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Return To:
Mr. Curt Smelser, Esq.
Williams Kastner & Gibbs LLP
601 Union Street, Suite 4100
Seattle, Wasington 98101

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**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND
EASEMENTS FOR GOLD CREEK SECTOR 2A AT SNOHOMISH CASCADE**

Grantor: 1. Sector 2A Division I Partners, L.P., a Washington Limited Partnership.

Grantee: 1. Plat of Snohomish Cascade Sector 2A - Phase I
2. Plat of Snohomish Cascade Sector 2A - Phase II

Legal Description:

1. Sec. 2, Township 27, Range 5, PROP Plat of Snohomish Cascade Sector 2A Phase I.
2. Sec. 2, Township 27, Range 5, PROP Plat of Snohomish Cascade Sector 2A Phase II.
3. Additional legal description is in Exhibit A of document.

Tax Parcel Nos:

1. No. 022705 - 2 - 007 - 0001
2. No. 022705 - 2 - 003 - 0005

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List of Exhibits

- Exhibit A Legal Description of Gold Creek Sector 2A - Phase I and Phase II
- Exhibit B Gold Creek Sector 2A Final Plat Maps - (to be provided by Amendment upon recording of final plat)
- Exhibit C Legal Description of Adjacent Property - Gold Creek Sector 2A Phase III

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, AND
EASEMENTS FOR
GOLD CREEK SECTOR 2A AT SNOHOMISH CASCADE

THIS DECLARATION is made on this ____ day of July, 1997, by Donald H. Leavitt, President of Sector 2A Division I, Inc., the general partner of Sector 2A Division I Partners, L.P., a Washington Limited Partnership ("Declarant"), which is the owner of certain real property situated in the State of Washington, located in Snohomish County and known as a portion of Gold Creek Sector 2A at Snohomish Cascade Plat, which property is more specifically described in Exhibit A attached hereto and incorporated herein by reference ("Gold Creek 2A").

DESCRIPTION OF DECLARATION

Declarant desires to develop the Gold Creek 2A Plat as a residential community. Declarant also desires to create common areas and facilities for the benefit of Gold Creek 2A to provide for the preservation of the natural values in the Gold Creek 2A Plat.

Declarant desires to subject the property described in Exhibit A and as shown on Exhibit B to this Declaration and to each of the covenants, conditions, restrictions and easements set forth herein.

This Declaration establishes a plan for the private ownership of lots and the buildings constructed thereon, for the dedication of certain areas to municipal corporations and Snohomish County, and all the remaining land and related easements, hereafter defined and referred to as the Common Areas. The authority to manage the Gold Creek Sector 2A Plat, its individual Lots and Common Areas, shall reside in the Declarant, until such authority is delegated by Declarant to the Gold Creek Sector 2A of Snohomish Cascade Association ("Association") as set forth in this Declaration. The Association shall be created by Declarant for the purpose of maintaining and administering the Common Areas, administering and enforcing these covenants, conditions, and restrictions, and collecting and disbursing the assessments and charges hereinafter created. During the Development Period, as that term is herein defined, the Declarant shall be the sole Member of the Association. At the termination of the Development Period, all the Owners shall immediately become Members of the Association. During the Development Period no Owner, other than the Declarant if the Declarant is an Owner, shall be entitled in any way to either be a Member of the Association or to have any right respecting the governance or decision-making of the Association.

This Declaration contemplates a plan for the development of Gold Creek 2A and certain real property adjacent thereto identified in Exhibit C (the "Adjacent Property"). Accordingly, the Declarant may, from time to time during the Development Period, on Declarant's sole signature and without the need for any action by the Association or the owners of land subject to this Declaration, subject the Adjacent Property or any portion thereof to this Declaration, with the consent of the owner of the Adjacent Property, by an appropriate recording. However, nothing herein requires the Declarant to add any of the Adjacent Property to Gold Creek 2A or otherwise subject any or all of the Adjacent Property to this Declaration.

NOW, THEREFORE, Declarant hereby covenants, agrees, and declares that all of Gold Creek 2A, as defined herein and described in Exhibit A hereto, and all improvements now existing or hereafter constructed thereon are, and will be, held, sold, and conveyed subject to and burdened by the following covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of Gold Creek 2A for the benefit of the Owners thereof, their heirs, successors, grantees, and assigns. All provisions of this Declaration shall be binding upon all parties having or acquiring any right, title, or interest in Gold Creek 2A or any part thereof, and shall inure to the benefit of the Owners thereof and to the benefit of the Association and are intended to be and shall in all respects be regarded as covenants running with the land.

ARTICLE 1

DEFINITIONS

Section 1.1. "Adjacent Property" shall mean and refer to any or all of that certain real property which is legally described on Exhibit C attached hereto.

