall include the plural and the plural shall include the singular. Masculine, feminine, and neuter pronouns shall be used interchangeably.

Section 1.3 Exhibits. The following are exhibits to this Declaration:

- Exhibit A - Legal Description of the Property
- Exhibit B - Driveway Pillar Detail
- Exhibit C - Fence Detail

ARTICLE 2. COMMON AREAS AND EASEMENTS.

Section 2.1 Conveyance to Association. Declarant hereby grants and conveys the Common Areas to the Association.

Section 2.2 Use. Each Owner shall have the right to use the Common Areas in common with all other Owners. The right to use the Common Areas shall be appurtenant to and pass with the ownership of each Lot and shall extend not only to each Owner, but also to his agents, tenants, members of his household, invitees, and licensees. The right to use the Common Areas shall be governed by the provisions of this Declaration, the Bylaws, and the rules and regulations of the Association.

Section 2.3 Abandonment of Common Areas. The Common Areas may not be abandoned, partitioned, subdivided, encumbered, sold, or transferred by the Association, any Owner or any third party, provided that, with the approval of at least 67% of the Owners and compliance with any restrictions on the face of the Plat, the Common Areas may be transferred to or encumbered for the benefit of a public agency, authority, or utility. The granting of easements for utilities or for other purposes consistent with the intended use of the Common Areas by the Owners shall not be deemed a partition or division.

Section 2.4 Alteration of Common Areas. Nothing shall be altered or Constructed in or removed from any Common Areas except upon the prior written consent of the Board.

Section 2.5 Driveway Access Easements. Declarant hereby creates and reserves an easement for ingress and egress to Lot 5 over that portion of the driveway located on Lot 10

which is identified on the face of the Plat (the "Lot 5 Driveway Easement Area"). The Owners of Lots 5 and 10 shall share equally in the costs of maintaining, repairing and replacing the Lot 5 Driveway Easement Area. However, if damage or destruction to the driveway arises from the actions or negligence of a particular Lot Owner or their guests, agents or invitees, it shall be the sole responsibility and cost of said Lot Owner to repair the damage or destruction, in timely manner, upon written request of the other Lot Owner using the driveway. Any dispute between the Lot Owners with respect to allocation of the costs of maintenance, repair and replacement work of the Lot 5 Driveway Easement Area or the use thereof shall be submitted to the Board, whose decision shall be binding upon the Lot Owners. Any Lot Owner may submit any such dispute to the Board if the Lot Owners have unsuccessfully attempted to resolve their differences for a period of at least 20 days. No Lot Owner using a driveway shall obstruct or interfere with the use of the driveway by the other Lot Owner, their guests, agents or invitees.

Section 2.6 Conditions for Grant of Easements. The easements granted in Section 2.5 are subject to the agreement of the Owners of the Lots benefited by such easements to compensate the Owners of the Lots burdened by such easements for any damage to the affected property caused by the exercise of the easement rights; to use reasonable care in carrying out any construction or repair in the easement areas and to restore such areas, to the extent reasonably practicable, to the condition they were immediately prior to such work; and to indemnify and hold harmless the Owners of the Lots burdened by such easements from any and all claims for injuries and/or damages suffered by any person caused by exercise of the easement rights. All work performed within an easement shall be conducted in a workmanlike manner, free and clear of liens.

ARTICLE 3. CONSTRUCTION ON LOTS & USE OF LOTS.

Section 3.1 Uniformity of Use and Appearance. One of the purposes of this Declaration is to assure within the Property a uniformity of use and quality of workmanship, materials, design, maintenance and location of Structures with respect to topography and finish grade elevation. It is in the best interests of each Owner that such uniformity of use be maintained as hereinafter provided. Notwithstanding anything herein set forth, the Construction of any Structure shall comply with the more restrictive of either (i) the terms and conditions of this Declaration or (ii) the laws, codes, ordinances and regulations of any governmental entity having jurisdiction.

Section 3.2 Submission and Approval of Plans.

3.2.1 Construction. No Structure shall be Constructed or caused to be Constructed on any Lot unless the Plans for the Structure have been approved in writing by the Board or by an Architectural Control Committee (ACC) duly appointed by the Board (and

hereafter reference to the "Board" shall be intended to include an ACC if appointed by the Board). The Board's approval of any Plans shall not constitute any warranty or representation whatsoever by the Board or any of its members that such Plans were examined or approved for engineering or structural integrity or sufficiency or compliance with applicable governmental laws, codes, ordinances and regulations, and each Owner hereby releases any and all claims or possible claims against the Board, individual directors and officers, and the Association, and their heirs, successors and assigns, or of any nature whatsoever, based upon engineering or structural integrity or sufficiency or compliance with applicable governmental laws, codes, ordinances and regulations.

3.2.2 Alteration. No Structure(s) or improvement(s) upon any Lot, including without limitation landscaping, shall be erected, placed or altered on any Lot until the plans, specifications, and/or plot plan showing the nature, kind, shape, height, materials, coloration and location for such have been approved in writing by the Board as to uniformity and harmony of external design, color and other aesthetical considerations and as to how the Owner's plans compare to or with other existing structures and landscapes in the Association community.

3.2.3 Submission; Plan Check Fee. At least 45 days before commencing Construction of any Structure or Alteration on any Lot, the Owner shall submit to the Board two complete sets of detailed building, construction, surface water run-off control and specifications and a site plan showing the location of all proposed Structures or Alterations (the plans, specifications and site plans are individually and collectively referred to herein as the "Plans"). Submitted plans for the original construction of a main house Structure shall include a landscaping plan for the Lot. Submitted Plans shall be accompanied by a plan check fee of \$50 to partially cover the administrative costs to review the Plans.

3.2.4 Approval. The Board may withhold its approval by reason of its reasonable dissatisfaction with the location of or Alteration to a Structure or other improvements on the Lot, or with the Alteration of any part of a Lot, color scheme, finish, architecture, height, impact on view from another Lot or Lots, appropriateness of the proposed Structure or Alteration, or the materials used therein, or based upon incompatibility with the design of or other features within the community and/or the surrounding Lots, and, in the case of original construction of the main house Structure, the landscaping plan. The Board's approval or disapproval of Plans shall be made within 45 days of submission of a complete set of Plans, shall be in writing, and approval shall be evidenced by written endorsement on such Plans, one copy of which shall be delivered to the owner of the Lot upon which the building, installation, Construction, or Alteration is to occur. Except for violation of those restrictions specifically set forth in Sections 3.3 through 3.5, if the Board has not provided a Lot Owner with written notice of objections within six (6) months after completion of the building, installation, Construction or

Alteration, Board approval shall not be required and the related Covenants shall be deemed to have been fully complied with. After delivering its notice of objections to a Lot Owner, the Board shall be entitled to take whatever action the Board deems reasonably appropriate to enforce the provisions of the Declaration, including, without limitation, commencing an action against the Lot Owner, which action may include without limitation relief requiring Owner to make changes in order to comply and/or for removal of the violation(s).

Section 3.3 Size and Height.

3.3.1 Floor Area. The floor area of the main house Structure, exclusive of open porches and garages, shall be not less than 2,400 square feet.

3.3.2 Lot Size. No Lot or portion of a Lot in this Plat shall be divided and sold or resold, or ownership changed or transferred whereby the ownership of any portion of this Plat shall be less than the area required for the use district in which the Lot is located.

3.3.3 Local Codes. All buildings, Structures and Alterations thereto or to other improvements on Lots shall be constructed or installed in accordance with the King County and other applicable Codes. In the event of a conflict between any applicable codes and this Declaration, the codes shall govern but only as to building codes.

