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Document Title:

**DECLARATION ESTABLISHING COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS FOR RIVER RANCH ON THE LITTLE SPOKANE**

Grantor:

KULEANA, LLC, a Washington limited liability company

Grantee:

KULEANA, LLC, a Washington limited liability company

Legal Description:

- Complete legal description on Exhibit "A" attached hereto and by this reference incorporated herein.

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**DECLARATION ESTABLISHING
COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR RIVER RANCH ON THE LITTLE SPOKANE
("DECLARATION")**

This Declaration is made this ____ day of February, 2007, by KULEANA, LLC, a Washington limited liability company ("Developer"), and RIVER RANCH HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation ("Association"), collectively as "Declarants". Declarants are the owners of or have authority with regard to real property commonly referred to as River Ranch on the Little Spokane. The Association is a nonprofit corporation organized as a homeowners association with rights, duties and responsibilities under this Declaration.

The real property covered by this Declaration is legally described on Exhibit "A" attached hereto.

ARTICLE I: RECITALS

1.1 Real Property Description. Developer is the owner and developer of real property located in Spokane County, Washington, included within all of the property commonly known as River Ranch on the Little Spokane, located in Spokane County, Washington, as described on Exhibit "A" attached hereto ("Property").

1.2 Development. Developer intends to develop those portions of said real property, which are made subject to this Declaration, generally in accordance with the maps and plans approved under the zoning and subdivision ordinances and regulations of the County of Spokane and the State of Washington. In order to facilitate the development of said real property, Developer may record, in Developer's sole discretion, Supplemental Declarations, which subject additional portions of said real property to this Declaration. Each development phase shall constitute a "Parcel", as defined below. As a Parcel is approved under said zoning and subdivision ordinances and regulations, the filing of said Supplemental Declaration shall make such Parcel subject to this Declaration. The Property described in Exhibit "A" attached hereto and incorporated herein by this reference is a Parcel as of the execution of this Declaration and is subject to this Declaration.

Upon Recordation of this Declaration, Developer and Association desire to submit and subject the Property described on Exhibit "A" attached hereto, together with all buildings, improvements and other permanent fixtures of whatever kind now or hereafter located thereon, and all easements, rights, appurtenances and privileges belonging or in any way pertaining thereto (all of which constitute a part of the "Property" as hereinafter defined), to the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights contained herein. Declarants further desire to establish and authorize a plan of development to be implemented by Developer pursuant to, and under the authority of, the Declaration.

Declarants deem it desirable to establish covenants, conditions and restrictions upon the Property and each and every portion thereof, and certain mutually beneficial easements, restrictions and obligations with respect to the proper use, occupancy and enjoyment thereof, all for the purposes of enhancing the quality of life within the Property.

Declarant also deems it desirable for the efficient management of the Property to create an owners' association to which will be delegated and assigned the powers of owning, managing, maintaining and administering the Common Areas within the Property; administering and enforcing these covenants, conditions, restrictions and easements; collecting and disbursing funds pursuant to the Assessments and charges hereinafter created; and the performance of such other acts as are herein provided or which generally benefit its Members, the Property, and the Owners of any interests therein.

River Ranch Homeowners Association, a nonprofit corporation, has been incorporated under the laws of the State of Washington for the purpose of exercising the powers and functions of an Association for the Property.

Declarant desires and intends that the Owners, mortgagees, beneficiaries and trustees under trust deeds, occupants and all other Persons hereafter acquiring any interest in the Property shall at all times enjoy the benefits of, and shall hold their interests subject to, the covenants, conditions, restrictions, liens, assessments, easements, privileges and rights set forth in the Declaration, all of which are declared to be in furtherance of a plan to promote and protect the Property.

1.3 Conditions. Any development plans for any of the real property now or hereafter covered by this Declaration, in existence prior to or following the effective date of this Declaration, are subject to change at any time by Developer, in Developer's sole discretion, and impose no obligations on Declarant as to how said real property is to be developed or improved. Any purchaser of a Building Lot within a Parcel acknowledges that said Building Lot is subject to the above-referenced zoning and subdivision ordinances and regulations and such other governmental ordinances and regulations, and approvals hereunder as may be in effect or as may from time to time be imposed. Said purchaser acknowledges familiarity with the same, constructively or otherwise.

1.4 Other Declarations. There may be other Declarations, as amended or restated, with respect to other real property which may utilize or make reference to the words "River Ranch". The same shall not be confused with, nor shall the same have any force or effect upon River Ranch on the Little Spokane or this Declaration.

1.5 Purpose. The purpose of this Declaration is to set forth the basic restrictions, covenants, limitations, easements, conditions and equitable servitudes (collectively "Restrictions") that apply to the Property now or hereafter covered by this Declaration. The Restrictions are designed to preserve the value, desirability and attractiveness of said Property, to ensure a well-integrated, high-quality development, and to guarantee adequate maintenance of any common area and improvements in a cost effective and administratively efficient manner.

ARTICLE II: DECLARATION

Declarant hereby declares that those portions of the Property brought within the jurisdiction hereof, described on Exhibit "A," and as provided herein, and each Building Lot, parcel or portion thereof, is and/or shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following terms, covenants, conditions, easements and restrictions, all of which are declared and agreed to be in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale thereof, and to enhance the value, desirability and attractiveness thereof. The terms, covenants, conditions, easements and restrictions set forth herein shall run with the land, and with each estate therein, and shall be binding upon all persons having or acquiring any right, title or interest in said Property or any Building Lot, parcel or portion thereof; shall inure to the benefit of and be binding upon Declarant, Declarant's successors in interest and each grantee or owner and such grantee's or owner's respective successors in interest, and may be enforced by Developer, by any owner or such owner's successors in interest, or by the Association, as hereinafter defined, against any other owner, tenant or occupant of said Property.

Notwithstanding the foregoing, no provision of this Declaration shall be construed so as to prevent or limit Developer's right to complete development of said Property and to construct improvements thereon, nor Developer's right to maintain model homes, construction, sales or leasing offices or similar facilities (temporary or otherwise) on any portion thereof, including any common area or any public right-of-way, nor Developer's right to post signs incidental to construction, sales or leasing, nor Developer's right to modify plans for said Property.

ARTICLE III: DEFINITIONS

3.1 "Architectural Committee" shall mean the committee created by the Developer or Association pursuant to Article X hereof, and may be referred to herein and in the Design Guidelines as the "Committee".

3.2 "Articles" shall mean the Articles of Incorporation of the Association or other organizational or charter documents of the Association.

3.3 "Assessments" shall mean those payments required of Owners, excluding Declarants, including Regular, Special and Limited Assessments of the Association as further defined in this Declaration.

3.4 "Association" shall mean River Ranch Homeowners Association, a Washington non-profit corporation, its successors and assigns, established by Developer to exercise the powers and to carry out the duties set forth in this Declaration or any Supplemental Declaration.

3.5 "Association Rules" shall mean those rules and regulations promulgated by the Association governing conduct upon and use of the Property under the jurisdiction or control of

the Association, the imposition of fines and forfeitures for violation of Association Rules and regulations, and procedural matters for use in the conduct of business of the Association.

3.6 “Board” shall mean the Board of Trustees or other governing board or individual, if applicable, of the Association.

3.7 “Building Envelope” shall mean that portion of each Building Lot within which the entire Building Footprint and all Improvements (except as specifically provided otherwise in this Declaration) shall be constructed. The Building Envelope for each Building Lot shall be designated on a map prepared by and kept on file by the Architectural Committee. Approval of the Architectural Committee will be necessary if any portion of the Building Footprint is to be constructed outside of the designated Building Envelope.

3.8 “Building Footprint” shall mean the area of a Building Lot which is within the perimeter created by a vertical extension to the ground of the exterior walls of all enclosed portions of a building, including attached garages and enclosed decks, porches, solariums, and similar enclosed extensions, attachments and accessory structures. Not included in the footprint are unenclosed portions or extensions of buildings including but not limited to unenclosed decks, porches, eaves and roof overhangs.

3.9 “Building Lot” shall mean one or more Building Lots within a Parcel as specified or shown on any Plat and/or by any Supplemental Declaration, upon which Improvements may be constructed. With respect to Association voting rights, Building Lot shall also mean a lot so specified on any final plat or on any preliminary plat of the Property.

3.10 “Bylaws” shall mean the Bylaws of the Association.

3.11 “Common Area” shall mean all Property in which the Association holds an interest or which is held or maintained, permanently or temporarily, for the common use, enjoyment and benefit of the Owners, including the Recreation Area. Common Area may be established from time to time by Declarants on any portion of the Property by describing it on a Plat, by granting or reserving it in a deed or other instrument, or by designating it pursuant to this Declaration or any Supplemental Declaration. Common Area may also include easement and/or license rights.

3.12 “Declarant” shall mean KULEANA, LLC, a Washington limited liability company and RIVER RANCH HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation. The term “Declarants” shall also include the successors in interest of the Declarants, or any person or entity to whom the rights under this Declaration are expressly transferred by Declarants or their successor(s).

3.13 “Declaration” shall mean this Declaration as it may be amended from time to time.

3.14 “Design Guidelines” shall mean the architectural standards, rules, regulations, restrictions and design guidelines adopted from time to time by the Architectural Committee.

3.15 “Developer” shall mean KULEANA, LLC, a Washington limited liability company, its successors in interest, or any person or entity to whom rights and/or obligations under this Declaration are expressly transferred by Developer.

3.16 “Improvement” shall mean any structure, facility or system, or other improvement or object, whether permanent or temporary, which is erected, constructed or placed upon, under or in any portion of the Property, including but not limited to buildings, fences, streets, gates, drives, driveways, patios, paths, curbs, landscaping, signs, lights, mail boxes, electrical lines, pipes, pumps, ditches, waterways, recreational facilities, and fixtures of any kind whatsoever.

3.17 “Member” shall mean each person or entity holding a membership in the Association.

3.18 “Owner” shall mean the person or other legal entity that, as of the date hereof has, or hereafter acquires, fee simple interest, or a purchaser’s interest under a real estate contract, of record to a Building Lot which is a part of the Property after the date each plat phase is recorded, and sellers under executory contracts of sale, but excluding those having such interest merely as security for the performance of an obligation or Building Lots which have been accepted by Developer in exchange for a previously sold Building Lot.

3.19 “Parcel” shall mean a defined portion of the Property within which the contemplated development involves a common use or compatible uses, and which may have been designated as a Parcel by this Declaration or a recorded Supplemental Declaration.

3.20 “Person” shall mean any individual, partnership, corporation or other legal entity.