Section 1.2. "Architectural Control Committee" shall mean and refer to the duly appointed Committee of the Association as further described in Section 3.7 and as sometimes referred to herein as the "Committee."

Section 1.3. The term "assessment" shall mean and refer to Owner Assessments, special assessments, and all other monies due, owing, and collected by the Association for its operation and the maintenance of the Common Areas, as more fully described in Article 4.

Section 1.4. "Association" shall mean and refer to the Gold Creek 2A at Snohomish Cascade Association, a Washington nonprofit corporation, its successors and assigns.

Section 1.5. "Association Action" shall mean and refer to a written corporate action of the Association in the form of either a bylaw or resolution duly passed by either the Board or the Members.

Section 1.6. "Basics" shall mean and refer to all previously approved plans which have been submitted to the Architectural Control Committee.

Section 1.7. "Board" shall mean and refer to the board of directors of the Association.

Section 1.8. "Building Setback Line" shall mean and refer to the various lines designed as "BSBL" on the face of the final plat, short plat, or other analogous recorded plan or map, or the building setback lines required by law if stricter, beyond which no structures, filling, grading or other obstructions are permitted as set forth in Section 6.2 hereof.

Section 1.9. The term "charge(s)" as used herein shall mean and refer to all Noncompliance Charges and other charges and fees levied by the Association as more fully described in Article 6.

Section 1.10. "Common Areas" shall mean and refer to all easements and Tracts and any improvements thereto that are owned by the Association for the benefit of all the Owners and subjected to this Declaration by an appropriate recording, or reserved for use by the Association and the Owners on the face of the recorded final plat of Gold Creek 2A. The Common Areas of Gold Creek 2A shall be as listed in Exhibit B which exhibit shall consist of the final recorded plat map for the Property. Upon recording of the final plat for the Property, the Declarant shall attach Exhibit B hereto by appropriate recorded Amendment to this Declaration. In addition to the Common Areas listed in Exhibit B, the Declarant may add to the Common Areas without the need of approval from the Association or Owners during the Development Period by a deed, easements, or other conveyance to the Association for such purpose, or by recording a Supplementary Declaration, or other Amendment to this Declaration.

Section 1.11. "Contract" shall mean and refer to a real estate contract as defined in R.C.W. § 61.30.010(1).

Section 1.12. "Declarant" shall mean and refer to Sector 2A Division I Partners, L.P., its successors and assigns, if such successors or assigns should acquire all or substantially all of

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the then undeveloped portions of the Gold Creek 2A Plat from Declarant for the purpose of development (excluding Participating Builders).

Section 1.13. "Declaration" shall mean and refer to this instrument, as the same may be supplemented or amended from time to time.

Section 1.14. "Development Period" shall mean and refer to that period of time beginning on the date of this Declaration and ending whenever any of the following first occurs: (i) ten (10) years from the date hereof; (ii) one (1) year after completion of construction of all single family dwellings and the sale of said dwellings to the initial Owner/occupant on all of the building sites within Gold Creek 2A, including, without limitation, any building sites within any Adjacent Property added to Gold Creek 2A in accordance with the provisions of this Declaration subsequent to the date this Declaration is recorded; or (iii) upon receipt of written notice from Declarant to the Association in which Declarant elects to terminate the Development Period.

Section 1.15. "Gold Creek 2A" or the "Property" shall mean and refer to that certain real property which is legally described on Exhibit A attached hereto, and any or all of the Adjacent Property if hereafter brought within the terms and conditions hereof by an appropriate recording in accordance with Article 10.

Section 1.16. "Governing Documents" shall mean and refer to this Declaration, Supplementary Declarations, the Articles of Incorporation and Bylaws of the Association, rules and regulations of the Association, if any, and rules and procedures of the Architectural Control Committee as any of the foregoing may be amended from time to time.

Section 1.17. "Lot" shall mean and refer to any legally segmented and alienable portion of Gold Creek 2A created through subdivision or any other legal process for dividing land and subjected to this Declaration by an appropriate recording, with the exception of dedicated rights of way, Common Areas and/or Tracts.

Section 1.18. "Members" shall mean and refer to a member or members of the Association; which, during the Development Period, shall consist of the Declarant as the sole member of the Association, and upon the termination of the Development Period shall then consist of only and all the Owners.

Section 1.19. "Mortgage" shall mean and refer to any recorded mortgage or deed of trust encumbering one or more of the Lots. "First Mortgage" shall mean and refer to a Mortgage with priority over all other Mortgages. "Mortgagee" shall mean and

refer to the holder or beneficiary of a Mortgage, and "First Mortgagee" shall mean and refer to the holder or beneficiary of a First Mortgage.

Section 1.20. "Noncompliance Charge(s)" shall mean and refer to those charges and fees levied by the Association against any Owner for noncompliance with any of the rules, regulations, or guidelines as more fully set forth in Article 6.