Section 3.4 Appearance. Unless otherwise approved by the Board, the following design/construction requirements shall apply.

3.4.1 Roofing. During the first five years after the date of this Declaration, the roof material on all of the Lots except Lots 45-49, 56-60, and 78, inclusive, shall be a tile or 40-year life architectural composition roof in one of the following colors: Antique Slate, Driftwood, Weatherwood, or Sabelwood. The roof material on Lots 45-49, 56-60 and 78, inclusive, and all of the other Lots after expiration of the five year restriction period, shall be 40-year life composition roof or better, tile, or other roof material of comparable quality, subject to the roof material restrictions set forth on the Plat which shall control over the terms of this paragraph, and subject to such additional reasonable Rules & Regulations as the Board may adopt, promulgate and implement from time to time governing acceptable parameters of and for roofing materials, including without limitation what constitutes acceptable colors, durability, quality, thicknesses, and overlap or exposure.

3.4.2 Siding. All siding materials shall be of masonry (including stucco, dryvit, cultured stone, brick, stone, or similar material), Hardiplank, and/or wood or wood type siding material. Prohibited siding materials shall include, but not be limited to vinyl, aluminum, or T-1-11.

3.4.3 Masonry Construction. Unless otherwise approved by the Architectural Control Committee, all main house Structures shall have a minimum of one hundred fifty (150) square feet of masonry facing (including stucco, cultured stone, brick, stone, or similar material), visible from the adjacent street right of way. This requirement shall not apply to main house Structures constructed with stucco or similar material.

3.4.4 Driveway Pillar. There shall be located on each Lot at least one (1) masonry pillar (including stucco, cultured stone, brick, stone, or similar material) at either the right or left front corner of the driveway. The masonry on the pillar shall match the masonry on the main house Structure located on the Lot unless otherwise approved by the Architectural Control Committee. The driveway pillar shall have a minimum surface area of twenty-four (24) feet square, a minimum height of three (3) feet, a light on top within an appropriate fixture, and may display the street address of the Lot. All driveway pillars shall conform to the detail shown on **Exhibit B** unless otherwise authorized by the Architectural Control Committee.

3.4.5 Entry Walks, Porches and Decks. All front entry walks shall be exposed aggregate concrete or other hard surface approved by the Architectural Control Committee, and all decks and wood porches shall be constructed of cedar or pressure-treated materials or other materials approved by the Architectural Control Committee.

3.4.6 Driveways. All driveways shall be constructed of exposed aggregate concrete paving or other hard surface approved by the Architectural Control Committee.

3.4.7 Rules and Regulations. The Board may adopt, promulgate and implement from time to time reasonable Rules and Regulations governing the uniformity of use and appearance, maintenance of and for, and the quality of workmanship, materials, and design, regarding the Construction and Alteration of all Structures, Lots, and improvements thereon.

Section 3.5 Use Restrictions.

3.5.1 Residential Use. The Lots shall be used only for single-family residential purposes, and only one single-family residence (and such accessory structures as are approved pursuant to this Article 3) shall be constructed on each Lot. If a single-family residence with a "mother-in-law apartment" or accessory dwelling unit is constructed on a Lot, the "mother-in-law apartment" or accessory dwelling unit may not be rented for use separately from the rental of the primary residence on the Lot. Temporary "model homes" and real estate sales offices established for the purpose of marketing the Plat shall be considered a residential use until houses have been built and sold on all Lots.

For this section and throughout this Declaration the term "single-family" shall mean and refer to persons who are blood relations (including adopted persons and step-children), and "single-family use" shall mean that owners, while free to rent out their entire house, may not sublet portions of their home(s) while living on the premises, due to the adverse impact on the community from traffic, parking, sanitation, and the like.

3.5.2 Maintenance of Buildings and Lots. Each Owner shall, at the Owner's sole expense, keep the interior and exterior of the Structure on the Owner's Lot, as well as the Lot, in a clean and sanitary condition, free of rodents and pests, and in good order, condition and repair and shall do all redecorating, painting, landscaping, and maintenance at any time necessary to maintain the appearance and condition of the Structure and the Lot to standards appropriate for a first-class residential community. Each Owner shall at all times keep all of their Lot's yard and other landscaping (including without limitation the back and side yards) well maintained, including weed removal, mowing, fertilizing and watering (subject to governmental restrictions on watering.) If an Owner fails to so maintain his yard(s) or any portion thereof, and fails to cure the defect within thirty (30) days after notice from the Board, then the Board, by resolution adopted by seventy-five (75%) of the total Board membership, through its agents and employees, or by engaging a commercial landscape company, shall have the right to enter upon the Lot of Owner to clean, repair, maintain, and restore the Lot and the exterior of buildings and other improvements. In the event the Association exercises this right, it may separately assess such maintenance costs and expenses as a charge against the Lot and the Owner (which if unpaid by the Owner within 30 days of it being invoiced by the Association shall bear interest at 12% per annum or at such other rate as the Board determines, and become a lien against the Lot and such charge(s) shall be collectible as if an assessment lien under the provisions of Article 8).

3.5.3 Completion of Construction; Maintenance during Construction. Any Structure erected or placed on any Lot shall be completed as to external appearance within eight months from the date Construction is started, however, with good cause shown, the Board may extend this term. All landscaping must be completed within one month from the date of issuance of the certificate of occupancy, however, with good cause shown, the Board may extend this term. All Lots shall be maintained in a neat and orderly condition during Construction. After the clearing of any vegetation for construction, the debris from the clearing operation shall be promptly removed from the Lot and disposed of off-site. In no case shall any vegetation cleared from one Lot be deposited on an adjacent Lot or on any Common Areas. Erosion prevention shall be practiced at all times during Construction and disturbed slopes shall be promptly repaired, hydro-seeded and/or netted as needed based on weather conditions and season. During Construction, periodic efforts shall be made by the Owner to pick up scrap materials and other construction debris and to periodically dispose of said materials off site. No dumping of any such debris or refuse shall be allowed on adjoining Lots or on any Common Areas. Upon completion of Construction on any Lot and prior to occupancy, the Owner shall be responsible

for keeping the improvements clean and neat including but not limited to regular landscape maintenance, watering, trimming and upkeep to present a finished, manicured appearance from the adjacent right-of-way. In the event that the Owner fails to so maintain the Lot and fails to cure the defect within three (3) days after written notice, the Board may, by resolution adopted by seventy-five percent (75%) of the total Board membership, engage a third party to dispose of the materials and assess such disposal as a charge against the Lot.

3.5.4 Parking. No commercial-type trucks, campers, camper shells, trailers, motor homes, boats, boat trailers, jet skis, motorcycles, all terrain vehicles or other recreational equipment or accessories, or commercial vehicles shall be parked or permitted to remain on any Lot, unless the same is stored or placed in a garage, in a rear yard area screened from adjoining Lots as approved by the Board, or in a screened carport or location as approved by the Board. No vehicles, including cars, shall be parked overnight on any street adjoining any Lot; provided that such vehicles belonging to guests may occasionally be so parked. No motor vehicles, inoperative for reasons of mechanical failure, or in an extreme state of disrepair, shall be parked and/or stored on any Lot or in the street right-of-way for more than 72 hours. The Board shall have the right and power to adopt such further Rules and Regulations governing the parking of vehicles on Lots, on the streets, and in areas adjoining the Common Areas as it considers reasonably necessary to protect the quality and enjoyment of the community, by protecting the appearance of the community by, among other things, preventing the clutter and traffic issues presented by the number and nature of vehicles exposed and parked in the streets and on Lots.