3.21 “Plat” shall mean any subdivision plat covering any portion of the Property as recorded at the office of the County Auditor, Spokane County, Washington, as the same may be amended by duly recorded amendments thereof.

3.22 “Project Documents” shall mean this Declaration, the Articles, Bylaws, Association Rules, Plat, Property, Public Offering Statement, Design Guidelines and all other documents and agreements concerning and relating to River Ranch on the Little Spokane.

3.23 “Property” shall mean the Property described on Exhibit “A” attached hereto and incorporated herein by this reference, including each Building Lot, Parcel and portion thereof and interest therein, including all water rights associated with or appurtenant to such property. The Property included in Exhibit “A” is subject to this Declaration upon the recording of this Declaration and without the filing of a Supplemental Declaration.

Except as may be specifically provided herein, no portion of any additional property which may be brought within the jurisdiction hereof by Supplemental Declaration, or any other Property, shall be subject to the terms, covenants, conditions, easements and restrictions of this Declaration until such a Supplemental Declaration describing the portion of Property (the “Parcel”) is executed by the owner(s) of such Parcel and recorded. The Property may be expanded in the future to include, in Developer’s sole discretion, such additional property as may be annexed by means of one or more Supplemental Declarations as provided herein.

Additionally, Developer, at its sole election, may withdraw any Parcel of which Declarant is the Owner or contract purchaser and which was previously included within the provisions of this Declaration upon recordation of a written Declaration of Deannexation, as provided in Section 11.5.

3.24 “Regular Assessment” shall mean the portion of the costs of the capital improvements or replacements, equipment purchases and replacements or shortages in Regular Assessments which are authorized and to be paid by each Owner, excluding Declarant, to the Association, pursuant to the terms hereof or the terms of this Declaration or a Supplemental Declaration.

3.25 “Special Assessment” shall mean the portion of the costs of the capital improvements or replacements, equipment purchases and replacements or shortages in Regular Assessments, which are authorized and to be paid by each Owner, excluding Declarant, to the Association, pursuant to the provisions of this Declaration or a Supplemental Declaration.

3.26 “Subdivision” shall mean River Ranch on the Little Spokane pursuant to the Plat.

3.27 “Supplemental Declaration” shall mean any Supplemental Declaration including additional covenants, conditions and restrictions that might be adopted with respect to any portion of the Property or additional Property or improvements which may be made part of the Property as provided herein.

ARTICLE IV: ARCHITECTURAL CONTROL

4.1 Structures – Generally. All structures (except for sales offices or similar facilities of Developer) are to be designed, constructed and used in such a manner as shall be compatible with this Declaration, and shall meet the following minimum standards:

4.1.1 Use and Height of Dwelling Structure.

(a) Except as may be expressly provided in this Declaration, all Building Lots shall be improved and used solely for residential purposes. No Building Lot shall be improved, except with a single family dwelling unit designed to accommodate no more than a single family and its employees and occasional guests, and such other Improvements as are necessary or customarily incident to a single family residence. If written approval is granted in advance and in the sole discretion of the Architectural Committee, a guest house or similar ancillary structure designed to accompany the main residence on a Building Lot may be permitted.

(b) Subject to the provisions of Section 4.2.24 below, no dwelling unit shall be used for any purpose other than as a single-family residence, and no gainful occupation, profession, trade or other non-residential use shall be conducted on any Building Lot. Provided, however, nothing in this Declaration shall prevent the rental of property by an Owner for residential purposes on a long- or short-term basis, nor from using a portion of the residence for in home office purposes as provided in this Declaration and the Design Guidelines.

(c) No dwelling unit shall be more than two stories in height. No other structure shall be more than one story in height unless approved in writing by the Architectural Committee. A basement or daylight basement shall not be counted as a story in determining compliance with this section. The “dwelling unit” as used in this Section may also be referred to herein as the dwelling or residential structure.

4.1.2 Architectural Committee Review. No Improvements, alterations, repairs, excavation, grading, landscaping, tree removal or other exterior work which will be visible above ground or which will ultimately affect the visibility of any above ground Improvement shall be built, erected, placed or materially altered on or removed from the Property unless and until the building plans, specifications, and plot plan or other appropriate plans and specifications have been reviewed in advance by the Architectural Committee and the same have been approved in writing. The review and approval or disapproval may be based upon the following factors: size, height, design and style elements, mass and form, topography, setbacks, finished ground elevations, architectural symmetry, drainage, color, materials, physical or aesthetic impacts on other property, artistic conformity to the terrain and the other Improvements on the Property, and any and all other factors which the Architectural Committee, in its reasonable discretion, may deem relevant. The Design Guidelines (“Design Guidelines” or “Guidelines”) adopted for the Property, and as amended from time to time shall be enforceable as though they were a part of this Declaration and shall be binding on all Owners, excluding Declarant, and other persons as if expressly set forth herein. It shall be the responsibility of each Owner to obtain and review a copy of the most recent set of Guidelines prior to the purchase of a Building Lot. A copy of the current Guidelines is available at the Association’s Office.

4.2 Covenants, Conditions, Restrictions and Easements Applicable to Building Lots. The following covenants, conditions, restrictions and reservation of easements and rights shall apply to all Building Lots and the Owners thereof (except those owned by the Developer):

4.2.1 Insurance Rates. Nothing shall be done or kept on any Building Lot which will increase the rate of insurance on any other portion of the Property without the approval of the Owners of such other portion, nor shall anything be done or kept on the Property or a Building Lot which would result in the cancellation of insurance on any property owned or managed by the Association or which would be in violation of any law.

4.2.2 No Further Subdivision. Except as provided in the Design Guidelines and subject to paragraph 4.2.24 below, no finally platted Building Lot may be further subdivided, nor may any easement or other interest therein be granted.

4.2.3 Signs. (a) No signs of any kind shall be displayed to the public view, except: (1) such signs as may be used by Developer in connection with the construction, development, management or administration of the Property and sale of Building Lots and/or Improvements thereon; (2) temporary construction signs as permitted in the Design Guidelines; (3) such information signs, of customary and reasonable dimensions as prescribed by the Architectural Committee may be displayed on or from the Common Area; and (4) such signs as may be required by legal proceedings or as required under Washington state law. No sign shall be placed on the Property without the written approval of the Architectural Committee.

(b) In particular, and subject to the provisions of Section 4.2.24 below, no “For Sale” or “For Rent” sign or any other advertising device of any kind shall be placed in public view or otherwise posted on the Property or on a Building Lot, unless such signage is in strict compliance with rules established by the Association. However, it is anticipated that each Owner will, in accordance with applicable provisions of Association Rules, be permitted to have one “For Sale” or “For Rent” notice in a form approved by the Architectural Committee in a location specified for that purpose by such Committee, such as at the Association’s office. The Association shall have the authority to provide one central advertising board not larger than four (4) feet square for use by any Owner to post “For Rent” or “For Sale” notices thereon. The Association shall have the authority to regulate the size and style of any such notices.

4.2.4 Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere upon the Property or a Building Lot, and no odor shall be permitted to arise therefrom so as to render the Property or any portion thereof unsanitary, unsightly, offensive or detrimental to any portion of the Property or to its occupants, or to any other property in the vicinity thereof or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Property or a Building Lot so as to be offensive or detrimental to the Property or to its occupants or to other property in the vicinity or to its occupants. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes which have been approved by the Architectural Committee), flashing lights or search lights, shall be located, used or placed on the Property or on any Building Lot without the prior written approval of the Association.

4.2.5 Exterior Maintenance; Owner’s Obligations. No Improvement shall be permitted to fall into disrepair, and each Improvement shall at all times be kept in good condition and repair. In the event that any Owner shall permit any Improvement, including trees and landscaping, which is the responsibility of such Owner to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, or so as to damage adjoining property or facilities, the Board, upon fifteen (15) days prior written notice to the Owner of such Building Lot, shall have the right to correct such condition, and to enter upon such Owner’s Building Lot for the purpose of doing so, and such Owner shall promptly reimburse the Association for the cost thereof. Such cost shall be a Limited Assessment and shall create a lien enforceable in the same manner as other Assessments set forth in Article VII of this Declaration. The Owner of the offending property shall be personally liable, and such Owner’s property shall be subject to a lien for all costs and expenses incurred by the Association in taking such corrective acts, plus all costs incurred in collecting the amounts due, including reasonable attorneys’ fees. Each Owner shall pay all amounts due for such work within ten (10) days after receipt of written demand therefore, or the amounts may, at the option of the Board, be added to the amounts payable by such Owner as Regular Assessments.

4.2.6 Drainage. There shall be no interference with the established drainage pattern over any portion of the Property, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Architectural Committee. For the purposes hereof, “established” drainage is defined as the system of drainage, whether natural or

otherwise, which exists at the time the overall grading of any portion of the Property is completed by Developer, or that drainage which is shown on any plans approved by the Architectural Committee, which may include drainage from any Common Area over any Building Lot in the Property.

4.2.7 Grading. The Owner of any Building Lot within the Property in which grading or other work has been performed pursuant to an approved grading plan shall maintain and repair all graded surfaces and erosion prevention devices, retaining walls, drainage structures, means or devices which are not the responsibility of the Association, or a public agency, and plantings and ground cover installed or completed thereon. Such requirements shall be subject to Regular, Special, and Limited Assessments provided in Article VII herein, as may be applicable. An approved grading plan means such plan as may have been approved by the applicable government agency, the Architectural Committee and/or the Association.

4.2.8 Mining; Wells, Potable Water. No portion of any Building Lot shall be used in any manner to explore for, quarry, or remove any water, oil, or other hydrocarbons, minerals, rocks, stones, sand, gravel or earth of any kind. Without limiting the generality of the foregoing, no wells for the pumping or removal of water shall be placed on any Building Lot. The Owner of each Building Lot shall obtain potable water for the Building Lot, at the Owner's expense, from the Whitworth Water District.

4.2.9 No Hazardous or Hunting Activities. No activities shall be conducted on the Property, and no Improvements constructed on any portion of the Property, which are or might be unsafe or hazardous to any person or property. There shall be no hunting, trapping or intentional flushing of birds, deer, elk, moose or other animals or any other activity that may be harmful to or which constitutes harassment of animals or wildlife.

4.2.10 No Unsightly Articles. No unsightly article shall be permitted to remain on any Building Lot so as to be visible from any other portion of the Property. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in such containers and in areas approved by the Architectural Committee and removed on a timely basis at the expense of each Building Lot Owner. No clothing or fabrics shall be hung, dried or aired in such a way as to be visible to other property, and no equipment, heat pumps, compressors, containers, lumber, firewood, grass, shrub or tree clippings, plant waste, metals, bulk material, scrap, refuse or trash shall be kept, stored or allowed to accumulate on any Building Lot except within an enclosed structure or as appropriately screened from view. No vacant residential structures shall be used for the storage of building materials.