Section 1.21. "Owner" shall mean and refer to the recorded Owner (whether one or more persons or entities) of fee simple title to any Lot, including the Declarant, Contract sellers, and Participating Builders, but excluding Mortgagees or other persons or entities having such interest merely as security for the performance of any obligation; provided that, purchasers or assignees under Contracts shall be deemed Owners as against their respective sellers or assignors. Where the chain of title to a Lot involves a holder of fee simple title and more than one Contract purchaser, the last Contract purchaser in such chain of title, i.e., the one who is not also a Contract seller, shall be considered the "Owner" for purposes of this Declaration.

Section 1.22. "Owner Assessment(s)" shall mean, during the Development Period, the assessment of each Lot determined necessary by the Association to manage and provide for the maintenance of Gold Creek 2A and its Common Areas, and, after the termination of the Development Period, shall mean the homeowner association dues assessed annually or more frequently against each Owner by the Association, as more fully described below in Article 4.

Section 1.23. "Participating Builder" shall mean and refer to a person or entity that acquires a portion of the Gold Creek 2A Plat for the purpose of improving such portion for immediate resale to individual Owners.

Section 1.24. "Single Family" shall mean and refer to a single housekeeping unit which includes not more than four (4) adults who are legally unrelated.

Section 1.25. "Supplementary Declaration" shall mean and refer to any recorded declaration of covenants, conditions, restrictions and easements which subjects all or part of the Adjacent Property to the terms and conditions of this Declaration or otherwise amends or modifies any term or condition of this Declaration.

Section 1.26. "Tract" shall mean and refer to any land subjected to this Declaration by an appropriate recording, with the exception of Lots and dedicated rights of way.

ARTICLE 2

DECLARANT

Section 2.1. Declarant's Reservation of Powers Pursuant to These Covenants. In addition to the powers expressly granted to Declarant hereunder, the Declarant has the authority under this Declaration and hereby reserves to itself during the Development Period all of the powers and rights granted by this Declaration to the Association, for the purpose of administering and enforcing any and all provisions hereof, until such time as the Declarant shall delegate the same to the Association in accordance with the provisions of Section 2.2 hereof. Without limitation, during the Development Period the Declarant shall: (1) establish and operate the Association as a nonprofit corporation for the purposes set forth in its Articles of Incorporation and this Declaration; (2) manage the Association as its sole Member with all the rights and powers granted to the Association in the Governing Documents; and (3) exercise in Declarant's discretion those additional powers which are specifically granted to the Declarant by this Declaration, which powers include, but are not limited to, the right to dedicate, transfer and convey all or any part of the Common Areas and utilities thereon to Snohomish County or to a park department thereof, the right to subject the Adjacent Property or any portion thereof to this Declaration, and the right to amend any of the Governing Documents.

Section 2.2. Delegation to Association. During the Development Period, and following the recording of the Declaration and formation of the Association, the Declarant shall delegate, convey or otherwise assign to the Association the Declarant's interest in the Common Areas within Gold Creek 2A. The conveyance of Common Areas by Declarant to the Association shall also be deemed a delegation by Declarant to the Association of all powers and obligations of the Declarant under this Declaration to manage and administer such Common Areas together with the authority to administer and enforce this Declaration, and to collect and disburse the assessments and charges hereinafter created. The Declarant's interest, powers and obligations as such shall thereupon vest in the Association without the necessity of any acceptance thereof by the Association. The liability of Declarant under this Declaration with respect to any property, powers or obligation shall cease upon the conveyance, delegation or other assignment thereof to the Association. During the Development Period, the time and manner of such delegation, conveyance or other assignment shall be solely within the discretion of the Declarant; provided, however, that Declarant shall complete the delegation, conveyance or other assignment of all of its interest in the Common Areas within Gold Creek 2A and all of Declarant's powers and obligations under this Declaration at the termination of the Development Period.

Section 2.3. Declarant's Right to Reclaim Power Delegated to Association. During the Development Period, the Declarant shall have the authority, in its sole discretion, to revoke and reclaim any and all of the powers delegated and granted to the Association under the Declaration. The Declarant may revoke its conveyance or assignment of the obligations as described herein by giving written notice to the Association and to the Owners of such revocation. In the case of such reconveyance to the Declarant, all funds being held by the Association for maintenance, taxes, insurance, etc. (including any reserves) shall be immediately transferred to an account specified by Declarant. In such event, or if Declarant conveys all powers and obligations hereunder to the Association except the obligation to maintain the Common Areas, then, at Declarant's request, the Association shall establish an account on which Declarant has signing authority and into which all assessments collected by the Association thereafter for maintenance of the Common Areas shall be deposited, promptly after such collection by the Association.