3.5.5 Rental of Lots/Homes. No Owner may lease less than his entire Lot and the residential Structure situated thereon. All leases must be in writing and must provide that the terms of the lease and the conduct and activities of tenant(s) and tenant's family members, guests and agents are subject in all respects to the provisions of this Declaration and the Association's Rules and Regulations, as both may be amended from time to time, and that any violation of or non-compliance with this Declaration or the Association Rules and Regulations by the tenant, tenant's family members, guests or agents, shall be a material default under the lease. Tenant, and tenant's family members, guests and agents, are at all times fully subject to all of the provisions, duties, obligations and requirements of the Declaration and the Rules and Regulations, and the authority of the Association in the same fashion as and as if an Owner. There shall be no subleasing of residential Structure(s) or assignments of leases. At least ten (10) days before commencement of the lease term, the Owner shall provide the Association with the following information: (i) the commencement date and expiration date of the lease term; (ii) the names of each of the tenants and each other person related to tenant(s) who will reside in the residential Structure during the lease term; (iii) the address and telephone number at which the Owner can be contacted by the Association during the lease term; and (iv) the name, address, and telephone number of a person other than the Owner whom the Association can contact in the event of an emergency

involving the Lot. Any Owner who leases his Lot and the residential Structure situated thereon must provide the tenant with copies of this Declaration and the Association's Rules and Regulations. The Owner remains obligated for his tenant's full compliance with provisions of this Declaration and the other Governing Documents, and shall be liable for any violation(s) of this Declaration or the Association Rules and Regulations by tenant or other persons residing in the residential Structure, and their guests or invitees and, in the event of any such violation(s), the Owner, upon demand of the Association, shall immediately take all necessary actions to ensure compliance with the Declaration by his tenant, including eviction of his tenant if tenant continues non-compliance.

3.5.6 Signs. No sign of any kind shall be displayed to the public view on or from any Lot without the prior written consent of the Board, except for "For Rent" or "For Sale" signs in a form not prohibited by any rules and regulations of the Board. This Section shall not apply to the Declarant or any Participating Builder.

3.5.7 Animals. No animal, bird, fowl, poultry, reptile or livestock may be kept on any Lot, except that a reasonable number of dogs, cats, caged birds, fish tanks or similar household pets may be kept on a Lot if they are kept, bred, or raised thereon solely as domestic pets and not for commercial purposes and do not display dangerous propensities or become a nuisance. All pets permitted under this Section shall be confined to an Owner's Lot, except for cats which will be permitted to roam off Owners' Lots unless any such cat becomes a nuisance or otherwise creates unreasonable trouble for or damage to a neighbor or neighbors' property. Dogs and other pets may be permitted to leave an Owner's Lot if such dog or pet is at all times kept on a leash or similar restraint and is not permitted to enter upon any other Lot or otherwise run free, or to bother other Owners or their pets. Any person walking their dog or any other pet, or bringing such pet onto the Common Areas, shall immediately and properly pick up and remove any feces deposited on the sidewalks, streets or Common Areas by the pet. The Board may restrict the portions of the Common Areas on which dogs or other pets are permitted. No animal, bird, or fowl shall be maintained so as to be visible from neighboring Lots. No dog or animal "run" may be constructed outside without the prior written approval of the Board, subject to any such "run" being screened or otherwise placed so it is not visible from the street or neighboring Lots. Upon the written request of any Owner, Lessee or Resident, the Board shall conclusively determine, in its sole and absolute discretion, whether, for the purpose of this Section, a particular animal, bird, or fowl, is a nuisance or making an unreasonable amount of noise or displays dangerous propensities. Any decision rendered by the Board shall be enforceable in the same manner as other restrictions set forth in this Declaration. Notwithstanding anything set forth herein all Owners shall comply with all applicable governmental laws, codes, ordinances, and relations pertaining to animals

3.5.8 Temporary Structures. No trailer, basement of any incomplete building, tent, shack, shed, garage or barn, and no other temporary buildings or structures shall be installed, placed or used on any Lot, either temporarily or permanently, except for temporary building, trailers or other structures used during construction and approved by the Board, and provided such temporary structures are immediately removed after the completion of the construction.

3.5.9 Clothes Lines. No outside clotheslines or other outside facilities for drying or airing clothing, apparel, rugs, washing or any other such items shall be erected, placed, maintained or used outside on any Lot. No washing, rugs, clothing, apparel or any other article shall be hung from the exterior of any Structure or on a Lot so as to be visible from the streets and roads adjoining the Lot or from neighboring Lots.

3.5.10 Antennas and Satellites. No antenna, satellite or microwave dish or other device for transmission or reception of television or radio signals over one (1) meter in diameter shall be constructed, installed, erected, used or maintained on any Lot, except to the extent that the Federal Communications Act and the Regulations adopted pursuant to such Act (collectively, the "FCC Rules") control the subject matter or are deemed to modify or supercede the provisions of this section. The Board has the authority from time to time to adopt reasonable Rules and Regulations governing antennas and satellite dishes it considers reasonably necessary, which are not in conflict with federal laws and rules pertaining to such devices.

Notwithstanding anything to the contrary herein, if these restrictions conflict or are inconsistent with federal laws or rules and regulations adopted by agencies pursuant to such laws, the federal laws and rules will supercede and apply; provided, however, that restrictions in this section that do not so conflict will continue to operate and apply to Owners and the community.

3.5.11 Trash Containers and Debris. No trash, garbage, rubbish, cutting, or yard raking shall be placed or kept on any Lot excepted in an attractive covered container(s) suitably located and screened from the visibility of adjoining Lots, streets and roadways. Yard rakings, dirt and debris resulting from landscaping work or Construction shall not be dumped onto adjoining Lots or streets or roadways and shall be disposed of according to this Section. In no event shall trash containers, plastic trash bags or other trash receptacles be located or maintained so as to be visible from neighboring Lots, except to make the same available for collection and then only for the shortest time reasonably necessary to effect such collection. Compost piles may be kept upon the Lots provided they are kept in a clean, neat, odorless and sanitary condition. Should any Owner fail to remove any trash, garbage, rubbish, cutting, or yard rakings or other such debris or material from any Lot or any street or roadway which were improperly deposited, within ten (10) days following the date on which written notice was mailed by the Board, the Association may have such debris and material removed by its agents or employees,

or a professional removal company, and the costs and expenses of such removal shall become a charge and a lien against the Lot, in addition to any regular or special assessment.

3.5.12 Business, Commercial & Non-residential Activity Prohibited. No trade, craft, business, profession, commercial or manufacturing enterprise, or non-residential activity of any kind, including without limitation group babysitting services, day schools, nurseries, or church schools or meetings shall be conducted or permitted on any Lot or in any home or Structure, nor shall goods, equipment, vehicles or materials used in connection therewith, be kept, parked or stored outside on any Lot or any street within the Association community. Notwithstanding anything to the contrary herein, "home office" activity or conduct in a Structure on a Lot is permitted, so long as there is no external signage of such use or relating to the home business, and no impact on the surrounding neighborhood or community from such activity, including without limitation increased parking. Home office" conduct or activity is limited to the Owner or Owner's tenant residing on the Lot, with no customer, clientele, or public carrier vehicular traffic to and from the Lot, no employees on the Lot, and no noise or other indications from the conduct that any business activity is occurring (e.g. no signs or marked vehicles or any other indicia of a business being conducted in the home or on the Lot).