4.2.11 No Temporary Structures. No house trailer, mobile home, tent (other than for short term individual use which shall not exceed one month unless approved by the Architectural Committee), shack or other temporary building, improvement or structure shall be placed upon any portion of the Property, except temporarily as may be required by construction activity undertaken on the Property. Also excepted from this requirement is any sales office established by Developer for the Property.

4.2.12 No Unscreened Items. No garbage cans, trash containers, firewood, boats, trailers, campers, all-terrain vehicles, motorcycles, recreational vehicles, bicycles, dilapidated or unrepaired and unsightly vehicles or similar items, vehicles or equipment shall be placed or parked upon any portion of the Property (including, without limitation, streets, parking areas and driveways) unless the same are enclosed by a structure concealing them from view in a manner approved by the Architectural Committee. To the extent possible, garage doors shall remain closed at all times.

4.2.13 Sewage Disposal Systems. No municipal sewer system is contemplated for the Property. Each Building Lot Owner shall be responsible for constructing an individual sewage disposal system on each Building Lot that conforms with the requirements and regulations of the Spokane County Health Department. Prior to final plat, the Spokane County Health Department has inspected each Building Lot and has approved each Building Lot for some type of sewage disposal system. It is anticipated that additional test holes will be required prior to issuing a sewage permit for the Building Lot prior to building, once the exact size and location of the home is determined. In obtaining preliminary drainfield approval prior to final plat, effort has been made to locate drainfield areas within each Building Lot where a conventional drainfield can be constructed and approved. There can be no assurance that an alternative and more expense on-site sewage system will not be necessary on any Building Lot.

4.2.14 Energy Devices, Outside. No energy production devices, including but not limited to generators of any kind and solar energy devices, shall be constructed or maintained on any portion of the Property without the written approval of the Architectural Committee, except for heat pumps shown in the plans approved by the Architectural Committee. This paragraph shall not apply to passive solar energy systems incorporated into the approved design of a residential structure.

4.2.15 Vehicles and Recreational Vehicles.

(a) The use of all vehicles, including but not limited to trucks, automobiles, bicycles, motorcycles, snowmobiles, RVs, trailers, aircraft and boats, shall be subject to all Association Rules, which may prohibit or limit the use thereof on the Property and on each Building Lot. No on-street parking shall be permitted except where expressly designated for parking use. No parking bays shall be permitted in any side, front or backyard. No exterior storage of any such vehicles will be permitted on any Building Lot, unless expressly approved by the Committee and unless such approved storage area is completely screened from neighboring properties using landscaping approved by the Committee. Generally, the storage of all such recreational vehicles shall be integrated into the architectural design of the house or stored off-site. (b) In general, recreational vehicles, including motor homes, campers, boat trailers, snowmobiles, etc. may be temporarily parked on a Building Lot for loading and unloading and the convenience of guests, provided such parking does not exceed either five (5) consecutive days and a cumulative total of thirty (30) days during any calendar year. Furthermore, use of motorized vehicles are not permitted on the Association's trail system or open spaces, or any native areas on any Building Lots, where such use may contribute to fire danger.

4.2.16 Animals/Pets. No animals, birds, insects, pigeons, poultry or livestock shall be kept on the Property or a Building Lot unless the presence of such creatures does not constitute a nuisance, and does not otherwise violate any further conditions of this paragraph. This paragraph does not apply to the keeping of up to two (2) domesticated dogs, up to two (2) domesticated cats, and other household pets which do not unreasonably bother or constitute a nuisance to others. Without limiting the generality of the foregoing, consistent and/or chronic barking by dogs shall be considered a nuisance. Each dog shall be kept on a leash, curbed, and otherwise controlled at all times when such animal is off the premises of the Owner. The animal owner shall clean up any animal defecation immediately from Common Areas or public rights-of-way. Failure to do so may, at the Boards' discretion, result in a Limited Assessment being levied against such animal owner. The construction of dog runs or other pet enclosures shall be subject to Architectural Committee approval, shall be appropriately screened, and shall be maintained in a sanitary condition. Dog runs or other pet enclosures shall be placed a minimum of twenty-five (25) feet from Building Lot lines, shall not be placed in any front yard of a Building Lot, and shall be screened from view so as not to be visible from the Common Area or an adjacent Building Lot. The use of "invisible" fencing to control or restrain dogs to the respective animal owner's Building Lot is strongly encouraged and is recommended. In addition to the above restrictions, no large animal keeping, including horses, shall be allowed on any Building Lot less than ten (10) acres in area, or on any Building Lots with identified wetlands. No large animal keeping shall be allowed on any Common Area.

4.2.17 Landscaping. The owner of any Building Lot shall landscape such Building Lot in conformance with Design Guidelines, which are incorporated herein by this reference, and the Owner's specific landscape plan submitted to and approved by the Architectural Committee.

4.2.18 Fencing. Fences will generally only be allowed for the containment of animals or small children or for pool or sport enclosures. Generally, no fences shall be constructed on property lines or within the building setback requirements. The location and design of all fencing shall comply with the standards contained in the Design Guidelines and under no circumstance shall fencing obstruct corridors through the Property or Building Lot for wildlife.

4.2.19 Fireworks and Outdoor Burning. The Association is very concerned with fire safety. The use of fireworks is strictly forbidden and subject to fines by the Association. Additionally, the act of any and all outdoor burning, such as the burning of brush, outdoor recreational fire pits, etc. shall comply at all times with safe fire rules and regulations in effect by Spokane County, the Department of Natural Resources, the fire burning policies of local fire fighting companies having jurisdiction and the Rules regarding outdoor fires of any kind then in effect by the Association. All Owners shall implement such prudent fire reduction measures and maintain their properties in a manner that will minimize the risk of fire at River Ranch on the Little Spokane.

4.2.20 Antennas. Except as may be provided in Section 4.2.23 or as required to be permitted under applicable law, no radio, television or other antennas of any kind or nature, or device for reception or transmission of radio, microwave, or other similar signals, shall be placed

or maintained upon any Building Lot unless in accordance with the Guidelines and specifically approved by the Architectural Committee.

4.2.21 Lighting. Exterior lighting, including flood lighting, shall be part of the architectural concept of the Improvements on a Building Lot. Fixtures, standards and all exposed accessories shall be harmonious with building design, and shall be as approved by the Architectural Committee prior to installation. Lighting shall be restrained in design, and excessive brightness or unnecessary lighting shall be avoided.

4.2.22 Golf Carts. The Association Rules may regulate the future use of golf carts and similar vehicles on the private streets and Common Area (including the Recreation Area) of the Property.

4.2.23 Utilities and Transportation Improvements and Easements.

(a) No lines, wires or other services for the communication of electric current or power, including telephone, television, and radio signals, shall be constructed or maintained on the Property unless they are contained in conduits or cables installed underground, or concealed in, under, or on buildings or other structures approved by the Architectural Committee.

(b) There is hereby created a blanket easement upon, across, over and under all Common Areas, and also a strip of land extending 25 feet from each side of the edge of each road right-of-way, unless indicated differently on the recorded plat, for the purpose of constructing, repairing, maintaining and operating: all utilities (whether public or private), including, but not limited to, water, sewer (if any), electricity, gas, telephone, cable tv, communication or control lines; and all roadways, paths, and trails, whether or not such improvements physically encroach on any Building Lots when finally completed. By virtue of this easement, it shall be expressly permissible for the Developer and its contractors, the Association, and/or any providing utility company to construct and maintain the necessary facilities, including said portions of Building Lots, to accomplish the foregoing.

4.2.24 Exemption of Declarants and Developer. Nothing contained herein shall limit the right of Declarants and Developer to subdivide, recombine, reconfigure or resubdivide any portion of the Property, including unsold Building Lots and Common Areas, to grant licenses, to reserve rights-of-way and easements to utility companies, public agencies or others. Nor shall anything contained herein limit the right of Developer to excavate, grade and construct improvements, including landscaping alterations, or to alter any of the foregoing or its construction plans and designs, or to construct such additional improvements as Developer deems advisable in its sole discretion in the course of development of the Property so long as any Building Lot in the Property remains unsold. Such right also expressly includes Developer's right to provide certain Building Lot Owners' drainfield easements on Common Areas. Such right shall include, but shall not be limited to, erecting, constructing and maintaining on the Property such structures and displays as may be reasonably necessary for the conduct of Developer's business of completing the work and disposing of the same by sales, lease or otherwise. Developer shall have the right at any time prior to acquisition of title to a Building Lot by a purchaser from Developer to grant, establish and/or reserve on that Building Lot additional

licenses, reservations and rights-of-way to Developer, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Developer may use any structures on the Property as model home complexes or real estate sales or leasing offices. Developer need not seek, or obtain approval from any Owner or the Architectural Committee in connection with any Improvement constructed or placed by Developer or an affiliate of Developer on any portion of the Property owned by Developer or an affiliate of Developer. The rights of Developer hereunder may be assigned by Developer to any successor in interest in connection with Developer's interest in any portion of the Property, by an express written assignment recorded in the Office of the Spokane County Auditor.

4.2.25 Conveyances to and from Municipalities. The Board shall have the power to convey any Common Area to any political subdivision thereof. The Board shall also have the power to receive a conveyance of any property interest from the above-referenced entities or any other individual or entity and to hold such property interest as Common Area.

4.2.26 Natural Gas Services. Additional common area interests have been created within the easement areas through construction by the Developer of natural gas lines intended to provide service to each Building Lot. Costs for installation, including excavation and related charges, have been paid by the Developer on behalf of the Association. Any Owner who purchases a Building Lot from Developer shall be permitted access to the natural gas line without an access charge. All Owners are responsible for any and all costs of installing the gas service to their homes from the closest location where the gas line has been installed.

ARTICLE V: RIVER RANCH HOMEOWNERS ASSOCIATION

5.1 Organization of River Ranch Homeowners' Association. River Ranch Homeowner's Association, the "Association", shall be initially organized by Developer as a Washington non-profit corporation under the provisions of the Revised Code of Washington relating to general non-profit corporations and shall be charged with the duties and invested with the powers prescribed by law and set forth in the Articles, Bylaws and this Declaration. Neither the Articles nor the Bylaws shall be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration or with any Supplemental Declaration which Developer might adopt pertaining to River Ranch on the Little Spokane.

