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OFFICIAL RECORDS

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
AND EASEMENTS FOR
GLENEAGLE AT HORN RAPIDS:
A PLANNED UNIT DEVELOPMENT NEIGHBORHOOD

Chicago Title

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SUMMARY OF
DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS, AND EASEMENTS FOR
GLENEAGLE AT HORN RAPIDS: A PLANNED UNIT
DEVELOPMENT NEIGHBORHOOD

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

Gleneagle Planned Unit Development (Article 2)

Article 2 of the CC&R's specifies that Gleneagle at Horn Rapids will be developed as a Planned Unit Development, the original version of which is illustrated on Exhibit B of the CC&R's. As approved, Gleneagle consists of 48 single family homes, some of which are 1-story and some of which are 2-story. The neighborhood combines traditional street-facing homes with groupings of homes clustered around private auto courts. To ensure that residents have private recreation space, a fencing plan and standards have been approved for the neighborhood. Public recreation space has been provided in the park located in the midst of the community. Vehicular access is provided by two streets, Monarch Lane and Dornoch Place, both of which contain streets, trees and parking bays for guests of residents. The paved portions of the two streets and all sidewalks within the community are private and are to be maintained by the Gleneagle at Horn Rapids Association.

Gleneagle Association (Article 3)

The Gleneagle at Horn Rapids Association is a Sub-Association of the Horn Rapids Master Homeowners Association, and as such, it is the homeowners' association responsible for management and maintenance of the Gleneagle neighborhood. The Gleneagle at Horn Rapids Association is governed by a board of directors with members selected by the Declarant, the City of Richland, and the Gleneagle Association membership. Everyone who owns a dwelling unit in Gleneagle automatically belongs to the Gleneagle at Horn Rapids Association. The initial design of all houses and associated improvements including fences and landscaping is subject to the approval of the Initial

Construction Controls Committee. After initial construction of improvements, the Gleneagle at Horn Rapids Association Architectural Controls Committee will regulate the appearance of Common Areas, houses, fences, and all other structures within its jurisdiction.

Gleneagle at Horn Rapids Association Assessments (Article 4)

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

Use Restrictions in Gleneagle at Horn Rapids (Article 6)

Article 6 contains provisions that restrict permissible activities in Gleneagle. Similar restrictions are contained in the Master Declaration. For example, commercial enterprises are generally prohibited. The Board may prohibit the outdoor parking of mobile homes or boats within Gleneagle. Fences, decks, pools, and spas must be approved in advance by the Architectural Controls Committee. Certain maintenance responsibilities are imposed on all owners in order to ensure that their homes and landscaping are kept in good condition, including the landscaping in any adjacent street right-of-way. Firearms and other dangerous weapons may not be used and no hunting is permitted.

Common Areas (Article 7)

The Common Areas include the paved portions of Monarch Lane and Dornoch Place, the auto courts, all sidewalks, and the neighborhood park. The Gleneagle at Horn Rapids Association is responsible for the maintenance and improvement of all Common Areas within Gleneagle except for the park, which is the responsibility of the Master Association. The alteration, destruction, or elimination of landscaping, physical improvements, or native growth in Common Areas is prohibited except in connection with specified activities approved by the Gleneagle at Horn Rapids Association or Declarant.

OFFICIAL RECORDS

The foregoing summary is no substitute for a careful reading of the CC&R's themselves. Please take time to read them. In a way, the CC&R's are the underlying "constitution" for the Gleneagle neighborhood. They are generally parallel with the Horn Rapids Master Homeowners Association CC&R's, which you should also read carefully. Together with state and local laws and ordinances, the Gleneagle at Horn Rapids Association Bylaws, and the Association's Rules and Regulations, the Gleneagle and Master Association CC&R's are the foundation for a safe, successful, and attractive private community. Each owner has a responsibility to abide by the provisions of the CC&R's in order to make Gleneagle at Horn Rapids the special place it is designed to be.

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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
AND EASEMENTS FOR GLENEAGLE AT HORN RAPIDS: A PLANNED UNIT
DEVELOPMENT NEIGHBORHOOD

THIS DECLARATION is made on this ____ day of _____, 1994, by the undersigned who is the owner of certain land situated in the State of Washington, County of Benton, known as Gleneagle at Horn Rapids, hereafter referred to and defined and more particularly described as Exhibit A, which is attached hereto and incorporated herein by this reference as fully set forth.