3.5.13 Offensive Activity. No noxious activity, including but not limited to the creation of excess levels of noise shall be carried on in any Lot, nor shall anything be done therein which may be or become an annoyance or nuisance to other Owners or tenants or creates a danger to other Owners or their property. Upon the written request of any Owner or tenant, the Board shall determine, in its sole and absolute discretion, whether, for the purpose of this Section, a particular activity or use of property is noxious or undesirable or a nuisance. Any decision rendered by or determination of the Board that a certain activity or use of property is noxious or undesirable or a nuisance, shall be conclusive and shall be enforceable in the same manner, at law and in equity, as other restrictions set forth in this Declaration.

3.5.14 Underground Utilities. No outdoor overhead wire or service drop for the distribution of electric energy or for telecommunications purposes nor any pole, tower or other structure supporting said outdoor overhead wires shall be erected, placed or maintained within the Property. All Owners shall use underground service wires to connect any Structure to electric or telephone utility facilities.

3.5.15 Water Supply/Sewage Disposal. No individual water supply system or individual sewage system shall be permitted on any Lot.

3.5.16 Storm Water Drainage. No storm water shall be diverted or discharged over a slope or, except as permitted by any drainage easement, onto another Lot. Any damage or erosion to any slope or Lot caused by prohibited discharge shall be repaired and restored to its

substantially original condition by the Owner of the Lot from which the prohibited discharge originates. In the event that the Owner fails to so repair and restore the slope or damaged Lot or fails to cure the prohibited discharge within thirty (30) days after written notice (or such shorter time as may be reasonably necessary in the event of a dangerous condition), the Board may, by resolution adopted by seventy-five percent (75%) of the total Board membership, engage a third party to repair and restore the damage and to cure the prohibited discharge, and assess the cost of such work as a charge against the Lot of the offending Owner.

3.5.17 Damage. Any damage to Common Areas, improvements on or to Common Areas, and/or other property or improvements owned by the Association, including without limitation streets, Plat improvements, entry structure, fences, landscaping, mailboxes, lights and lighting standards, by Owners or by Owners' tenants, or by Owners' or Owners' tenants' children, contractors, agents, visitors, friends, relatives service personnel shall be repaired and restored to like new condition by such Owner within ten (10) days from the occurrence of such damage or, if the nature and extent of the damage will reasonably require more time to repair or restore, the work to repair and restore must commence within the ten (10) days and be completed within a reasonable time thereafter. All such repairs and restoration made pursuant to or under this Section shall be at Owner's expense. If Owner does not timely repair within the stated deadline, the Association shall have the right to accomplish the repair, replacement or restoration through and by its own contractors and/or agents, at the expense of Owner who shall reimburse the Association all such costs and expenses within ten (10) days of being invoiced by the Association. If Owner fails to timely pay or reimburse the Association as required, the amounts expended by the Association shall be a lien against Owner's Lot, bearing interest at a rate established by the Board, and requiring payment and allowing enforcement and collection in the same fashion as if it were a lien for delinquent assessments under Article 8, including without limitation the recovery of attorneys' fees by the Association from Owner whether or not litigation is commenced or used to collect such costs.

3.5.18 Window Coverings. No newspapers, bed sheets or other makeshift window coverings shall be visible from the exterior of the Structure.

3.5.19 Woodpiles. No woodpiles shall be located within the front yard setback or otherwise in a location visible from the streets, roadways or neighboring Lots. Owners shall maintain woodpiles in a neat, clean fashion, and will not store or keep old, rotted wood on their Lot so as to induce, breed or harbor noxious insects, rodents or plant disease. Owners shall not cover woodpiles in black or other colors of plastic where it is visible from the street(s) or to neighbors.

3.5.20 Fences. All fences shall conform to the fence detail shown on **Exhibit C** unless otherwise authorized by the Board. Unless otherwise authorized by the Board, no fence,

wall hedge or mass planting over three feet in height, other than foundation planting, shall be permitted to extend nearer to any street than the minimum setback line; however, nothing shall prevent erection of a necessary retaining wall, the top of which does not extend more than two feet above the finished grade at the back of said retaining wall.

3.5.21 Climbing Apparatus or Play Equipment. No climbing apparatus or play equipment shall be, or caused to be, Constructed or placed on any Lot unless it is in the rear yard or screened from street view or the Plans for such have been approved in writing by the Board in its capacity as the Architectural Control Committee in accordance with the provisions of Article 3 of this Declaration. Furthermore, play equipment, including without limitation climbing apparatus and other types of childrens' recreational equipment, over four (4) feet in height, regardless of location, shall not be erected or placed on any Lot without the prior written approval of the Board regarding size, color, noise impact on neighbors, configuration and placement or location on the Lot, because large play equipment can impair or adversely effect the quality of life and enjoyment of the neighborhood by surrounding neighbors and the community as a whole. Other free standing or readily movable play equipment, including without limitation free standing basketball hoops, trampolines and other similar large sized and highly visible free standing play equipment must be stored out of sight of the street and neighbors at night and during seasons when not in use, and may not be placed or used on sidewalks or in the streets of the community.

The Board shall have the power and authority to adopt and implement reasonable rules and regulations from time to time governing or controlling play equipment and its placement, storage and visibility on Lots and the Common Areas not inconsistent with these provisions.

3.5.22 Unsightly Conditions. No unsightly conditions shall be permitted to exist on any Lot. Unsightly conditions shall include without limitation broken or damaged furniture, appliances, plants and/or other household goods or products, non-decorative gear, equipment, cans, bottles, ladders or any other miscellaneous debris or rubbish usually considered as not in keeping with the highest standards of a residential neighborhood when visible from the street or from neighboring Lots.

3.5.23 Slopes. No grading shall be done on the slope of any Lot unless approved in advance by the Architectural Control Committee and such grading is in compliance with any applicable law regulating the grading and or improvement of steep slopes. Owners shall not dump any materials on steep slopes.

ARTICLE 4. CHINA FALLS HOMEOWNERS ASSOCIATION.

Section 4.1 Form of Association. The Owners of Lots within the Property shall constitute the members of China Falls Homeowners Association, a Washington nonprofit corporation to be formed by Declarant. The rights and duties of the members and of the Association shall continue to be governed by the provisions of this Declaration, and the Association's Articles of Incorporation and Bylaws.

Section 4.2 Board of Directors. The affairs of the Association shall be governed by a Board of Directors (the "Board"). The initial Board shall be as described in the Articles of Incorporation of China Falls Homeowners Association and shall serve until the Transition Date. Except, however, so long as Declarant owns any Lot within the Plat, the initial Board shall continue to function in its capacity as the Architectural Control Committee, as more particularly set forth in Article 3. At such time as the last Lot owned by Declarant is sold to a Retail Purchaser, the duties of the Board set forth in Article 3, in its capacity as the Architectural Control Committee, shall be assumed by the Board elected to serve after the Transition Date. After the Transition Date, the Board shall consist of such numbers of members as provided for in the Articles of Incorporation and Bylaws of the Association. Subject to any specific requirements hereof, the Board shall have authority to establish operating rules and procedures. In the event of death or resignation of any member or members of the Board, the remaining member or members, if any, shall have full authority to appoint a successor member or members. Members of the Board shall not be entitled to any compensation for services performed as Directors pursuant to this Declaration. Upon the Transition Date and without further action by any person or persons, (i) the term of the initial Directors or their successors shall end, and (ii) the initial Directors and their then successors shall be released from any and all liability whatsoever for claims arising out of or in connection with this Declaration, excepting only claims arising prior to the Transition Date.

Section 4.3 Qualification for Membership. Each owner of all or a portion of the fee interest in a Lot (including Declarant) shall be a member of the Association. Ownership of a Lot shall be the sole qualification for membership in the Association. Membership shall be appurtenant to and may not be separate from Ownership of any Lot, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated 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 persons constituting the new Owners.