ARTICLE 3

ASSOCIATION

Section 3.1. Description and Nature of Association. Declarant shall form the Association contemporaneous with the recording of this Declaration. The Association shall be a nonprofit corporation organized and existing under the Laws of the State of Washington charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents, as they may be amended from time to time; provided, however, that no Governing Documents other than this Declaration shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. During the Development Period, Declarant shall be the sole Member of the Association, and no Owner, other than Declarant if it is an Owner, shall have any right to membership in the Association nor shall such Owner have any right respecting the governance or decision-making of the Association. Accordingly, during the Development Period, the Association shall not be deemed a "Homeowners Association" for purposes of RCW 64.38 et seq. However, upon the termination of the Development Period as provided herein, all Owners shall become Members of the Association as set forth in Section 3.3 below and it is the intent of this Declaration that the Association shall at that time become a "Homeowners Association" for purposes of RCW 64.38 et seq. The Articles of Incorporation of the Association shall provide for its perpetual existence, but in the event the Association is at any time dissolved, whether inadvertently or deliberately, it shall automatically be succeeded by an unincorporated association of the same name. In that event, all of the property, powers and obligations of the Association existing

immediately prior to its dissolution shall thereupon automatically vest in the successor unincorporated association, and such vesting shall thereafter be confirmed and evidenced by appropriate conveyances and assignments by the Association pursuant to and in accordance with the Washington State Nonprofit Corporation Act, RCW Chapter 24.03 et seq. To the greatest extent possible, any successor unincorporated association shall be governed by the Articles of Incorporation and Bylaws of the Association as if they had been made to constitute the governing documents of the unincorporated association.

Section 3.2. Association Board. During the Development Period, the Declarant, or Declarant's designee, shall be the sole director and Board member of the Association, and shall have all the powers of the Board set forth herein and in the Articles of Incorporation. At the termination of the Development Period, the Declarant shall select a temporary Board of Directors of the Association consisting of not fewer than three (3) persons, who need not be Owners, to manage the Association. The temporary Board shall have the full authority to manage the Association under the Governing Documents and shall be subject to all provisions of the Governing Documents. The terms of the temporary board selected by the Declarant shall be for one (1) year, after which the Board shall be elected from among the Owners, as provided in the Bylaws of the Association. The Board shall elect officers of the Association from among the Board members, which shall include a President who shall preside over meetings of the Board and meetings of the Association.

Section 3.3. Membership. During the Development Period, the Declarant shall be the sole Member of the Association as provided in Section 3.1 above. Upon the date of termination of the Development Period, every Owner, including the Declarant if an Owner, and only Owners, shall be a Member of the Association; provided, however, that if any Lot is held jointly by two (2) or more persons, the several Owners of such interest shall designate one of their number as the "Member." The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Following termination of the Development Period, membership in the Association shall be appurtenant to and may not be separated from fee simple title to, or a Contract purchaser's interest in, any Lot, and upon transfer of the Owner's fee simple title to, or upon the execution and delivery of documents constituting a Contract sale of, any Lot, the membership and certificate of membership in the Association shall ipso facto transfer to the grantee, Contract purchaser, or new Contract purchaser, as the case may be. Following the termination of the Development Period, ownership of fee simple title to, or a Contract purchaser's interest in, any such Lot or Lots shall be the sole qualification for membership in the Association.

Section 3.4. Number of Votes. During the Development Period the Declarant shall be the only Member of the Association and the only person or entity entitled to vote on Association matters. Following termination of the Development Period, each Member shall have one (1) vote on all matters submitted to the membership of the Association for each Lot owned by him within Gold Creek 2A, other than the Declarant, who shall have four (4) votes for each Lot owned.

Section 3.5. Owner's Compliance with Governing Documents. By acceptance of a deed to a Lot, recording of a Contract conveying possession to a Lot, or any other means of acquisition of an ownership interest in a Lot, the Owner thereof covenants and agrees, on behalf of, himself and his heirs, successors, and assigns, to observe and comply with all terms of the Governing Documents and all rules and regulations duly promulgated pursuant to this Declaration and/or Association Action.

Section 3.6. Bylaws, Rules and Regulations. The Board, on behalf of the Association, shall have the power to adopt, modify, and amend rules and regulations governing Gold Creek 2A. The rules and regulations shall apply uniformly to all Owners, except as specifically provided herein. The Board shall have the power to enforce the rules and regulations on behalf of the Association and may prescribe penalties for the violation of such rules and regulations, including but not limited to suspension of the right to use the Common Areas or portions thereof. Any such rules and regulations shall become effective thirty (30) days after promulgation and shall be mailed to all Owners prior to their effective date. A copy of the rules and regulations then in force shall be retained by the Secretary of the Association. The Declarant on behalf of the Board may adopt the initial Bylaws and rules and regulations.