5.2 Membership. Each Owner, by virtue of being an Owner and for so long as such ownership is maintained, shall be a Member of the Association and no Owner shall have more than one membership in the Association. Memberships in the Association, shall be appurtenant to the Parcel, Building Lot or other portion of the Property owned by such Owner. The memberships in the Association shall not be transferred, pledged, assigned or alienated in any way except upon the transfer of Owner's title and then only to the transferee of such title. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Association.

5.3 Voting.

(a) Except as provided below for Developer, voting in the Association shall be carried out by Members who shall cast the votes attributable to the Building Lots which they own. The number of votes such Member may cast on any issue is determined by the number of Building Lots which the Owner owns and with respect to Developer, the number of votes which Developer may cast is determined by the sum of (a) the number of Building Lots within the Property which have been finally platted and not sold to Owners and (b) the number of Building Lots within the Property which are planned to be developed and have been preliminarily approved but not platted. For the purposes of voting, and to insure that Developer maintains control over the development and management of the Property, and to further insure that voting rights attach to planned but not finally platted Building Lots, it is specifically set forth that, as of the date hereof, the Property, in accordance with the preliminary plat approval, consists of twenty-two (22) Building Lots. Voting rights attach to all 22 Building Lots, as long as the same are within the definition of the Property as set forth in paragraph 3.23; and that Developer shall be presently entitled to the voting rights attached to each of the above-referenced Building Lots, whether said Building Lot is finally platted or is planned and preliminarily platted, until it is sold to an Owner.

(b) Notwithstanding anything in this Declaration to the contrary, so long as Developer (or any successor designated by Developer as such) owns any Building Lot within the property, the following sections within this Declaration shall not be amended without the consent and participation in the execution of the amendment by Developer or any successor designated by Developer as such: Section 3.19, Section 4.2.26, Section 7.2, Section 7.3.1, Section 10.1, and Section 10.2.

(c) For voting purposes, the Association shall have two (2) classes of Members as described below:

5.3.1 Class A Members. Owners (other than Developer) shall be known as Class A Members. Each Class A Member shall be entitled to cast one (1) vote for each Building Lot owned by such Class A Member on the date of the vote.

5.3.2 Class B Members.

(a) Developer shall be known as the Class B Member, and shall be entitled to ten (10) votes for each of the above-referenced Building Lots then owned by Developer. Class B membership shall cease and be converted automatically to Class A membership upon the earlier occurrence of (i) the time when the total cumulative votes of the Class A Members equal or exceed the total votes of the Class B Member, or (ii) January 1, 2010.

(b) When more than one person holds an interest in any Building Lot, all such persons shall be Members but shall share the votes attributable to the Building Lot. Fractional votes, however, shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter being put to a vote. When an Owner casts a vote, it will thereafter be presumed

conclusively for all purposes that such Owner was acting with authority and consent of all joint owners of the Building Lot from which the vote derived. The right to vote may not be severed or separated from the ownership of the Building Lot to which it is appurtenant, except that any Owner may give a revocable proxy, or may assign such owner's right to vote to a lessee, mortgagee, beneficiary or contract purchaser of the Building Lot concerned, for the term of the lease, mortgage, deed of trust or contract. Any sale, transfer of conveyance of such Building Lot to a new Owner shall operate automatically to transfer the appurtenant voting right to the Owner, subject to any assignment of the right to vote to a lessee, mortgagee, or beneficiary as provided herein.

(c) The Board may suspend the voting privileges of any Class A Member in the event such Member is in default of the provisions of this Declaration or in any obligation to the Association.

5.4 Board of Directors and Officers. The affairs of the Association shall be conducted and managed by a Board of Trustees ("Board") and such officers as the Board may elect or appoint, in accordance with the Articles and Bylaws, as the same may be amended from time to time. The Board of the Association shall be elected in accordance with the provisions set forth in the Bylaws.

5.5 Powers and Duties of the Association.

5.5.1 Powers. The Association shall have the powers of a corporation organized under the corporation laws of the State of Washington applicable to non-profit corporations, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws, and this Declaration. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under Washington law and under this Declaration, and the Articles and Bylaws, and to do and perform any and all acts which may be necessary to, proper for, or incidental to the proper management and operation of the Common Area and the Association's other assets, and the affairs and the performance of the other responsibilities herein assigned, including without limitation:

5.5.1.1 Assessments. The power to levy Assessments on any Owner, excluding Declarants and to force payment of such Assessments, all in accordance with the provisions of this Declaration.

5.5.1.2 Right of Enforcement. The power and authority from time to time in its own name, on its own behalf, or on behalf of any Owner who consents thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Declaration or the Articles or the Bylaws, including the Association Rules adopted pursuant to this Declaration, and to enforce by injunction or otherwise, all provisions hereof.

5.5.1.3 Delegation of Powers. The authority to delegate its power and duties to committees, officers, employees, or to any person, firm or corporation to act as manager, and to contract for the maintenance, repair, replacement and operation of the Common

Area. Neither the Association nor the members of its Board shall be liable for any omission or improper exercise by the manager of any such duty or power so delegated.

5.5.1.4 Association Rules. The power to adopt, amend and repeal by majority vote of the Board such rules and regulations as the Association deems reasonable. The Association may govern the use of the Common Areas by the Owners, their families, invitees, licensees, lessees or contract purchasers; provided, however, that any Association Rules shall apply equally to all Owners and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. Upon such mailing or delivery, the Association Rules shall have the same force and effect as if they were set forth in and were a part of this Declaration. In the event of any conflict between such Association Rules and any other provisions of this Declaration, or other Articles or Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such inconsistency.

5.5.1.5 Emergency Powers. The power, exercised by the Association or by any person authorized by it, to enter upon any Property or Building Lot (but not inside any building constructed thereon) in the event of any emergency involving illness or potential danger to life or property or when necessary in connection with any maintenance or construction for which the Association is responsible. Such entry shall be made with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Association.

5.5.1.6 Licenses, Easements and Rights-of-Way. The power to grant and convey to any third party such licenses, easements and rights-of-way in, on or under the Common Area as may be necessary or appropriate for the orderly maintenance, preservation and enjoyment of the Common Area, and for the preservation of the health, safety, convenience and the welfare of the Owners, for the purpose of constructing, erecting, operating or maintaining:

5.5.1.6.1 Underground lines, cables, wires, conduits or other devices for the transmission of electricity or electronic signals for lighting, heating, power, telephone, computer, television or other purposes, and the above ground lighting stanchions, meters, and other facilities associated with the provisions of lighting and services; and

5.5.1.6.2 Sewers, storm drains, underground irrigation pipes, water drains and pipes, water supply systems, sprinkling systems, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities.

5.5.1.6.3 Mailboxes and sidewalk abutments around such mailboxes or any service facility, berm, fencing and landscaping abutting Common Areas, public and private streets or land conveyed for any public or quasi-public purpose including, but not limited to, pathways. The right to grant such licenses, easements and rights-of-way are hereby expressly reserved to the Association.

5.5.2 Duties. In addition to duties necessary and proper to carry out the power delegated to the Association by this Declaration, and the Articles and Bylaws, without limiting

the generality thereof, the Association or its agent, if any, shall have the authority and the obligation to conduct all business affairs of the Association and to perform, without limitation, each of the following duties:

5.5.2.1 Operation and Maintenance of Common Area. Operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the Common Area, including the repair and replacement of property damaged or destroyed by casualty loss.

5.5.2.2 Reserve Account. Establish and fund a reserve account with a reputable banking institution, savings and loan association, credit union or title insurance company authorized to do business in the State of Washington, which reserve account shall be dedicated to the costs of repair, replacement, maintenance and improvement of the Common Area.

5.5.2.3 Taxes and Assessments. Pay all real and personal property taxes and assessments separately levied against the Common Area or against the Association and/or any other property owned by the Association. Such taxes and assessments may be contested or compromised by the Association, provided, however, that such taxes and assessments are paid or a bond insuring payment is posted prior to the sale or disposition of any property to satisfy the payment of such taxes and assessments. In addition, the Association shall pay all other federal, state or local taxes, including income or corporate taxes levied against the Association, in the event that the Association is denied the status of a tax exempt corporation.

5.5.2.4 Water and Other Utilities. Acquire, provide and/or pay for water, garbage disposal, refuse and rubbish collection, electrical, telephone and gas and other necessary services for the Common Area, and to manage all domestic, irrigation and amenity water rights and rights to receive water held by the Association, whether such rights are evidenced by license, permit, claim, stock ownership or otherwise.

5.5.2.5 Insurance. Obtain insurance from reputable insurance companies authorized to do business in the State of Washington, and maintain in effect any insurance policy the Board deems necessary or advisable, including, without limitation the following policies of insurance:

5.5.2.5.1 Fire insurance including those risks embraced by coverage of the type known as the broad form "All Risk" or special extended coverage endorsement on a blanket agreed amount basis for the full insurable replacement value of all improvements, equipment and fixtures located within the Common Area.

5.5.2.5.2 Comprehensive public liability insurance insuring the Board, the Association, the Declarants, the Developer and the individual grantees and agents and employees of each of the foregoing against any liability incident to the ownership and/or use of the Common Area in such amounts as the Association shall determine.

5.5.2.5.3 Full coverage directors' and officers' liability insurance with limits in such amounts as the Association shall determine.

5.5.2.5.4 Such other insurance, including motor vehicle insurance and Worker's Compensation insurance, to the extent necessary to comply with all applicable laws and indemnity, faithful performance, fidelity and other bonds as the Board shall deem necessary or required to carry out the Association functions or to insure the Association against any loss from malfeasance or dishonest of any employee or other person charged with the management or possession of any Association funds or other property.

5.5.2.5.5 The Association shall be deemed trustee of the interests of all Owners in connection with any insurance proceeds paid to the Association under such policies, and shall have full power to receive such Owner's interests in such proceeds and to deal therewith.

5.5.2.5.6 Insurance premiums for the above insurance coverage shall be deemed a common expense to be included in the Regular Assessments levied by the Association.

5.5.2.5.7 In its discretion, the Board may adjust any minimum insurance limits to reflect the impact of inflation on the value of the particular coverage required.

5.5.2.6 Rule Making. Make, establish, promulgate, amend and repeal such Association Rules as the Board shall deem advisable.

5.5.2.7 Newsletter. If it so elects, prepare and distribute a newsletter on matters of general interest to Members, the cost of which shall be included in Regular Assessments.

5.5.2.8 Architectural Committee. Appoint and remove members of the Architectural Committee, subject to the provisions of this Declaration.