DESCRIPTION OF DECLARATION

Declarant desires to create in Gleneagle at Horn Rapids, as defined herein, a planned unit development with residential uses. Declarant also desires to provide for the preservation of the natural values and amenities in Gleneagle at Horn Rapids, and to provide for the maintenance of open spaces and other common facilities. Through the establishment of an association known as the Gleneagle at Horn Rapids Association.

The Gleneagle Association shall be delegated and assigned the duties and powers of owning, maintaining and/or administering the Common Areas, administering and enforcing covenants, conditions, and restrictions, and collecting and disbursing the assessments and charges hereinafter created, except as to certain duties and powers reserved to Declarant as hereinafter provided.

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

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

ARTICLE 1

DEFINITIONS

Section 1.1. Gleneagle Association shall mean and refer to the Gleneagle at Horn Rapids Association, a Washington non-profit corporation, its successors and assigns.

Section 1.2. Gleneagle Association Action shall mean and refer to a written corporate action of the Gleneagle Association in the form of either a by-law or resolution duly passed by either the Board or the Owners.

Section 1.3. Board shall mean and refer to the Board of Directors of the Gleneagle Association.

Section 1.4. CTV shall mean and refer to Columbia Triangle Venture L.P., a Washington limited partnership, its successors and assigns.

Section 1.5. City of Richland shall refer to the City of Richland, a Washington municipal corporation, which owns portions of the planned phased areas of Gleneagle at Horn Rapids and from whom CTV, Declarant or approved third parties will purchase those portions of Gleneagle at Horn Rapids to construct the neighborhood in a manner generally consistent with the Planned Unit Development in effect throughout the development of the neighborhood.

Section 1.6. Common Areas as used in this Gleneagle Declaration shall mean and refer to (i) all real property that is owned by the Gleneagle Association, (ii) the neighborhood park within the Gleneagle planned unit development that is owned and maintained by the Horn Rapids Master Homeowners Association, and (iii) the beneficial interest in easements or other property interests that are granted or reserved to the Gleneagle Association as an Association or for the benefit of its

members, including without limitation open space areas and improvements thereon, the paved portions of streets and sidewalks, pedestrian paths, auto courts, and other areas available for access, use, or enjoyment by members of the Gleneagle Association. Declarant shall be entitled to add Common Areas as such are identified.

Section 1.7. Declarant shall mean and refer to Prestige Homes-Ventures, a Washington joint venture, its successors and assigns, if such successors or assigns should acquire all or substantially all of the then-undeveloped Parcels of Gleneagle at Horn Rapids from Declarant for the purpose of development (excluding Participating Builders); provided, however, that no successor or assign of Declarant shall have any rights or obligations which are not specifically set forth in the instrument of succession or assignment or other recorded instrument or passed by operation of law. Certain rights and obligations of Declarant, as set forth herein, shall cease at the end of the Development Period.

Section 1.8. Declaration shall mean and refer to this instrument, as the same may be supplemented or amended from time to time. This Declaration is also referred to herein as the "Gleneagle Declaration" to distinguish it from the Master Declaration.

Section 1.9. Development Period shall mean and refer to that period of time beginning on the date of initial recording of this Declaration and ending whenever any of the following first occurs: (i) 30 years from the date hereof; or (ii) 4 months after Declarant has transferred title to purchasers of Lots representing ninety-five percent (95%) of the total voting power of all Owners as then constituted; or (iii) written notice from Declarant to the Gleneagle Association in which Declarant elects to terminate the Development Period. The Development Period may be extended pursuant to Section 2.2.

Section 1.10 Golf Course shall mean that certain real and personal property which is contiguous to Gleneagle at Horn Rapids and developed as an 18-hole golf course and owned and operated by Columbia Golf Associates, a Washington General Partnership or its successors and/or assigns. The Golf Course shall include the greens, fairways, cart paths, driving range, putting greens, designated lakes or water hazards, maintenance facilities and other improvements so-designated by CTV as part of the Golf Course. Notwithstanding anything to the contrary contained within this Declaration, the Golf Course is not a part of Gleneagle at Horn Rapids or the Common Areas, and the Owners of Living Units do not, by the nature of their ownership of Property within the community, have any reserved right to use of the Golf Course or membership, if offered, to any golf club for the community.

Section 1.11 Governing Documents shall mean and refer to this Declaration, any Supplementary Declarations subsequently filed, and the Articles of Incorporation and Bylaws of the Gleneagle Association, as any of the foregoing may be amended from time to time.