Section 4.4 Voting Rights. The Association shall have two (2) classes of voting membership:

Class A: Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one (1) vote for each Lot owned; provided, that if a Lot has been sold on contract, the contract purchaser shall exercise the rights of an Owner. Except with respect to contract purchasers, when more than one person holds an interest in any Lot, all such persons shall be members.

Class B: Class B members shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership effective on the Transition Date.

Section 4.5 Voting. If a Lot is owned by more than one person and only one of them is present or represented at a meeting, the one who is present or represented will represent the Owner. The vote for a Lot must be cast as a single vote, and fractional votes shall not be allowed. If joint owners are unable to agree among themselves how their vote shall be cast, they shall lose their right to vote on the matter in question. An Owner may, by written notice to the Board, designate a voting representative for the Lot. The designated voting representative need not be an Owner. The designation may be revoked at any time by written notice to the Board from a Person having an ownership interest in a Lot, or by actual notice to the Board of the death or judicially declared incompetence of any Person with an ownership interest in the Lot, except in cases in which the Person designated is a Mortgagee of the Lot. This power of designation and revocation may be exercised by the guardian of an Owner, the attorney-in-fact for the Owner under a durable power of attorney, and the administrator or executor of an Owner's estate. If no designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each Lot shall be the group composed of all of its Owners. Unless otherwise advised in writing by all/multiple owners of a Lot, the casting of a vote or signature of one of the Owners of a Lot on a ballot, proxy, or any other Association related document, may be relied upon by the Association and such vote and/or signature shall legally bind all other Owners of such Lot. Unless otherwise expressly provided in this Declaration, a quorum is present throughout any meeting of the Association if the Owners to which thirty-four percent (34%) of the votes of the Association are allocated are present in person or by proxy at the beginning of the meeting.

Section 4.6 Pledged Votes. An Owner may, but shall not be obligated to, pledge his vote on all issues or on certain specific issues to a Mortgagee; provided, however, that if an Owner is in default under a Mortgage on his Lot for 90 consecutive days or more, the Owner's Mortgagee shall automatically be authorized to declare at any time thereafter that the Owner has pledged his vote to the Mortgagee on all issues arising after such declaration and during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, only the vote of the Mortgagee will be recognized on the issues that are subject to the pledge.

Section 4.7 Annual and Special Meetings. Within one year following recording of the final Plat, on a date selected by the Board, there shall be a meeting of the members of the Association and thereafter there shall be an annual meeting of the members of the Association in the first quarter of each fiscal year at such reasonable place and time as may be designated by written notice from the Board delivered to the Owners not less than 14 nor more than 60 days in advance of the meeting. At the first such meeting after the Transition Date, and at each annual meeting thereafter, the Owners shall elect by majority vote individuals to serve as Directors until a successor is elected at the next annual meeting. Until the Transition Date, the directors appointed by the Declarant shall serve as the Directors. Except as otherwise provided in Section 4.4 of this Declaration, each Lot shall be entitled to one vote for each Director and the voting for Directors shall be non-cumulative. The financial statement for the preceding fiscal year (if any) and the budget the Board has adopted for the pending fiscal year shall be presented at the annual meeting for ratification by the members, as more specifically provided in Section 7.1. Special meetings of the members of the Association may be called at any time upon not less than 14 days prior written notice to all Owners, for the purpose of considering matters which require the approval of all or some of the Owners, or for any other reasonable purpose. Any First Mortgagee of a Lot may attend or designate a representative to attend the meetings of the Association.

Section 4.8 Books and Records. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures (if any) of the Association, in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures, and all contracts, documents, papers, and other records of the Association shall be available for examination by the Owners, Mortgagees, and the agents or attorneys of either of them, during normal business hours and at any other reasonable time or times.

Section 4.9 Transition Date. The "Transition Date" shall be the date control of the Association and its Board passes from the Declarant or Declarant's appointed Board to the Owners of the Association. Prior to the Transition Date, Declarant shall be entitled to exercise all rights and powers of the Board and the Association. At Declarant's option, the Transition Date will be either: (i) the date designated by Declarant in a written notice to the Owners, which date may be by Declarant's election any date after this Declaration has been recorded; or (ii) the 60th day after Declarant has transferred to Retail Purchasers title to all Lots in the Property. For purposes of the foregoing clause (ii) transfer of title to a Lot by Declarant to any Participating Builder shall be disregarded and title to any Lot owned by a Participating Builder shall not be deemed transferred for purposes of determining the Transition Date until the Lot is further transferred by the Participating Builder to a purchaser who is not either a Participating Builder or Declarant.

ARTICLE 5. NOTICES FOR ALL PURPOSES.

All notices given under the provisions of this Declaration or rules or regulations of the Association shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, the notice shall be deemed to have been delivered on the third day of regular mail delivery after a copy has been deposited in the United States mail, first class, postage prepaid, addressed to the Person entitled to such notice at the most recent address known to the Board.. Non-occupant owners must provide their correct mailing address to the Association in writing and if they do not do so, any notice to such non-occupant Owner required hereunder shall be deemed effective if mailed to the Owner at the address of the home he owns in the Association community and to Owner's address as it appears on the King County Tax Records at the time of mailing. Mailing addresses may be changed by notice in writing to the Board. Notices to the Board or the Association may be given to any Director or mailed to the following address:

Board of Directors
China Falls Homeowners Association
PMB #140
6947 Coal Creek Parkway SE
Newcastle, WA 98059-3159

The Board's address may be changed from time to time by the execution and recording of an instrument in the real property Records of King County, Washington which (i) refers to this Declaration and this Article 5 and (ii) sets forth the Board's new address.

ARTICLE 6. AUTHORITY OF THE BOARD.

Section 6.1 Adoption of Rules and Regulations. The Board is empowered to and may adopt, amend, and revoke on behalf of the Association detailed rules and regulations necessary or convenient from time to time, consistent with this Declaration, to promote the comfortable use and enjoyment of the Property, governing the use of the Lots, streets and common area, including the adoption and implementation of a fine schedule in order to encourage compliance and prevent or discourage violations of these covenants or the provisions of other Governing Documents including such Rules & Regulations. The Board may adopt and implement rules and regulations on new topics or subject matter not addressed in this Declaration, however the intention of this section is expressly to also permit the Board to adopt rules and regulations that supplement topics or subject matter already specifically addressed in this Declaration. In other words, the fact a topic or subject matter is already addressed in this Declaration does not prevent or bar the Board from adopting rules on the same topic or subject regarding aspects or factors not specifically addressed or covered in the existing covenant provision. Furthermore, the Board may adopt rules and regulations to govern the operation and procedures of the

Association, including without limitation authorizing voting by proxy or mail, or both, on Association matters. The rules and regulations of the Association shall be binding upon all Owners and occupants and all other Persons claiming any interest in the Property.

Section 6.2 Enforcement of Declaration, Etc. Each Lot Owner shall comply with the provisions of this Declaration, the Articles and Bylaws of the Association, and any Rules and Regulations established by the Board (collectively the "Governing Documents" throughout this Declaration). The Board shall have the power and authority to enforce the provisions of Governing Documents of the Association, all for the benefit of the Association. The failure of any Owner to comply with any of the provisions of the Governing Documents will give rise to a cause of action in the Association (acting through the Board) and any aggrieved Lot Owner for recovery of damages, or injunctive relief, or both. . The Board has the authority to incur and pay for legal and other expenses for the Association in order to undertake enforcement action(s) including without limitation the filing of lawsuits to enforce covenant compliance or collect assessments or to defend against actions commenced by an Owner or others against the Association. Notwithstanding anything to the contrary in this Declaration, the Board shall have the power and authority to impose special assessments on the members in order to pay for the costs and expenses, including attorneys' fees, of any such litigation, without a vote of the members.