5.5.2.9 Enforcement of Restrictions and Rules. Perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably advisable or necessary to enforce any of the provisions of the Declaration, or of the Articles or Bylaws, including, without limitation, the recordation of any claim of lien with the Spokane County Auditor, as more fully provided herein. In the event legal counsel is engaged to assist in the enforcement of any of the provisions of this Declaration, or of the Articles or Bylaws, including any rules violations, levying of assessments, enforcement of assessments, perfecting or foreclosing on any lien, or otherwise, regardless of whether litigation is instituted, the substantially prevailing party in any such matter shall be entitled to recover all actual costs incurred, as well as reasonable attorneys' fees.

5.5.2.10 Private Streets, Signs and Lights. Maintain, repair or replace private streets, street signs and private street lights located on the Property. This duty shall run with the land and cannot be waived by the Association unless the County of Spokane consents to such waiver.

5.6 Personal Liability. No Member of the Board, or member of any committee of the Association, or any officer of the Association, or any of the Declarants, or the Developer, or the manager, if any, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of the Association, the Board, the manager, if any, or any other representative or employee of the Association, any of the Declarants, the Developer or the Architectural Committee, or any other committee, or any officer of the Association, or any of the Declarants, the Developer, provided that such person, upon the basis of such information as may be possessed by such person, has acted in good faith without willful or intentional misconduct, and, provided that such person has so acted, the Association shall indemnify and hold harmless said person from any damage, loss or prejudice aforesaid.

5.7 Budgets and Financial Statements. Financial statements for the Association shall be prepared regularly and copies shall be distributed to each Member of the Association as follows:

5.7.1 A pro forma operating statement or budget, upon which the Regular Assessments for the current year are based, shall be distributed prior to, or at each Annual Meeting. The budget shall state the estimated number of Owners, excluding Developer, subject to Regular Assessments.

5.7.2 Within one hundred twenty (120) days after the close of each fiscal year, the Association shall cause to be prepared and delivered to each Owner, a balance sheet as of the last day of the Association's fiscal year and annual operating statements reflecting the income and expenditures of the Association for its last fiscal year.

5.8 Meetings of Association. Each year the Association shall hold at least one meeting of the Members, according to the schedule for such meetings established by the Bylaws. Only Members shall be entitled to attend Association meetings, and all other persons may be excluded. Notice for all Association meetings, regular or special, shall be given by regular mail to all Members at their last known address, and any person in possession of a Building Lot, not less than ten (10) days nor more than fifty (50) days before the meeting and shall set forth the place, date and hour of the meeting and the nature of the business to be conducted. All meetings shall be held within the Property or as close thereto as practical at a reasonable place selected by the Board. The presence at any meeting in person or by proxy of the Class B Member where there is such a Member, and of the Class A Members representing owners holding at least twenty percent (20%) of the total votes of all Class A Members, shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present may, as otherwise provided by law, adjourn the meeting to a time not less than ten (10) days nor more than thirty (30) days from the time the original meeting was scheduled. A second meeting may be called as the result of such an adjournment, provided notice is given as provided above. At any such meeting properly called, the presence of the Class B Member where there is such a Member, and, of any Class A Members shall constitute a quorum.

ARTICLE VI: RIGHTS TO COMMON AREAS

6.1 Use of Common Area. Every Owner shall have a right to use the Common Area, which right shall be appurtenant to and shall pass with the title to every Building Lot, subject to the following provisions:

6.1.1 The right of the Association, as it may hold or control such Common Area, to levy and increase Assessments;

6.1.2 The right of the Association to suspend the voting rights and rights to use of, or interest in, Common Area recreational facilities (but not including access to private streets, cul-de-sacs and walkways of the Property) by an Owner for any period during which any Assessment or charge against such Owner's Building Lot remains unpaid; and for a period not to exceed sixty (60) days for an infraction of the Association Rules; and

6.1.3 The right of the Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be permitted by the Articles and Bylaws and agreed to by the Members. No dedication or transfer of said Common Area shall be effective unless an instrument agreeing to such dedication or transfer signed by Members representing two-third (2/3) of each class of Members has been recorded.

6.1.4 The right of the Association or the Developer, to construct Improvements on all Common Areas, including but not limited to providing utility and private drainfield or drainfield access, private streets, crossings, walkways, trails and other recreational improvements deemed desirable by the Association; and the right of an Owner with a drainfield easement to construct Improvements as reasonably necessary on Common Areas to provide for private drainfields and drainfield access.

6.1.5 The rights of the Declarants and Developer as expressly provided in Section 4.2.24 herein.

6.2 Designation of Common Area. Developer, shall designate and reserve Common Area in the Declaration and Developer shall have such authority with respect to Supplemental Declarations and/or recorded Plats, deeds or other instruments and/or as otherwise provided herein.

6.3 Delegation of Right to Use. Any Owner may delegate, in accordance with the Bylaws and Association Rules as the case may be, such Owner's right of enjoyment to the Common Area, to the members of such Owner's family in residence, and such Owner's tenants or contract purchasers who reside on such Owner's Building Lot. Only Developer or the Association shall have the right to delegate the right of enjoyment to the Common Area to the general public, and such delegation to the general public shall be for a fee set by and paid to Developer or the Association.

6.4 Damages. Each Owner shall be fully liable for any damage to any Common Area which may be sustained by reason of the negligence or willful misconduct of the Owner, such

Owner's resident tenant or contract purchaser, or such Owner's family and guests, both minor and adult. In the case of joint ownership of a Building Lot, the liability of such Owners shall be joint and several. The cost of correcting such damage shall be a Limited Assessment against the Building Lot and may be collected as provided herein for the collection of other Assessments.

ARTICLE VII: ASSESSMENTS

7.1 Covenant to Pay Assessments. Upon transfer of a deed following final plat of a Building Lot and acceptance of such a deed to any property in River Ranch on the Little Spokane, each Owner of such property (other than Developer) hereby covenants and agrees to pay when due all Assessments or charges made by the Association, including all Regular, Special and Limited Assessments and charges made against such Owner, excluding Developer, pursuant to the provisions of this Declaration or other applicable instrument.

7.1.1 Assessment Constitutes Lien. Such Assessments and charges together with interest, costs and reasonable attorneys' fees which may be incurred in collecting the same, shall be a charge on the Building Lot and shall be a continuing lien upon the Building Lot against which each such Assessment or charge is made, regardless of whether such Building Lot is sold or otherwise transferred.

7.1.2 Assessment is Personal Obligation. Each such Assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of such Building Lot beginning with the time when the Assessment falls due. The personal obligation for delinquent Assessments shall not pass to such Owner's successors in title unless expressly assumed by them but shall remain such Owner's personal obligation regardless of whether he or she remains an Owner.

7.2 Regular Assessments. All Owners, excluding Developer, are obligated to pay Regular Assessments to the Association on a schedule of payments established by the Board.

7.2.1 Purpose of Regular Assessments. The proceeds from Regular Assessments are to be used to pay for all costs and expenses incurred by the Association, including legal and attorneys fees and other professional fees, for the conduct of its affairs, including without limitation the costs and expenses of construction, improvement, protection, maintenance, repair, management and operation of the Common Areas, including all Improvements located on such Common Areas owned and/or managed and maintained by the Association, and an amount allocated to an adequate reserve fund to be used for repairs, replacement, maintenance and improvement of those elements for the Common Area, or other property of the Association that must be replaced and maintained on a regular basis (collectively "Expense").

7.2.2 Computation of Regular Assessments. For 2007, the Board of Trustees of the Association has fixed the Regular Assessment at \$1,500.00 per year and if there is any surplus, such surplus will be retained to establish a reserve fund for future capital repairs and improvements. The Regular Assessment shall remain at \$1,500.00 until such time as the Board

of Trustees decides to adjust such Regular Assessment based on changes in the estimated operating expenses of the Association and/or actual number of Owners required to pay Regular Assessments. In the event no notice of any change in Regular Assessments is given to Owners, each Owner, excluding Developer, will be required to pay the same amount as the preceding amount of Regular Assessment.

7.2.3 Amounts Paid by Owners. The Board can require, in its discretion or as provided in the Articles or Bylaws, payment of Regular Assessments in semi-annual or annual installments. Each Owner, excluding Developer, shall be assessed and shall pay an amount determined annually by the Board of Trustees. In computing any change to the amount of Regular Assessments, the Board shall prepare an estimate of expenses for operating the Association including contributions to a reserve for future capital repairs as the Board may consider appropriate. From said estimate of operating expenses, the remaining shortfall shall be divided by the number of finally platted Building Lots attributable to all Owners, excluding Developer, for said year. The Board shall make a reasonable estimate of the number of Owners, excluding Developer, that will be subject to Regular Assessments during the year.

7.3 Special Assessments. All Owners, excluding Developer, are obligated to pay Special Assessments to the Association on a schedule of payments established by the Board.

7.3.1 Purpose and Procedure. In the event that the Board shall determine that its respective Regular Assessment for a given calendar year is or will be inadequate to meet the projected expenses of the Association for any reason, including but not limited to costs of construction, reconstruction, unexpected repairs or replacement of capital improvements upon the Common Area, attorneys' fees and/or litigation costs, other professional fees, or for any other reason, the Board shall determine the approximate amount necessary to defray such expenses and levy a Special Assessment against the Property which shall be computed in the same manner as Regular Assessments. No Special Assessment shall be levied which exceeds twenty percent (20%) of the budgeted gross expenses of the Association for the fiscal year, without the vote or written assent of the Members representing a majority of the votes of the Association.

7.3.2 Consistent Basis of Assessment. Every Special Assessment levied by and for the Association shall be levied and paid upon the same basis as that prescribed for the levying and payment of Regular Assessments for the Association.

7.4 Limited Assessments. Notwithstanding the above provisions with respect to Regular and Special Assessments, the Board may levy a Limited Assessment against an Owner other than Developer as a remedy to compensate the Association and other Members and reimburse the Association for costs incurred in bringing the Owner and/or such Owner's Building Lot into compliance with the provisions of the governing instruments for River Ranch on the Little Spokane.

7.4.1 Architectural Committee Violations. As provided in Section 10.7, the Association may impose an assessment in the amount of \$100.00 per day from the date of the Architectural Committee's determination of violations continuing through the date corrections are completed, as a compensatory charge to the Association and other Members for such

violation, which may be assessed and imposed separately for each distinct violation. After 2006, the Board shall have the right, in its discretion, to periodically increase the \$100.00 per day amount described in the preceding sentence in order to reflect the impact of cost of living increases.

7.4.2 Other Violations. Notwithstanding any additional remedies available to the Association, any Owner, who receives a third letter from the Association detailing violations of provisions of this Declaration will be assessed a \$500 fee to reimburse the Association for costs and time incurred. Thereafter, any Owner who receives further violation letters will be assessed a \$100 fee per letter. After 2006, the Board shall have the right, in its discretion, to periodically increase the assessment amounts described above in this paragraph in order to reflect the impact of cost of living increases.