Section 3.7. Architectural Control Committee. Within thirty (30) days of the recording of this Declaration, Declarant shall appoint an Architectural Control Committee (hereinafter "Committee") of not less than three (3) and not more than five (5) persons. The members of the Committee need not be Owners. During the Development Period, the Declarant may remove any member of the Committee from office at any time. A member of the Committee shall not be entitled to any compensation for services performed pursuant to this Declaration. After expiration of the Development Period, the Board shall appoint members to the Committee, who need not be Members of the Association, as vacancies occur. The Architectural Control Committee, any member thereof, the Association, its directors or officers, and the Declarant shall not be liable to any Owner, occupant, building or developer for any damages, loss or prejudice suffered or claimed on account of any action or failure to act of the Committee or a member thereof, provided that the

member has, in accordance with the actual knowledge possessed by him, acted in good faith.

3.7.1. Jurisdiction and Purposes. The Committee shall review proposed plans and specifications for construction of all residences and other structures within Gold Creek 2A, and including any additions, exterior alterations, landscaping, clearing, painting and excavation. The Owner shall submit architectural plans and specifications to the Committee for its review, together with a site plan for the Lot.

3.7.2. Approval Procedures. A preliminary application for approval must be submitted in writing by the Owner to the Committee at the registered office of the Association. Within fifteen (15) working days following receipt of a preliminary application, the Committee shall notify the Owner in writing as to whether the application is complete and, if not, of any additional information that may be required before the Committee can review the application. The application must, in form and substance, comply with the Committee's rules and procedures. For major construction, materials required by the Committee may include, but not necessarily be limited to: (1) a plot plan indicating location of all improvements; (2) drawings showing elevations, exterior materials and exterior color schemes of all improvements; and (3) certification of square footage contained within the structure and each floor thereof, notwithstanding the existence of "Basics" as defined in Article 1 hereof. In the case of a minor addition or remodeling, change of existing exterior color scheme or exterior material, or any other work which does not create a substantial change to existing structures or substantial addition of new structures, the Owner shall submit to the Architectural Control Committee such plans and specifications for the proposed work as the Committee determines to be necessary to enable it to evaluate the proposal. The Committee shall review the application in accordance with the provisions of this Section 3.7 as soon as possible after a complete application has been filed. The Architectural Control Committee shall render its decision with respect to the proposal within twenty (20) working days after it has received all materials' required by it with respect thereto. The decision of a majority of the members of the Committee shall be the decision of the Committee. One copy of approved plans will remain in the Committee's files. All disapproved plans will be returned to the Owner.

3.7.3. Failure of Committee to Take Action. Except as provided in Section 3.7.5. below, in the event that the Committee fails to respond to an Owner's complete and properly submitted application within sixty (60) days after the Committee has notified the Owner that the application is complete, or in any event, if no suit to enjoin the construction has been commenced prior to the completion thereof, formal written approval will not

be required, and the provisions for approval shall be deemed to have been fully complied with.

3.7.4. Committee's Obligation. The Committee, in its deliberations and in the discharge of its obligations hereunder, shall act objectively and fairly in making decisions concerning various plans, specifications, and plot plans submitted to it by various Owners for consideration in accordance with the provisions of this Declaration. Further, the determinations of the Committee as to noncompliance shall be in writing, signed by the Committee, and shall set forth in reasonable detail the reason for noncompliance. The Committee may approve, approve with conditions, or disapprove an application or any part thereof, on any grounds which it considers relevant. In all cases, the ultimate responsibility for satisfying all local building codes and governmental requirements rests with the Owner. The Committee, Association, and Declarant shall be held harmless from any claims arising from any claims arising from building requirements not complied with.

3.7.5. Exemptions and Variances from Requirements. The Committee may, upon application, grant exemptions and variances from the rules and procedures of the Committee described herein and the requirements of Section 6.2 of this Declaration when the party requesting such exemption or variance establishes to the satisfaction of the Committee that the improvement or other matters which are desired by the applicant are compatible with the overall character of the development. Requests for an exemption or variance shall be submitted in writing to the Committee and shall contain such information as the Committee shall from time to time require. The Committee shall consider applications for exemption or variance and shall endeavor to render its decisions within twenty (20) days after notice to the Owner of proper submission. The failure of the Committee to approve an application for an exemption or variance shall constitute disapproval of such application.

3.7.6. Failure of Owner to Comply. If an Owner fails to comply with the rules and procedures of the Committee or the plans and specifications as approved by the Committee, then such Owner shall, at the election of the Association's Board exercised after thirty (30) days' written notice to such Owner, be considered in violation of this Declaration. In that event, the Board shall be empowered to assess a charge against the Owner commensurate with the violation, which charge shall constitute a lien against such Lot, enforceable as provided herein and/or pursue any other remedy at law including, but not limited to, an action for specific performance.