If a legal action is brought to interpret or enforce compliance with any of the provisions of the Governing Documents, the prevailing party shall be entitled to judgment against the other party for its reasonable expenses, court costs, and attorneys' fees in the amount awarded by the Court.

Section 6.3 Goods and Services. The Board shall acquire and pay for as common expenses of the Association all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the Association, the application and enforcement of the provisions of its governing documents, and maintenance of all portions of the Common Areas not maintained by public utility companies or a governmental entity and of any planter islands and other landscaping, including street trees, within the public right of way inside the Plat. The goods and services shall include (by way of illustration and not limitation), professional services such as accountants and attorneys services, irrigation systems for landscaping maintenance, utility services for the Common Areas; policies of insurance; and maintenance, repair, landscaping, gardening and general upkeep of the Common Areas. The Board may hire such employees as it considers necessary.

Section 6.4 Maintenance of Storm Water Detention Facilities and Open Space by Declarant. As part of construction of its Plat improvements, including the open space and storm water detention pond and appurtenant facilities on Tracts A, B, D, E, G, H, and I, Declarant has

been required to provide the City of Newcastle with performance and maintenance bonds. Accordingly, Declarant shall be responsible for maintenance of Tracts A, B, D, E, G, H, and I, including but not limited to all open space, park, trail, wetlands and storm water detention facilities thereon, and shall have control over such maintenance until such time as its bonds are released, which is anticipated to be after the Transition Date. The costs incurred by Declarant in maintenance of Tracts A, B, D, E, G, H, and I shall be included in the annual budget and paid for from annual assessments. Unless such maintenance responsibilities are accepted and performed by a public agency, the Association and the Board shall assume such maintenance responsibilities upon receipt of notice from Declarant that its bonds have been released.

Section 6.5 Protection of Common Areas. The Board may spend such funds and take such action as it may from time to time deem necessary to preserve the Common Areas, settle claims, or otherwise act in what it considers to be the best interests of the Association

ARTICLE 7. BUDGET AND ASSESSMENT FOR COMMON EXPENSES.

Section 7.1 Fiscal Year; Preparation of Budget. The Board may adopt such fiscal year for the Association as it deems to be convenient. Unless another year is adopted, the fiscal year will be the calendar year. As soon as the Board in its discretion deems advisable after formation of the Association, and prior to the expiration of each fiscal year thereafter, the Board shall establish a budget for the Association, which shall include, without limitation, the costs of maintaining the Common Area during the ensuing fiscal year, and shall mail a summary of the budget to all of the Owners. Within thirty days after adoption by the Board, the Board shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen or more than sixty days after mailing of the summary. Unless at that meeting the Owners of a majority of the votes in the Association or any larger percentage specified in the Articles or Bylaws reject the budget, in person or by proxy, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board. The Board shall then assess each Lot within the Property with its pro rata share, based upon the number of Lots then within the Property, of such estimated costs. The assessments levied by the Board shall be used exclusively to promote the recreation, health, safety and welfare of the Lot Owners and for the improvement and maintenance of the Common Areas and provision of other goods and services described in Section 6.3, including without limitation the amount of all taxes and assessments levied against, and the cost of liability and other insurance on, the Common Areas; the cost of utilities and other services; and the cost of funding all reserves established by the Board, including, when appropriate, a general operating reserve and a reserve for replacements.

Section 7.2 Certificate of Unpaid Assessments. Any failure by the Board or the Association to make the budget and assessments hereunder before the expiration of any fiscal year for the ensuing fiscal year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owners from the obligation to pay assessments during that or any subsequent year, and the assessment amount and payment method established for the preceding fiscal year (if any) shall continue until a new assessment is established. Upon the request of any Owner or Mortgagee or prospective Owner or prospective Mortgagee of a Lot, the Board will furnish a statement of the amount, if any, of unpaid assessments charged to the Lot. The statement shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the statement in favor of all purchasers and Mortgagees of the Lot who rely on the statement in good faith. All assessments and other receipts received by the Association shall belong to the Association.

Section 7.3 Initial Contribution, Annual Assessments. The first Retail Purchaser of each Lot, at the time of purchase of his/her Lot, shall make a start-up contribution to the Association in the amount of \$300 (which shall supplement annual assessments to reimburse Declarant for construction, landscaping, maintenance and operating expenditures of and for Common Areas during the house sales period). The initial annual assessment (which is in addition to the start-up fee) shall be \$254 per year and shall be prorated for any partial year at the time of purchase of the Lot. The annual assessments, unlike the start-up fee, shall be payable by Participating Builders as well as the other Lot Owners. Notwithstanding the provisions set forth above, the Declarant shall not be liable for any fees or assessments assessed or due so long as Declarant owns any Lot within the Plat and is not a resident of any Structure constructed on such Lot.

Section 7.4 Special Assessments; Capital Improvements. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any Construction, reconstruction, repair or replacement of any Structures or other improvements upon the Common Area or any other area owned or required to be maintained by the Association, provided that such assessment shall be approved by a majority of the members voting at a meeting duly called for such purpose; provided, however, the Board may approve and implement Special Assessments in the following limited situations by a majority vote of the members of the Board and without vote of the members:

7.4.1 Amount of Special Assessment. If the amount of the estimated Special Assessment for any Construction, reconstruction, repair or replacement determined under this Section does not exceed \$5,000.

7.4.2 Required Acts. If the amount of the Special Assessment is a result of or arises from the imposition of governmental requirements, a court order or any other requirements outside the control of the Association or the Board.

ARTICLE 8. LIEN AND COLLECTION OF ASSESSMENTS.

Section 8.1 Assessments Are a Lien; Priority. All unpaid sums assessed by the Association for the share of the common expenses chargeable to any Lot and any sums specially assessed to any Lot under the authority of this Declaration shall constitute a lien on the Lot and all its appurtenances from the date the assessment becomes due and until fully paid. The lien for such unpaid assessments shall be subordinate to tax liens on the Lot in favor of any assessing unit and/or special district, and to all sums unpaid on all First Mortgages of record, but, to the extent permitted by applicable law, shall have priority over all other liens against the Lot. A First Mortgagee that obtains possession through a Mortgage foreclosure or deed of trust sale, or by taking a deed in lieu of foreclosure or sale, or a purchaser at a foreclosure sale, shall take the Lot free of any claims for the share of common expenses or assessments by the Association chargeable to the Lot which became due before such possession, but will be liable for the common expenses and assessments that accrue after the taking of possession. The Lot's past-due share of common expenses or assessments shall become new common expenses chargeable to all of the Lot Owners, including the Mortgagee or foreclosure sale purchaser and their successors and assigns, in proportion to the number of Lots owned by each of them. Notwithstanding any of the foregoing, however, the Owner and the real estate contract purchaser shall continue to be personally liable for past due assessments as provided in Section 8.3. For purposes of this Section, "Mortgage" does not include a real estate contract and "Mortgagee" does not include the vendor or the assignee or designee of a vendor of a real estate contract.

Section 8.2 Lien May Be Foreclosed. The lien for delinquent assessments may be foreclosed by suit by the Board, acting on behalf of the Association, in like manner as the foreclosure of a mortgage of real property. The Board, acting on behalf of the Association, shall have the power to bid in the Lot at the foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same.