Section 1.12. Initial Construction Controls Committee shall mean the committee created pursuant to Section 3.9.

Section 1.13. Living Unit shall mean and refer to a building or structure or any portion thereof situated in Gleneagle at Horn Rapids that is designed and intended for use and occupancy as a residence by a single family, and the appurtenant landscaping, fences or walls, decks, patios, pool, spa, garage, driveway, or similar improvements occupying any Lot on which a Living Unit is situated.

Section 1.14. Lot shall mean and refer to any legally segmented and alienable portion of Gleneagle at Horn Rapids created after the date of this Declaration (and including Lots in the Plat of Gleneagle at Horn Rapids, whether or not such plat is recorded after the date of this Declaration), through subdivision, short subdivision, planned unit development approval, or any other legal process for dividing land, with the exception of streets and other public areas, the Golf Course, the Common Areas and any areas conveyed to the irrigation source entity for use as well sites. When used with respect to a Lot on which any structures have been constructed, "Lot" shall mean both the underlying real property and all improvements thereon.

Section 1.15. Master Association shall mean the Horn Rapids Master Homeowners Association, as set forth in the Master Declaration.

Section 1.16. Master Plan shall mean and refer to the total general scheme of intended uses of Horn Rapids as approved by the City of Richland in Resolution 38-93, the present version of which is illustrated in Exhibit C attached hereto, which exhibit is incorporated herein by this reference as if fully set forth. If the Master Plan shall be amended, this definition shall refer to the most current version thereof. Horn Rapids shall mean and refer to the real property described in the Master Plan.

Section 1.17. Mortgage shall mean and refer to any recorded mortgage or deed of trust encumbering one or more of the Lots or Living Units. "First Mortgage" shall mean and refer to a Mortgage with priority over other Mortgages. "Mortgagee" shall mean and refer to the holder or beneficiary of any Mortgage and shall not be limited to Institutional Mortgagees. As used herein, the term "Institutional Mortgagees" or "Institutional Holder" shall include banks, trust companies, insurance companies, mortgage companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit

unions, pension funds, Federal National Mortgage Association ("FNMA"), Federal Home Loan Mortgage Corporation ("FHLMC"), all corporations, and any agency or department of the United States Government or of any state or municipal government.

Section 1.18. Owner shall mean and refer to the record owner (whether one or more persons or entities) of a fee interest in any Lot but excluding Mortgagees or other persons or entities having such interest merely as security for the performance of an obligation. Purchasers or assignees under recorded real estate contracts shall be deemed Owners and their respective sellers or assignors shall not be deemed Owners, except as provided in Section 5.3, 5.4 and 5.5.

Section 1.19. Planned Unit Development shall mean and refer to the total general scheme of intended uses of Gleneagle at Horn Rapids as approved by the City of Richland in Ordinance 39-93, the present version of which is illustrated in Exhibit B attached hereto, which exhibit is incorporated herein by this reference as if fully set forth, and as further defined in Article 2. If the Planned Unit Development shall be amended, this definition shall refer to the most current version thereof.

Section 1.20. Gleneagle at Horn Rapids shall mean and refer to that certain real property described on Exhibit A attached hereto, and such additions thereto as may hereafter be brought within the terms and conditions hereof, in accordance with Article 2 of this Declaration.

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

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

ARTICLE 2

PLANNED UNIT DEVELOPMENT AND ADDITIONS

Section 2.1. The Planned Unit Development. The Planned Unit Development, the original version of which has been approved by the City of Richland in Ordinance 39-93 and is illustrated on Exhibit B, is Declarant's design for the staged development of Gleneagle at Horn Rapids as a neighborhood, and may be amended by Declarant as provided herein during the time required to develop the Gleneagle neighborhood. The Planned Unit Development design shall not bind Declarant to make any of the additions to Gleneagle at Horn Rapids that

are shown on the Planned Unit Development or to improve any portion of such lands in accordance with the Planned Unit Development. As provided in Section 2.2., the Declarant has the right to amend the Planned Unit Development, subject to approval by the City of Richland and/or other government agencies.

Section 2.2 Additions and Amendments. Declarant hereby reserves the right to amend the Planned Unit Development. Such amendments shall be effected by (1) giving notice of the proposed changes to the Gleneagle Association Board; (2) securing any necessary approval of any proposed amendment from the City of Richland or any successor governmental entity with jurisdiction over the Gleneagle at Horn Rapids Property, and (3) securing any necessary approval of any federal mortgage agency.