3.7.7. Authorized Action. The Committee may render its decisions only by written instrument setting forth the

action taken by the members consenting thereto. The Committee may act without the necessity of a meeting so long as a majority of its members consent to the committee's action.

3.7.8. Nonwaiver. Consent by the Architectural Control Committee to any matter proposed to it and within its jurisdiction under these covenants shall not be deemed to constitute a precedence or waiver impairing its rights to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

3.7.9. Effective Period of Consent. The Committee's consent to any proposed work shall automatically be revoked one (1) year after issuance unless construction of the work has been commenced or the Owner has applied for and received an extension of time from the Architectural Control Committee, and shall automatically be revoked eighteen (18) months after issuance unless all work has been completed.

ARTICLE 4

ASSOCIATION BUDGET, ASSESSMENTS, AND LIENS

Section 4.1. Owner's Covenants to Pay Assessments. By acquisition of any ownership interest in a Lot, the Owner thereof covenants and agrees thereby, on behalf of himself and his heirs, successors, and assigns, to pay the Association, in advance, all Owner Assessments, special assessments, and all other monies due, owing, and collected by the Association for its operation and the maintenance of the Common Areas, levied as provided herein.

Section 4.2. Association Budget. During the Development Period, the Association may, at its own discretion prepare an annual operating budget setting forth the assessments necessary to meet the costs and expenses of the Association. The funds required to meet the Association's costs and expenses during the Development Period shall be raised from Owner Assessments assessed against each Owner as hereafter provided. Following the termination of the Development Period, the Association shall prepare, or cause the preparation of, an operating budget for the Association at least annually, in accordance with generally accepted accounting principles. The operating budget shall set forth all sums required by the Association, as estimated by the Association, to meet its annual costs and expenses, including but not limited to all management and administration costs (including legal fees, if any), operating and maintenance expenses of the Common Areas, and services furnished to or in connection with the Common Areas, including the amount of all taxes and assessments levied against, and the cost of liability and other insurance on, the Common Areas, and including charges for any services furnished

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by or to the Association; the cost of utilities and other services; and the cost of funding all reserves established by the Association. The funds required to meet the Association's annual expenses shall be raised from Owner Assessments assessed against each Owner as provided hereafter. The Association may revise the operating budget after its preparation at any time and from time to time, as it deems necessary or advisable in order to take into account and defray additional costs and expenses of the Association. When prepared, the operating budget shall be delivered to each Owner, along with an invoice for such Owner's share of the Owner Assessments.

Section 4.3. Budget Ratification. Following the termination of the Development Period, and within thirty days after adoption by the Board of Directors of any proposed regular or special budget of the Association, the Board shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing of the summary. Unless at that meeting the Owners of a majority of the votes in the Association or any larger percentage specified in the Governing Documents 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 of Directors.

Section 4.4. Levy of Owner Assessments. During the Development Period, the Association shall have the authority to levy, in advance on every Owner, Owner Assessments to meet the costs and expenses of the Association without the necessity of enacting or creating an operating budget. The amount of each Owner's Owner Assessment shall be the amount of the Association's actual or anticipated costs and expenses divided by the sum of the number of Lots, excluding any Lot then owned by the Declarant. Upon the termination of the Development Period, in order to meet the costs and expenses projected in its operating budget, the Association shall by Association Action determine and levy Owner Assessments in advance on every Owner. The amount of each Owner's Owner Assessment shall be the amount of the Association's operating budget divided by the sum of the number of Lots. The Association shall make reasonable efforts to determine the amount of the Owner Assessment payable by each Owner for an assessment period at least thirty (30) days in advance of the beginning of such period and shall at that time prepare a roster of the Owners and the Owner Assessment allocated to each, which shall be open to inspection by any Owner upon reasonable notice to the Association. Notice of the Owner Assessments shall thereupon be sent to each Owner; provided, however, that notification to an Owner of the amount of the Owner Assessments shall not be necessary to the validity thereof. The omission by the Association, before the expiration of any

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assessment period, to fix the amount of the Owner Assessments hereunder for that of the next period shall not be deemed a waiver or modification in any respect of the provisions of this Article or a release by any Owner from obligation to pay the Owner Assessments, or any installment thereof, for that or any subsequent assessment period, but the Owner Assessments 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 such budget was prepared, the Association shall, if necessary, revise the Owner Assessments levied against the Owners and give notice to each Owner.

Section 4.5. Payment of General Assessment. Upon Association Action, installments of Owner Assessments may be collected on a monthly, quarterly, semi-annual, or annual basis. Any Owner may prepay one or more installments on any assessment levied by the Association without penalty.