Section 8.3 Assessments are Personal Obligations. In addition to constituting a lien on the Lot, all sums assessed by the Association chargeable to any Lot together with interest, late charges, fines, costs and attorneys' fees in the event of delinquency, shall be the joint and several personal obligations of the Owner and any contract purchaser of the Lot when the assessment is made and their grantees. Suit to recover personal judgment for any delinquent assessments shall be maintainable without foreclosing or waiving the liens securing them.

Section 8.4 Late Charges, Interest on Delinquent Assessments and Fines. The Board may from time to time establish late charges and a rate of interest to be charged on assessments and fines delinquent for a period of more than 10 days after the date when due. In the absence of another established, non-usurious rate, delinquent assessments shall bear interest at the rate of 12% per annum. If an installment on an assessment against a Lot is not paid when due, the Board may elect to declare the entire assessments against the Lot for the remainder of the fiscal year to be immediately due and payable.

Section 8.5 Remedies Cumulative. The remedies provided herein are cumulative and the Board may pursue them, and any other remedies which may be available under law although not expressed herein, either concurrently or in any order.

Section 8.6 No Avoidance of Assessments. No Owner may avoid or escape liability for assessments provided for herein by abandoning his or her Lot.

Section 8.7 Effect of Non-payment of Assessments and Charges. If any assessment is not paid within ten (10) days after it was first due and payable, the assessment shall bear interest from the date on which it was due at a rate determined by the Board, the Association may bring an action at law against the one personally obligated to pay the same and/or foreclose the lien against the property, and interest, fines, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessment and all such sums shall be included in any judgment or decree entered in such suit and shall be a continuing lien against the property until paid. No owner or contract purchaser shall be relieved of liability for the assessments provided for herein by non-use of the common properties or abandonment of his lot. The Association shall be entitled to recover all attorneys' fees actually incurred in pursuing the collection of delinquent assessments whether or not a lawsuit is necessary or commenced.

Section 8.8 Homestead Waiver. Each Owner is deemed to have completely waived, to the extent of any delinquent assessments, late charges, interest, and collection costs thereon (including attorneys' fees) and for any lien(s) thereon, the benefit of any homestead or exemption laws in effect at the time any assessment becomes delinquent or any lien is imposed pursuant to the terms of this Declaration.

Section 8.9 Billing and Collecting Procedures. The Board shall have the right to adopt rules and regulations setting forth procedures for the purposes of making Assessments and for the billing and collection of the Assessments provided that the procedures are not inconsistent with the provisions of this Declaration. The Board, at its election, may require the Lot Owners to pay the amount assessed in equal monthly or quarterly installments, or by an annual installment, or on such other periodic basis as selected by the Board. The Board shall notify each Lot Owner in writing at least ten days in advance of each assessment period of the amount of the assessment

for said period along with a copy of the budget upon which the assessment is based. However, the failure of the Association to send a written bill or invoice to any Owner shall not relieve any Owner of such Owner's liability for any Assessment or other charge under this Declaration.

ARTICLE 9. FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE NO WAIVER.

The failure of the Board in any instance to insist upon the strict compliance with this Declaration, the Articles of Incorporation, the Bylaws, or rules and regulations of the Association, or to exercise any right contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of any term, covenant, condition, or restriction. The receipt by the Board of payment of any assessment from an Owner, with knowledge of any breach by the Owner, shall not be a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed for by a director or authorized agent of the Board.

ARTICLE 10. LIMITATION OF LIABILITY.

So long as a Director, officer, committee member, Association Owner, and any other who, at request of the Board, or an officer, are working on behalf of or assisting the Board or the Association at the time of the matter, event or incident giving rise to an issue of potential liability, and has acted in good faith, without willful or intentional misconduct, upon the basis of such actual information as is then possessed by such Person, then no such Person shall be personally liable to any Owner, or to any other Person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of such Person; provided that this Article shall not apply to the extent the liability of such person for such act, omission, error, or negligence is covered by any insurance actually obtained by the Board.

ARTICLE 11. INDEMNIFICATION.

Each Director, officer, committee member and Owner who, at request of the Board, or an officer, are working on behalf of or assisting the Association at the time of the matter, event or incident giving rise to the issue of indemnification, including the Declarant, 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 such person may be a party, or in which such person may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not such person holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are

covered by insurance actually obtained by the Board and except in such cases wherein such person is adjudged guilty of gross negligence or willful misfeasance in the performance of his or her duties.

ARTICLE 12. INSURANCE.

At such times as the Board deems appropriate, the Board shall cause the Association to purchase and maintain as a common expense a policy or policies which the Board deems necessary or desirable to provide casualty insurance; comprehensive liability insurance; with such deductible provisions as the Board deems advisable; insurance, if available, for the protection of the Association's Directors, and representatives from personal liability in the management of the Association's affairs; and such other insurance as the Board deems advisable. The Board shall review the adequacy of the Association's insurance coverage at least annually.

ARTICLE 13. DAMAGE AND REPAIR OF DAMAGE TO PROPERTY.

In the event of any casualty, loss or other damage to the Common Area for which the then current assessments of the Association are insufficient to repair, or restore or for which there are not insurance proceeds or insufficient insurance proceeds available to the Board for such restoration or repair, the Board may make a special assessment against each Lot within the Property for its pro rata share, based upon the number of Lots then within the Property, of the cost and expenses to repair and/or restore the Common Areas, without a vote by the Owners (notwithstanding anything to the contrary in Section 7.4). The special assessment shall be payable, at the determination of the Board, in either monthly or quarterly installments, or at such periodic times as determined by the Board, or in a single lump sum amount. The Board shall notify each Lot Owner of any such special assessment not less than 20 days prior to the date such special assessment or the first installment thereon is due and payable, which notice shall be accompanied by a reasonably detailed statement of the Board's estimated costs and expenses of repairing and/or restoring the Common Areas.

ARTICLE 14. AMENDMENTS OF DECLARATION, ARTICLES OR BYLAWS.

Section 14.1 Proposed Amendment. After the Transition Date, any Lot Owner may propose amendments to this Declaration, the Articles, or the Bylaws to the Board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by Owners of 20% or more of the Lots, then, irrespective of whether the Board concurs in the proposed amendment, it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include or have appended to it the text of the proposed

amendment. Amendments proposed by the Board may be adopted at a meeting of the Association Owners or by written consent of the requisite number of Owners entitled to vote, after notice has been given to all Owners entitled to receive notice of a meeting of the Association. The unanimous consent of all Owners shall be required for adoption of an amendment changing the voting power or portion of assessments appurtenant to each Lot. All other amendments shall be adopted pursuant to the provisions below.

Section 14.2 Amendments to the Declaration. The Declaration may be amended if at least 67% of all Lot Owners approve the proposed amendment. Once an amendment has been adopted by the Association, the amendment will become effective when: (i) the amendment, in suitable form executed either by all members of the Board or by the President of the Association, has been recorded in the real property Records of King County, Washington, and (ii) the members of the Association have been given or sent notice of the amendment, which notice shall include a copy of the amendment.

Section 14.3 Amendments to the Bylaws. The Bylaws may be amended if approved by a majority vote of the Owners present at a meeting at which a quorum is present or established, in person or by proxy, or by a sixty seven percent (67%) vote of the Board of Directors. Once an amendment has been adopted by the Association Owners or the Board, the amendment will become effective when: (i) the amendment document in suitable form has been executed by either all members of the Board of Directors or by the President of the Association, and has been filed in the records of the Association with respect to an amendment of the Bylaws; and (ii) the Owners of the Association have been given or sent notice of the amendment, which notice shall include a copy of the amendment.

Section 14.4 Statute of Limitations. Any challenge to an amendment to this Declaration, or the Bylaws for the reason that the amendment was not adopted by the required number of Owners or was not adopted in accordance with the procedures set forth in this Declaration must be made within one (1) year after the date of its Recording or the date of the notice of the amendment being sent to Owners, whichever is later.