7.5 Transfer Assessments. Effective after January 1, 2007, upon transfer of title or sale of any Building Lot from an existing Owner, excluding Developer, to a new Owner, the new Owner shall pay a Transfer Assessment equal to \$300 to the Association to mitigate the costs associated with such transfer of title, such as establishing new accounting records, etc. After 2007, the Board shall have the right, in its discretion, to periodically increase the assessment amounts described above in this paragraph in order to reflect the impact of cost of living increases.

7.6 Uniform Rate of Assessment. Unless otherwise specifically provided herein, Regular and Special Assessments shall be fixed at a uniform rate per Building Lot for all Owners, excluding Developer, of the Association.

7.7 Assessment Period. Unless otherwise provided in the Articles or Bylaws, the Assessment period, the "fiscal year", shall commence on January 1 of each year and terminate December 31 of such year. The first Assessment shall be pro-rated according to the number of months remaining in the fiscal year and shall be payable in advance.

7.8 Notice and Assessment Due Date. Ten (10) days prior written notice of Regular and Special Assessments shall be sent to the Owner of every Building Lot subject thereto, and to any person in possession of such Building Lot. The due dates for installment payment of Regular Assessments and Special Assessments shall be the first day of each month unless some other due date is established by the Board. Each installment of the Regular Assessment or Special Assessment shall become delinquent if not paid within ten (10) days after the levy thereof. There shall accrue with each delinquent installment payment a late charge equal to ten percent (10%) of the delinquent installment. In addition, each installment payment which is delinquent for more than twenty (20) days shall accrue interest at the lesser of the highest rate permitted by law or eighteen percent (18%) per annum calculated from the date of delinquency to and including the date full payment is received by the Association. The Association may bring an action against the delinquent Owner, excluding Developer, and may foreclose the lien against such Owner's Building Lot as more fully provided herein. Each Owner, excluding Developer, is personally liable for Assessments, together with all interest, costs and attorneys' fees, and no Owner may exempt such Owner from such liability by a waiver of the use and enjoyment of the Common Areas, or by lease or abandonment of such Owner's Building Lot.

7.9 Estoppel Certificate. The Association, upon at least twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request, a statement in writing stating whether or not, to the knowledge of the Association, a particular Building Lot is in default under the provisions of this Declaration, and further stating the dates to which any Assessments have been paid by the Owner. Any such Certificate delivered pursuant to this paragraph may be relied upon by any prospective purchaser or mortgagee of the Owner's Building Lot. Reliance on such Certificate may not extend to any default as to which the signor shall have had no actual knowledge.

7.10 Special Notice and Quorum Requirements. Notwithstanding anything to the contrary contained in either the Bylaws or the Articles, written notice of any meeting called for the purpose of levying a Special Assessment, or for the purpose of obtaining a membership vote in connection with an increase in the Regular Assessment, shall be sent to all Members of the Association and to any person in possession of a Building Lot, not less than fifteen (15) days nor more than fifty (50) days before such meeting. At the first such meeting called, the presence of the Members or of proxies entitled to cast fifty percent (50%) of the total votes of the Association shall constitute a quorum. If such quorum is not present, subsequent meetings may be called subject to the same notice requirement, and the required quorum at the subsequent meetings shall be forty percent (40%) of the quorum required at the preceding meeting. No such subsequent meeting shall be held more than thirty (30) days following the preceding meeting.

ARTICLE VIII: ENFORCEMENT OF ASSESSMENTS; LIENS; PROCEEDINGS

8.1 Right to Enforce. The Association has the right to collect and enforce its Assessments pursuant to the provisions hereof. Each Owner, excluding Developer, of a Building Lot, upon becoming an Owner of such Building Lot, shall be deemed to covenant and agree to pay each and every Assessment provided for in this Declaration and agrees to the enforcement of all Assessments in the manner herein specified. In the event an attorney or attorneys are employed for the collection of any Assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay reasonable attorney's fees in addition to any other relief or remedy obtained against such Owner. The Board or its authorized representative may enforce the obligations of the Owners to pay such assessments by commencement and maintenance of a suit pursuant to paragraph 8.3 to enforce the liens created hereby. A suit to recover a money judgment for an unpaid Assessment shall be maintainable without foreclosing or waiving the lien hereinafter provided.

8.2 Authorization Required to Commence Proceedings. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of two-thirds (2/3) of the Board of Directors and Members. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of the Declaration; (b) the imposition and collection of Assessments; (c) proceedings involving challenges to *ad valorem* taxation; or (d) counterclaims brought by the Association in proceedings instituted against it.

This Section shall not be amended unless such amendment is made by the Developer, and is approved by the percentage votes, and pursuant to the same procedures, necessary to institute proceedings as provided above.

8.3 Assessment Liens; Creation. There is hereby created a claim of lien with power of sale on each and every Building Lot to secure payment of any and all Assessments levied against such Building Lot pursuant to this Declaration together with interest thereon at the lower of eighteen percent (18%) per annum or the maximum rate permitted by law and all costs of collection which may be paid or incurred by the Association making the Assessment in connection therewith, including reasonable attorney's fees. All sums assessed in accordance with the provisions of this Declaration shall constitute a lien on such respective Building Lots upon recordation of a claim of lien with the Spokane County Auditor. Such lien shall be prior and superior to all other liens or claims created subsequent to the recordation of the notice of delinquency and claim of lien except for tax liens for Property taxes on any Building Lot and Assessments on any Building Lot in favor of any municipal or other governmental assessing body which, by law, would be superior thereto.

8.3.1 Claim of Lien. Upon default of any Owner in the payment of any Regular, Special or Limited Assessment issued hereunder, the Association may cause to be recorded in the office of the Spokane County Auditor a claim of lien. The claim of lien shall state the amount of such delinquent sums and other authorized charges (including the cost of recording such notice), a sufficient description of the Building Lot(s) against which the same have been assessed, and the name of the record Owner thereof. Each delinquency shall constitute a separate basis for a notice and claim of lien. Upon payment to the Association of such delinquent sums and charges in connection therewith or other satisfaction thereof, the Association shall cause to be recorded a further notice stating the satisfaction or relief of such delinquent sums and charges. The Association may demand and receive the cost of preparing and recording such release before recording the same.

8.4 Method of Foreclosure. Such lien may be foreclosed by appropriate action in court or by sale by the Association establishing the Assessment, its attorney or other person authorized to make the sale. Such sale shall be conducted in accordance with the provisions of the Revised Code of Washington applicable to the exercise of powers of sale permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association, or any title company authorized to do business in Washington as trustee for the purpose of conducting such power of sale or foreclosure.

8.5 Subordination to Certain Trust Deeds and Mortgages. The lien for the Assessments provided for herein in connection with a given Building Lot shall be subordinate to the lien of a deed of trust or mortgage given and made in good faith and for value that is of record as an encumbrance against an Owner's Building Lot prior to the recordation of a claim of lien for any Assessments. Except as provided in this paragraph 8.5 with respect to a trustee or mortgagee who acquires title to or a security interest in a Building Lot, the sale or transfer of any Building Lot shall not affect the Assessment lien provided for herein, nor the creation thereof by the recordation of a claim of lien, on account of the Assessments becoming due whether before,

on, or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent Assessments as provided for in this Declaration.

8.6 Rights of Mortgagees. Notwithstanding any other provision of this Declaration, no amendment of this Declaration shall operate to defeat the rights of the beneficiary under any deed of trust upon a Building Lot made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after the foreclosure of any such deed of trust such Building Lot shall remain subject to this Declaration as amended.

ARTICLE IX: INSPECTION OF ASSOCIATION'S BOOKS AND RECORDS

9.1 Member's Right of Inspection. The membership register, books of account and minutes of meetings of the Board and committees of the Association shall be made available for inspection and copying by any Member of the Association or by such Member's duly appointed representatives, at any reasonable time during business hours and for a purpose reasonably related to such Member's interest as a Member at the office of the Association or at such other place as the Board shall prescribe. No Member or any other person shall copy the membership register for the purposes of solicitation of or direct mailing to any Member of the Association.

9.2 Rules Regarding Inspection of Books and Records. The Board shall establish reasonable rules with respect to:

9.2.1 Notice to be given to the custodians of the records by the persons desiring to make the inspection.

9.2.2 Hours and days of the week when such an inspection may be made.

9.2.3 Payment of the cost of reproducing copies of documents requested pursuant to this Article.

9.3 Trustee's Rights of Inspection. Every Trustee shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of inspection by a Trustee includes the right to make extracts and copies of documents.

ARTICLE X: ARCHITECTURAL COMMITTEE

10.1 Creation. The Association shall have an Architectural Committee consisting of that number of persons, no fewer than three nor more than five individuals, specified from time to time by resolution of the Board. Developer initially shall appoint the members of the Architectural Committee. Developer shall retain the right to appoint, augment or replace all members of the Architectural Committee until the date on which Class B membership ceases to exist and for as long thereafter as Developer, in its sole discretion, elects. Thereafter, members of the Architectural Committee shall be appointed by the Board. Individuals appointed to the

Architectural Committee, other than those appointed by Developer, must satisfy such requirements as may be set forth in the Design Guidelines.

10.2 Design Guidelines.

(a) The Architectural Committee shall establish reasonable procedural rules, regulations, restrictions, architectural standards and design guidelines (the “Design Guidelines”), which the Architectural Committee may, from time to time in its sole discretion, amend, repeal or augment. After the date on which Class B membership ceases to exist (or after Developer’s voluntary relinquishment of control of the Architectural Committee, if later), any change in the Design Guidelines will be effective only if it is approved by Developer. The Design Guidelines are incorporated herein and shall be deemed to be a part of the Declaration and shall be binding on all Owners (excluding Developer), Members and other Persons as if expressly set forth herein. A copy of the current Design Guidelines shall at all times be a part of the Association’s records.

(b) The Design Guidelines shall not apply to, and nothing contained in this Declaration shall be construed to prevent or impair in any way, any development, operation, construction or improvements by Developer or any related entity within the Property, or other parcels outside of the property that may become part of the Property in the future.

(c) Subject to the provisions of Section 4.2.24, no building, fence, wall or other structure or improvement of whatever type shall be commenced, erected or maintained upon the Property, nor shall there be any addition to or change to the exterior of any residence or other structure or improvement upon a Building Lot or the Building Envelope, landscaping, tree removal, grading or drainage thereof, including but not limited to the painting (other than painting with the same color and type of paint as previously existed) of exterior walls, patio covers and fences, except in compliance with drawings and specifications therefore which have been submitted to and approved by the Architectural Committee, in accordance with the Design Guidelines, as to harmony of external design and location in relation to surrounding structures and topography.