Section 4.6. Initial Assessment and Increases. The initial assessment of Owner Assessments for calendar year 1997 shall be One Hundred and Eighty Dollars and NO/100 (\$180.00) per Lot. Notwithstanding anything to the contrary herein, the Association may not, except by a vote of two-thirds (2/3) of the total outstanding votes in the Association, increase Owner Assessments for any calendar year in excess of twenty percent (20%) of the previous calendar year's Owner Assessments.

Section 4.7. Commencement of Assessments. Liability of an Owner for Owner Assessments and special assessments shall commence on the earlier of (1) the first day of the month following the date upon which any instrument of transfer to such Owner becomes operative (such as the date of a deed or the date of a recorded Contract for the sale of any Lot) or (2) the first day of the calendar month following Owner's occupancy of such Lot; provided, however, that the Declarant, its successors and assigns, shall not be liable for any assessments with respect to any Lot unless such Lot is occupied as a single family residence. The Association may in its rules and regulations provide for an administratively convenient date for commencement of Owner Assessments and special assessments that is not more than ninety (90) days after the effective date established above. The due dates of any special assessment payments shall be fixed by Association Action authorizing such special assessment.

Section 4.8. Certificates of Assessment Payment. Upon request, the Board shall furnish written certificates certifying the extent to which assessment payments (including Owner Assessments) on a specified Lot are paid and current to the date stated therein. A reasonable charge may be made by the Association for the issuance of such certificate.

Section 4.9. Special Assessments. In addition to the Owner Assessments authorized by this Article, the Association may, by Association Action, levy a special assessment or assessments at any time, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, inordinate repair, or replacement of a capital improvement located upon or forming a part of the Common Areas, including necessary fixtures and personal property related thereto, or for such other purpose as the Association may consider appropriate; provided, however, that any such special assessment in excess of \$250 per Lot, or any series of related assessments in one calendar year which in the aggregate exceed \$250 per Lot, must have the prior favorable vote of two-thirds (2/3) of the total outstanding votes in the Association.

Section 4.10. Nondiscriminatory Assessment. No assessment shall be made at any time which may unreasonably discriminate against any particular Owner or group of Owners in favor of other Owners. However, a special assessment may be made against a particular Owner by a two-thirds (2/3) majority vote of the Board, if, after the Association gives notice that the Owner has failed to comply with this Declaration, including without limitation failure to maintain such Lot in a condition comparable to the other Lots, the Association elects to expend funds to bring such Lot or Owner's performance into compliance with this Declaration.

Section 4.11. Effect of Nonpayment of Assessments and Charges. If any assessment payment (including Owner Assessments), Noncompliance Charge under Article 6, or other charges to Owners provided herein is not made in full within sixty (60) days after it was first due and payable, the unpaid amounts shall constitute a lien against the Lot assessed and shall bear interest from such due date at a rate of two percent 2% per month, or such other rate as may be set by the Board and which shall in any event be reduced so as not to exceed the highest rate then permitted by law. By acceptance of a deed to a Lot, recording of a Contract therefor, or any other means of acquisition of an Ownership interest, and whether or not it shall be so expressed in any such deed or other instrument, each Owner shall be deemed to grant thereby to the Association, its agents and employees, the right and power to bring all actions against such Owner personally for the collection of such assessment, Noncompliance Charge, or other charge as a debt, and to enforce the liens created by this Declaration in favor of the Association by foreclosure of the continuing liens in the same form of action as is then provided for the foreclosure of a mortgage on real property. The liens provided for in this Declaration shall be for the benefit of the Association, and the Association shall have the power to bid at any lien foreclosure sale and to acquire, hold, lease, mortgage, and convey the Lot foreclosed against.

Section 4.12. Lien to Secure Payment of Assessments and Charges. Declarant hereby creates in the Association perpetually the power to create a lien in favor of the Association against each Lot, to secure to the Association the payment to it of all Owner Assessments, special assessments, Noncompliance Charges, and other charges together with interest, costs, and attorneys' fees; and Declarant hereby subjects all Lots perpetually to such power of the Association. Such lien shall arise in accordance with the terms of this Declaration without the necessity of any further action by the Association, and any such lien when created shall be a security interest in the nature of a mortgage in favor of the Association. Such lien shall become a continuing lien in the amount stated in the charge (including Noncompliance Charges) or assessment (including Owner Assessments) from the time of the charge or assessment, but expiring pro rata as the charge or assessment payments are made, and shall also be the personal obligation of the person or entity who is the Owner of the Lot at the time of the assessment or levy of the charge. The personal obligation to pay a prior assessment or charge shall not pass to successors in interest unless expressly assumed by them; provided, however, that in the case of a sale or contract for the sale of any Lot which is charged with the payment of an assessment or charge, the person or entity who is the Owner immediately prior to the date of such sale shall be personally liable for the amounts of the monthly installments or charges due prior to said date, and the new Owner shall be personally liable for monthly installments or charges becoming due or levied on or after such date. The foregoing limitation on the duration of the personal obligation of an Owner to pay assessments or charges shall not, however, affect the validity or duration of the continuing lien for unpaid assessments or charges against the respective Lot.