ARTICLE 15. ANNEXATION AND SUBDIVISION.

Residential property, including Common Areas, may be annexed or added to the Property by Declarant at any time prior to the Transition Date. Thereafter, residential property other than Common Areas may be annexed or added to the Property only with the consent of 67% of the Lot Owners; provided, however, that Lot 38 (as it may be subdivided in the future) may be added to the Property by Declarant at any time by the recording of an amendment of

Exhibit A of this Declaration in the records of the Auditor of King County with a copy of such recorded amendment delivered to the Board. No Lot, except for Lot 38 as provided in Article 18, shall be subdivided or combined without the approval of all Lot Owners.

ARTICLE 16. DURATION.

The covenants, conditions, and restrictions of this Declaration shall run with and bind the Property and shall inure to the benefit of and be enforceable by the Owners, their respective legal representatives, heirs, successors, and assigns, for a period of 15 years from the date this Declaration is recorded, after which time the covenants, conditions and restrictions shall be automatically extended for successive periods of 10 years each unless an instrument signed by at least eighty percent (80%) of the then Owners has been recorded agreeing to terminate the covenants, conditions and restrictions.

ARTICLE 17. RESERVATION OF DECLARANT'S RIGHT TO AMEND.

Section 17.1 Amendment by Declarant. Declarant reserves the right to amend the Declaration as may be necessary to comply with Federal Home Loan Mortgage Corporation ("FMC") or Federal National Mortgage Association ("FNMA") or Federal Housing Administration ("FHA") regulations or requirements as necessary to enable the holders of first mortgages or deeds of trust to sell first mortgages or deeds of trust to FHLMC or FNMA or if such amendment is necessary to secure funds or financing provided by, through or in conjunction with FHLMC or FNMA or FHA or, if such amendment is necessary, in Declarant's sole opinion, for the efficient functioning of the Association, the Property, or the Plat, or to add to the Property under Article 15.

Section 17.2 Authorization to Amend. If Declarant, at its option, determines that it is necessary so to amend the Declaration, then Declarant before its rights terminate under 17.3 below, on behalf of all Lot Owners in the Association, is hereby authorized to execute and to have recorded (or filed, in the case of the Articles) said required amendment or amendments. All Lot Owners hereby grant to Declarant a full and complete power of attorney to take any and all actions necessary to effectuate and record said amendment or amendments and agree that said amendment or amendments shall be binding upon their respective Lots and upon them and their heirs, personal representatives, successors and assigns to the same extent as if they had personally executed said amendment or amendments. All Lot Owners hereby acknowledge and agree that the power of attorney granted herein shall be deemed coupled with an interest and shall be irrevocable.

Section 17.3 Duration. Declarant's rights under this Article 17 shall exist until the last Lot owned by Declarant is sold to a Retail Purchaser, and, if later, with respect to the addition of

Lot 38 (as it may be subdivided in the future) to the Property until Declarant no longer has any interest in Lot 38 or any portion of Lot 38, or until Declarant in writing voluntarily transfers control of the Association to the Owners and the Owners accept such transfer, whichever occurs first.

ARTICLE 18 LOT 38.

Section 18.1 Development of Lot 38. Declarant intends to subdivide and develop, or sell for development, Lot 38. Access to and from Lot 38, and each and every portion of Lot 38 as it may be subdivided in the future, may be from and over the streets within the Association community, and Lot 38 or its subdivided parts may share the Common Areas, utilities and drainage easements, drainage facilities, entryways, and all other common amenities of the Plat as set forth on the Plat and in this Declaration, and if such access or sharing is used for Lot 38 or any subdivision portion(s) thereof, Section 18.3 shall apply.

Section 18.2 Waiver of Right to Object to Development of Lot 38. Whether or not Lot 38 is part of the Property subject to this Declaration, each and every Owner, by accepting title to any Lot, shall waive any right they may have, based on their ownership of a Lot or Lots, to object to the subdivision and development of Lot 38 or any aspect of such subdivision and development including but not limited to density, building specifications, drainage, traffic impacts and mitigation.

Section 18.3 Addition of Lot 38 to Property. Lot 38 and any and all future subdivided lots of Lot 38 which use any of the streets or property of the plat or Association community for access, shall be fully subject to and shall be bound by all the terms of this Declaration and the other Governing Documents of the Association.

Notwithstanding any of the other terms of this Article 18, Declarant shall not be liable for or required to pay any fees or assessments assessed or due so long as Declarant owns Lot 38 (or future subdivided lots of Lot 38).

ARTICLE 19. SEVERABILITY.

The provisions of this Declaration shall be independent and severable, and the unenforceability of any one provision shall not affect the enforceability of any other provision, if the remainder affects the common plan.

ARTICLE 20. EFFECTIVE DATE.

This Declaration shall be effective upon recording.

Exhibit A
Legal Description of the Property

All of the Real Property within the Plat of China Falls, as per Plat recorded in Volume 195 of Plats, Pages 23 through 29, Records of King County; including Lot 38.

Exhibit B
Driveway Pillar Detail
(not to scale)

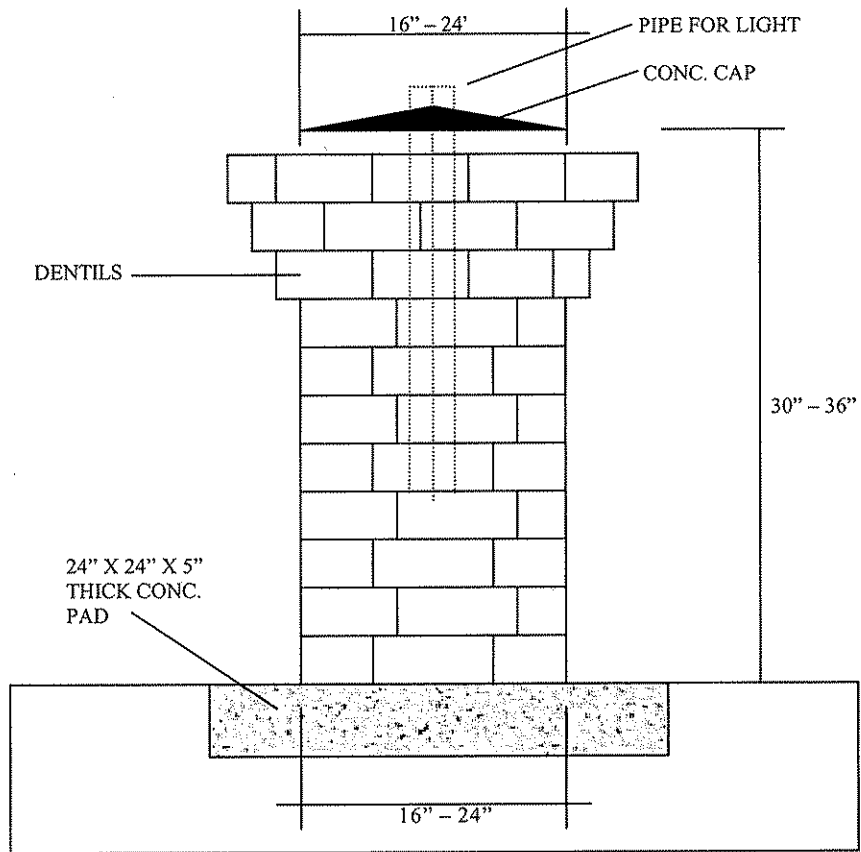


Exhibit C
Fence Detail
(not to scale)