(d) The Design Guidelines may also establish procedures to assuring conformity of completed improvements to drawings and specifications approved by the Architectural Committee.

10.3 Review of Proposed Construction. The Architectural Committee shall consider and act upon any and all proposals or plans and specifications submitted for its approval pursuant to this Declaration, and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Architectural Committee. The Board shall have the power to determine, by rule or other written designation consistent with this Declaration, which types of Improvements shall be submitted for Architectural Committee review and approval. The Architectural Committee shall have the power to hire architects licensed with the State of Washington to assist the Architectural Committee in its review of proposals or plans and specifications submitted to the Architectural Committee. The Architectural Committee shall

approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the habitat of the Common Areas, or appearance of the surrounding area of the Property as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, and that the upkeep and maintenance thereof will not become a burden on the Association. The cost of such architects shall be a limited assessment of the affected Building Lot Owner.

10.3.1 Conditions on Approval. The Architectural Committee may condition its approval of proposals or plans and specifications upon such changes therein as it deems appropriate, and/or upon the agreement of the Owner submitting the same (“Applicant”) to grant appropriate easements to the Association for the maintenance thereof, and/or upon the agreement of the Applicant to reimburse the Association for the cost of maintenance, and may require submission of additional plans and specifications or other information before approving or disapproving material submitted.

10.3.2 Architectural Committee Rules and Fees. The Architectural Committee also may establish rules and/or guidelines setting forth procedures for and the required content of the applications and plans submitted for approval. Such rules will require a standard fee to accompany each application. The Architectural Committee, from time to time, shall determine the amount of such fee in a reasonable manner. Such fees shall be used to defray the costs and expenses of the Architectural Committee, including the cost and expense of hiring architect(s), as provided above, or for such other purposes as established by the Board. Such rules and guidelines may establish, without limitation, specific rules and regulations regarding design and style elements, landscaping and fences and other structures such as animal enclosures as well as special architectural guidelines applicable to Building Lots located adjacent to public and/or private open space.

10.3.3 Detailed Plans. The Architectural Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, landscape plans, drainage plans, elevation drawings and descriptions or samples of exterior material and colors. Until receipt by the Architectural Committee of all required plans and specifications, the Architectural Committee may postpone review of any plan submitted for approval.

10.3.4 Architectural Committee Decisions. Decisions of the Architectural Committee and the reasons therefore shall be transmitted by the Architectural Committee to the Applicant at the address set forth in the application for approval within thirty (30) calendar days after filing all materials required by the Architectural Committee.

10.4 Meetings of the Architectural Committee. The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. The Architectural Committee may from time to time by resolution unanimously adopted in writing, designate an Architectural Committee representative (who may, but need not be one of its members) to take any action or perform any duties for and on behalf of the Architectural Committee, except the granting of variances pursuant to paragraph 10.9. In the absence of such designation, the vote of

a majority of the members of the Architectural Committee taken with or without a meeting shall constitute an act of the Architectural Committee.

10.5 No Waiver of Future Approvals. The approval of the Architectural Committee of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of the Architectural Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

10.6 Compensation of Members. The members of the Architectural Committee shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder and except as otherwise agreed by the Board.

10.7 Completion of Construction and Inspection of Work. After receipt of the approval of the Architectural Committee of any proposals or plans and specifications or drawings for any work done or proposed (the "Approved Application"), each Owner will be responsible for completing all improvements in accordance with the Approved Application and adhering to all provisions of this Declaration and the Design Guidelines regarding construction procedures. Upon completion of construction, the Owner shall give written notice of completion to the Architectural Committee, which shall inspect the improvements within sixty (60) days thereafter. If for any reason the Architectural Committee fails to notify the Owner of any noncompliance within one (1) year after receipt of the written notice of completion from the Owner, the work shall be deemed to be in accordance with the Approved Application. If the Architectural Committee finds that (a) the Owner is not complying with the provisions of this Declaration and the Design Guidelines regarding construction procedures or (b) the improvements have not been completed in accordance with the Approved Application, the Architectural Committee shall notify the Owner in writing of such violation(s) and shall require the Owner to remedy the violation(s). If the Owner fails to remedy the violation(s) within thirty (30) days (or such longer time as may be permitted by the Architectural Committee), the Architectural Committee shall notify the Board in writing of such failure. Upon receiving notice of violation from the Architectural Committee, the Board shall have the authority, in its sole discretion, to determine whether there is a violation and shall notify the Owner of its decision within thirty (30) days.

If the Board affirms the Architectural Committee's determination of a violation, the Owner shall be responsible for remedying the violation(s) as set forth in the notice from the Architectural Committee. If the Owner shall fail to remedy the violation, the Association may, as one option, remedy the violation, and the Owner shall be obligated to reimburse the Association for all costs and expenses incurred in connection therewith and the Association shall also have the authority to levy a Limited Assessment against such Owner, as set forth in Article 7.4. Such reimbursable costs shall include all actual or estimated costs of remedying such non-compliance, if applicable, reasonable attorney's fees incurred or to be incurred, reimbursement for time spent by members of the Architectural Committee and/or Board incurred in connection with any review or consideration of such noncompliance and all other out-of-pocket expenses. The Association may pursue collection of such Limited Assessment as against such Owner and such

Owner's Building Lot pursuant to this Declaration. The foregoing option shall not be exclusive and the Association may also elect to pursue any remedy available at law or in equity, or as provided in this Declaration.

10.8 Non-Liability of Architectural Committee Members. Neither the Architectural Committee nor any member thereof, nor its duly authorized Architectural Committee representative, shall be liable to the Association, or to any Owner, Grantee, or Developer for any loss, damage or injury arising out of or in any way connection with the performance of the Architectural Committee's duties hereunder, unless due to the willful misconduct or bad faith of the Architectural Committee. The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and to the Property generally. The Architectural Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of building, landscaping, color schemes, exterior finishes and materials and similar features, but shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of any plan or design from the standpoint of structural safety or conformance with building or other codes.

10.9 Variances. The Architectural Committee may authorize variances from compliance with any of the architectural provisions of this Declaration or any Supplemental Declaration, including restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations may be required. Such variances must be evidenced in writing, must be signed by a majority of the members of the Architectural Committee, and shall be effective upon the date stated in such variance or, if none, upon execution thereof by the requisite majority of the members of the Architectural Committee. If any variances are granted, no violation of the Covenants, Conditions or Restrictions contained in this Declaration or any Supplemental Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted.

ARTICLE XI: ANNEXATION OF ADDITIONAL PROPERTIES

11.1 By Developer. Developer intends to develop the Property, together with additional property, and may, in Developer's sole discretion, deem it desirable to annex some or all of such properties to the Property covered by this Declaration. Parcels may be annexed to the Property and brought within the provisions of this Declaration as provided herein by Developer, its successors or assigns, at any time, and from time to time, without the approval of any Owner or the Association. The use and development of such Parcels shall conform to all applicable land use regulations, as such regulations are modified by variances.

11.2 By the Association. In addition to the provisions concerning annexations by Developer specified in Section 11.1 above, Parcels may be created, subject to the same

conditions by the Association upon the exercise by Members of at least two-thirds (2/3) of the votes of the Association.

11.3 Rights and Obligations of Owners of Annexed Parcels. Subject to the provisions hereof, upon recording of a Supplemental Declaration as to any Parcel, all provisions contained in this Declaration shall apply to the Parcel in the same manner as if it were originally covered by this Declaration, subject to such modifications, changes and deletions as are specifically provided in such Supplemental Declaration, such Parcel shall be treated for all purposes as a Parcel as defined above. The Owners of Building Lots located in the Parcels shall become members of the Association and shall become liable for their appropriate share of Assessments. Title to the Common Areas which are to be owned and managed by the Association, within said Parcels shall be conveyed to the Association, free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, conditions and restrictions then of record including those set forth in this Declaration or any Supplemental Declaration applicable to such Parcels.

11.4 Method of Annexation. The addition of a Parcel to the Property authorized under Sections 11.1 and 11.2 shall be made by filing of record a Supplemental Declaration or other similar instrument with respect to the Parcel, which shall be executed by Developer or the owner thereof and which shall annex such property to the Property. Thereupon each Parcel shall be a part of the Property, shall be subject to this Declaration and encompassed within the general plan and scheme hereof as modified by such Supplemental Declaration, and shall be subject to the functions, powers and jurisdiction of the Association. Such Supplemental Declaration or other appropriate document may contain such additions, modifications, or deletions as may be deemed by Developer or the owner thereof desirable to reflect the different character, if any, of the Parcel, or as Developer or such owner may deem appropriate in the development of the Parcel. If any Parcel is created, the Association shall have the duty to maintain additional Common Area located within the Parcel if so specified in any Supplemental Declaration.

11.5 Deannexation. Developer may delete all or a portion of the Property except unsold platted Building Lots, including previously annexed Parcels, from the Property and from coverage of this Declaration and jurisdiction of the Association, so long as the Developer has an interest in such Parcels and provided that a Supplemental Declaration of Deletion of Property is recorded in the Office of the Spokane County Auditor in the same manner as a Supplemental Declaration of Annexation. Members other than Developer as described above shall not be entitled to deannex all or any portion of a Parcel except on the favorable vote of seventy-five percent (75%) of all Members of the Association and written approval of Developer so long as the Developer owns any portion of the Property described on Exhibit A or any other Property which is then part of the Property.

ARTICLE XII: EASEMENTS

12.1 Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment as between each Building Lot and such portion or portions of the Common Area

adjacent thereto or as between adjacent Building Lots due to minor unintentional wrongful placement or settling or shifting of the Improvements including but not limited to structures, walkways, paths, sidewalks and driveways constructed, reconstructed or altered thereon in accordance with the terms of this Declaration. Easements of encroachment shall be valid only so long as they exist, and the rights and obligations of Owners shall not be altered in any way because of encroachments, settling or shifting of the Improvements; provided, however, that in no event shall a valid easement for encroachment occur due to the willful act or acts of an Owner. In the event a structure on any Building Lot is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Building Lot agree that minor encroachments over adjoining Building Lots that existed prior to the encroachment may be reconstructed pursuant to the easement granted by this paragraph.

12.2 Easements of Access/Use: All Owners of Building Lots will have a perpetual easement for access, ingress and egress over the Common Area, including but not limited to the private streets, cul-de-sacs, paths, sidewalks, recreation areas and walkways. This easement shall run with the land. Such easements may be used by the Developer, and by all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Property, for pedestrian walkways, vehicular access, recreational use and such other purposes reasonably necessary for the use and enjoyment of a Building Lot or Common Area.