Section 4.13. Suspension for Nonpayment of Assessments and Charges. If an Owner shall be in arrears in the payment of any assessment or charge due, or shall otherwise be in default of the performance of any terms of the Governing Documents of the Association for a period of sixty (60) days, said Owner's voting rights shall without the necessity of any further action by the Association, be suspended (except as against foreclosing secured parties) and shall remain suspended until all payments, including interest thereon, are brought current and any other default is remedied. No Owner is relieved of liability for assessments or charges by nonuse of the Common Areas or by abandonment of a Lot.

Section 4.14. Reserves for Replacement. As a common expense, the Association shall establish and maintain a reserve fund for replacement, restoration or refurbishment of the Common Areas and any improvements thereon. Such fund shall be deposited with a banking institution. The reserve fund shall be expended only for the purpose of effecting the replacement, restoration or refurbishment of the Common Areas and any improvements and

Community facilities thereon, and to any sidewalks, parking areas, or pathways developed as a part of Gold Creek 2A, equipment replacement, and for operating contingencies of a nonrecurring nature. The Association may establish such other reserves for such other purposes as it may from time to time consider to be necessary or appropriate. The proportional interest of any Owner in any such reserves shall be considered an appurtenance of his Lot and shall not be separately withdrawn, assigned, or transferred from the Lot to which it appertains.

4.14.1. Certain Areas Exempt. The Common Area Tracts and all dedicated roadways, walkways and the like, shall be exempt from assessments by the Association.

ARTICLE 5

SUBORDINATION OF LIENS

Section 5.1. Intent of Provisions. The provisions of this Article 5 apply for the benefit of each Mortgagee.

Section 5.2. Mortgagee's Nonliability. A Mortgagee shall not, by reason of its security interest only, be liable for the payment of any assessment (including Owner Assessments) or charge (including Noncompliance Charges), nor for the observance or performance of any covenant or restriction, excepting only those enforceable by equitable relief and not requiring the payment of money, and except as hereafter provided.

Section 5.3. Mortgagee's Rights During Foreclosure. During foreclosure of a Mortgage, including any period of redemption, a Mortgagee may upon written notice to the Board exercise any or all of the rights and privileges of the Owner of the encumbered Lot, including but not limited to the right to vote in the Association to the exclusion of the Owner's exercise of such rights and privileges; provided, however, that the Owner's rights shall prevail so long as the Owner is contesting, by judicial action, the Mortgagee's right to foreclose the Mortgage.

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

Section 5.5. Mortgagee's Title Free and Clear of Liens. A Mortgagee of a First Mortgage acquiring title to a Lot through foreclosure, deed in lieu of foreclosure or equivalent method, shall acquire title to the encumbered Lot free and clear of any lien authorized by or arising out of the provisions of this

Declaration, insofar as such lien secures the payment of any assessment or charge due but unpaid before the final conclusion of any such proceeding, but not including the expiration date of any period of redemption. The Association may treat any unpaid assessments or charges against a Lot foreclosed against as an expense of the Association pursuant to Section 4.2, even though the Association may continue to seek to collect the assessment or charges from the responsible party.

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

Section 5.7. Subordination of Assessment and Charge Liens. The liens for assessments and charges provided for in this Declaration shall be subordinate to the lien of any First Mortgage, and the Association will, upon request, execute a written subordination document to confirm such priority. The sale or transfer of any Lot or of any interest therein shall not affect the liens provided for in this Declaration except as otherwise specifically provided for herein, and in the case of a transfer of a Lot for purposes of realizing a First Mortgage, liens shall arise against the Lot for any assessment payments or levied charges coming due after the date of completion of such transfer.

ARTICLE 6

USE COVENANTS, CONDITIONS, AND RESTRICTIONS

Section 6.1. Authorized Uses. Lots in Gold Creek 2A shall be used solely for Single Family residential purposes, and related facilities normally incidental to a residential community. During the Development Period, no Lot or Tract shall be further subdivided without Declarant's prior written approval. Thereafter, no Lot or Tract shall be further subdivided, except as permitted in this Declaration without prior approval conferred by Association Action.

Section 6.2. Approval of Building or Clearing Plans Required. No house, garage, building, fence, deck, patio, wall, kennel, dog run, or other structure shall be commenced, erected, or maintained upon a Lot or any other portion of Gold Creek 2A nor shall any exterior addition to or change or alteration therein be made, nor shall a Lot be cleared or excavated for use, nor shall any tree (with the exception of alder) eight (8) inches or more in diameter on any Lot, measured five (5) feet above ground level, be cut, until after the details and written plans and specifications