12.3 Drainage and Utility Easements. Developer expressly reserves for the benefit of all the Property reciprocal easements of access, ingress and egress for all Owners to and from their respective Building Lots for installation and repair of utility services, for drainage of water over, across and upon adjacent Building Lots and Common Areas, resulting from the normal use of adjoining Building Lots or Common Areas, and for necessary maintenance and repair of any Improvement including fencing, retaining walls, lighting facilities, mailboxes and sidewalk abutments, trees and landscaping. Notwithstanding anything expressly or impliedly contained herein to the contrary, this Declaration shall be subject to all easements heretofore or hereafter granted by Developer for the installation and maintenance of utilities and drainage facilities that are required for the development of the Property. In addition, Developer hereby reserves for the benefit of the Association and Developer the right to grant additional easements and rights-of-way over the Property and/or a Parcel, as appropriate, to utility companies and public agencies as necessary or expedient for the proper development of the Property until close of escrow for the sale of the last Building Lot in the Property to an Owner.

12.3.1 Improvement of Drainage and Utility Easement Areas. The Owners of Building Lots are hereby restricted and enjoined from constructing any improvements upon any drainage or utility easement areas as shown on the Plat of River Ranch on the Little Spokane or otherwise designated in any recorded document which would interfere with or prevent the easement from being used for such purpose; provided, however, that the Owner of such Building Lots and the Developer, the Association or designated entity with regard to the landscaping easement described in this Article, shall be entitled to install and maintain landscaping on such easement areas, and also shall be entitled to build and maintain fencing on such easement areas subject to approval by the Architectural Committee, so long as the same would not interfere with or prevent the easement areas from being used for their intended purposes; provided, that any

damage sustained to Improvements on the easement areas as a result of legitimate use of the easement area shall be the sole and exclusive obligation of the Owner of the Building Lot whose Improvements were so damaged.

12.4 Rights and Duties Concerning Utility Easements. The rights and duties of the Owners of the Building Lots within the Property with respect to utilities shall be governed by the following:

12.4.1 Wherever utility house connections are installed within the Property, which connections or any portions thereof lie in or upon Building Lots owned by an Owner other than the Owner of the Building Lot served by the connections, the Owner of the Building Lot served by the connections shall have the right, and is hereby granted an easement to the full extent necessary therefore, to enter upon any Building Lot or to have their agent enter upon any Building Lot within the Property in or upon which said connections or any portion thereof lie, to repair, replace and generally maintain the connections as and when it may be necessary.

12.4.2 Whenever utility house connections are installed within the Property, which connections serve more than one Building Lot, the Owner of each Building Lot served by the connections shall be entitled to full use and enjoyment of such portions of said connections as service such Owner's Building Lot.

12.5 Driveway Easements. Whenever a driveway easement installed within the Property serves more than one Building Lot, the Owner of each Building Lot served or to be served by such driveway shall be entitled to full use and enjoyment of such easement as required to serve such Owner's Building Lot and each of said Owners shall be equally responsible for the costs to install, repair, replace and otherwise maintain such driveway and related landscape improvements within such easement.

12.6 Disputes as to Sharing of Costs. In the event of a dispute between Owners with respect to the improvement, repair or replacement of driveway improvements, including utility connections or landscaping, or with respect to the sharing of the cost therefore, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board which shall decide the dispute and, if appropriate, make an appropriate Assessment against any or all of the Owners involved on behalf of the prevailing Owner(s), which Assessment shall be collected and enforced in the manner provided by this Declaration for Limited Assessments.

12.7 General Landscape Easement. An easement is hereby reserved to the Association, its contractors and agents, to enter those portions of Building Lots for the purpose of installing, maintaining, replacing and restoring exterior landscaping, and natural vegetation and habitat. Such landscaping activity shall include, by way of illustration and not of limitation, the mowing of lawns, irrigation, sprinkling, tree and shrub trimming and pruning, walkway improvement, seasonal planting and such other landscaping activities within the Property as the Association shall determine to be necessary from time to time.

12.8 Maintenance and Use Easement Between Walls and Building Lot Lines.

Whenever the wall of a structure, or a fence or retaining wall, is legitimately constructed on a Building Lot under plans and specifications approved by the Architectural Committee, and is located within three (3) feet of the Building Lot line of such Building Lot, the Owner of such Building Lot is hereby granted an easement over and on the adjoining Building Lot (not to exceed 3 feet from the Building Lot line) for purposes of maintaining and repairing such wall or fence and eaves or other overhangs, and the Owner of such adjoining Building Lot is hereby granted an easement for landscaping purposes over and on the area lying between the Building Lot line and such structure or fence so long as such use does not cause damage to the structure or fence.

12.9 Recreation Area. The parcel containing approximately 1,200 feet of river frontage to centerline of the Little Spokane River, adjacent to Lots of River Ranch on the Little Spokane, which Recreation Area is indicated on the Plat ("Recreation Area"), has been designated as an open space tract in perpetuity. The Recreation Area shall be managed by the Association in a manner consistent with the intent to provide the Recreation Area as a Common Area available to all Owners, their guests, invitees and tenants. The following uses are permitted in the Recreation Area:

1. Weed prevention and control shall be permitted.
2. Use of the bridge crossing the Little Spokane River.
3. Hiking.
4. Swimming.
5. Fishing.
6. Picnics.
7. Other related activities as deemed reasonable or necessary to manage and maintain the Recreation Area consistent with the overall objective of pedestrian recreational uses and the preservation of wildlife.

The following uses shall not be permitted on the Recreational Area:

1. Any use of the Recreational Area which that is inconsistent with the overall objectives of pedestrian recreational uses and the preservation and protection of wildlife, including public access.
2. Hunting, trapping or intentional flushing of birds, deer, elk, moose or other animals or any other activity that may be harmful to or which constitutes harassment of animals or wildlife.
3. No unleashed dogs or cats are permitted on the Recreational Area, and each Owner shall be responsible for assuring compliance with regard to their household pets.

4. Starting or maintaining fires for any purpose.
5. Any and all other activities prohibited by the Board or the Association.

ARTICLE XIII: MISCELLANEOUS

13.1 Term. The easements created hereunder shall be perpetual, subject only to extinguishment by the holders of such easements as provided by law. The covenants, conditions, restrictions and equitable servitudes of this Declaration shall run for a term of twenty (20) years from the date this Declaration is recorded, unless amended as herein provided. Thereafter, such covenants, conditions, restrictions and equitable servitudes shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by Members holding at least three-fourths (3/4) of the voting power of the Association and such written instrument is recorded with the Spokane County Auditor. Further provided that the Association shall not be dissolved without the prior written approval of the Spokane County Highway District, such consent not to be unreasonably withheld provided that a responsible successor organization shall agree to perform those maintenance responsibilities arising from applicable governmental requirements.

13.2 Amendment.

13.2.1 By Developer. Except as provided in paragraph 13.3 below, until the recordation of the first deed to a Building Lot in the Property, the provisions of this Declaration may be amended, modified, clarified, supplemented, added to (collectively "Amendment") or terminated by Developer by recordation of a written instrument setting forth such Amendment or termination. Any Amendment affecting only a particular Building Lot may be made by Developer by an Amendment to this Declaration at any time up to the recordation of the first deed to such Building Lot.

13.2.2 By Owners. Except where a greater percentage is required by express provision in this Declaration, the provisions of this Declaration, other than this Article XIII, may be amended by an instrument in writing signed and acknowledged by the president and secretary of the Association certifying and attesting that such amendment has been approved by the vote or written consent of Owners representing more than fifty percent (50%) of the votes in the Association, and such amendment shall be effective upon its recordation with the Spokane County Auditor. Any amendment to this Article XIII shall require the vote or written consent of Members holding ninety-five percent (95%) of the voting power of the Association.

13.3 Trust Deed and Mortgage Protection. Notwithstanding any other provisions of this Declaration, no amendment of this Declaration shall operate to defeat or render invalid the rights of the beneficiary under any deed of trust or mortgagee under any mortgage covering a Building Lot, made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after foreclosure of any such deed of trust or mortgage, such Building Lot shall remain subject to this Declaration, as amended.

13.4 Notices. Any notices permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered three (3) days after the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association, as provided in this paragraph.

13.5 Enforcement and Non-Waiver.

13.5.1 Right of Enforcement. Except as otherwise provided herein, any Owner of a Building Lot shall have the right to enforce any or all of the provisions hereof against any property within the Property and Owners thereof.

13.5.2 Violations and Nuisances. The failure of any Owner of a Building Lot to comply with any provision hereof, or with any provision of the Articles or Bylaws of the Association, is hereby declared a nuisance and will give rise to a cause of action in the Developer, the Association or any Owner of a Building Lot within the Property for recovery of damages or for negative or affirmative injunctive relief or both. However, any other provision to the contrary notwithstanding, only Developer, the Association, the Board, or a duly authorized agent of any of them, may enforce by self-help any of the provisions hereof only if such self-help is preceded by reasonable notice to the Owner.

13.5.3 Violation of Law. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the Property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth in this Declaration and any or all enforcement procedures in law or equity.

13.5.4 Remedies Cumulative. Each remedy provided herein is cumulative and not exclusive.

13.5.5 Non-Waiver. The failure to enforce any of the provisions herein at any time shall not constitute a waiver of the right to enforce any such provision.

13.6 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Property. This Declaration shall be construed and governed under the laws of the State of Washington.

13.6.1 Restrictions Construed Together. All of the provisions hereof shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Property as set forth in the recitals of this Declaration.

13.6.2 Restrictions Severable. Notwithstanding the provisions of the foregoing paragraph, each of the provisions of this Declaration shall be deemed independent and severable,

and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision herein.

13.6.3 Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

13.6.4 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

13.7 Successors and Assigns. All references herein to, Developer, Owners, Association or person shall be construed to include all successors, assigns, partners and authorized agents of such, Developer, Owners, Association or person.

13.8 Attorney Fees. In the event an arbitration, suit or action is brought by any party under this Declaration to enforce any of its terms, or in any appeal therefrom, it is agreed that the prevailing party shall be entitled to reasonable attorneys' fees to be fixed by the arbitrator, trial court and/or appellate court.

IN WITNESS WHEREOF, the parties hereto have set their hands and seals this ____ day of February, 2007.

“DEVELOPER”

KULEANA, LLC,
a Washington limited liability company

By: _____
Harold Johnson, Manager

**RIVER RANCH HOMEOWNERS
ASSOCIATION, INC.**

By: _____
Harold Johnson, President

EXHIBIT “A”

[Legal]

Attached.