Section 2.3 Master Declaration The property subject to this Declaration is subject to the provisions of the Declaration of Covenants, Conditions, Restrictions, and Easements for Horn Rapids: a Master Planned Community, filed under Benton County Auditor's Number 94-18376 (the "Master Declaration"), as such Master Declaration may be amended from time to time. The Master Declaration provides, among other provisions, for assessments against the Gleneagle Lots for costs incurred by Master Association pursuant to the Master Declaration.

ARTICLE 3

GLENEAGLE AT HORN RAPIDS ASSOCIATION

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

Section 3.2. Gleneagle Association Board of Directors. Declarant shall within 90 days of execution of this Declaration, select an initial Board of not fewer than 3 persons who need not be Owners and one of whom must be designated by the City of Richland. The initial Board shall have the full authority and all rights, responsibilities, privileges, and duties to manage the Gleneagle Association under the Governing Documents and shall be subject to all provisions of the Governing Documents. The Board shall elect officers of the Gleneagle Association from among the Board members, which shall include a president who shall preside over meetings of the Board and meetings of the Gleneagle Association. The term of the initial directors of the Board shall expire at the first annual meeting of the Gleneagle Association following their appointment by Declarant. At the first

annual meeting the number of Directors shall increase to five (5), consisting of three Directors designated by Declarant, one Director designated by the City of Richland, and one Director elected by the Gleneagle Association members at their annual meeting. Directors shall serve for three-year terms with staggered term expirations as may be established by the Articles of Incorporation or Bylaws of the Gleneagle Association. The City's right to designate a Director shall terminate at the time the City no longer owns any portion of Gleneagle at Horn Rapids, or sooner by mutual written agreement between Declarant and the City of Richland, at which time the Gleneagle Association shall designate the Director that would otherwise have been designated by the City of Richland. At the end of the Development Period, all Directors that would otherwise have been designated by Declarant shall be elected by the membership of the Gleneagle Association at their annual meeting. Any vacancy created by the incapacity, resignation or removal of a Director shall be filled by the party entitled to designate that Director, provided that if the Director holds a position elected by the membership of the Gleneagle Association, such vacancy shall be filled by the Board until the next regularly scheduled meeting of the Gleneagle Association, at which time it shall be filled by vote of the membership of the Gleneagle Association.

Section 3.3. Gleneagle Association Membership. Every person or entity who is an Owner shall by reason thereof be a member of the Gleneagle Association. Such membership shall be appurtenant to and held and owned in the same manner as the beneficial fee interest in the Lot to which it relates. Membership shall not be separated from ownership of the Lot to which it relates; provided, however, that any Owner may delegate his rights of membership in the Gleneagle Association and rights of enjoyment in the Common Areas to the members of his family and to his tenants occupying a Living Unit, subject to the provisions of Section 6.3.

Section 3.4. Votes Appurtenant to Lots. Every Owner shall be entitled to cast one vote in the Gleneagle Association for each Lot owned. A vote shall be appurtenant to and held and owned in the same manner as the beneficial fee interest in the Lot to which it relates. A vote shall not be separated from ownership of the Lot to which it relates; provided, however, that when more than one entity holds the beneficial fee interest in any Lot, the vote therefor shall be cast as the Owners among themselves determine, but in no event shall more than one vote be cast with respect to any Lot; and if the several Owners of a Lot are unable to agree as to the casting of their vote, such vote shall not be counted. When a single entity owns more than one Lot, each vote may be cast separately.

Section 3.5. Initial Number of Votes. From the commencement of the existence of the Gleneagle Association, there shall be a total of 48 outstanding votes in the Gleneagle Association, representing one vote for each of the 48 Lots, the maximum number presently authorized by the City of Richland for Gleneagle at Horn Rapids. During the Development Period, the Declarant shall be entitled to cast 48 votes, less one vote for each Lot then owned by an Owner other than Declarant.

Section 3.6. Adjustment to Number of Votes. If other than 48 Lots are authorized by the City of Richland for Gleneagle at Horn Rapids at any time during the Development Period, the number of votes in the Gleneagle Association shall be readjusted at such time to reflect the changed number of Lots, and Declarant shall be entitled to cast all such votes, less one vote for each Lot owned by an Owner other than Declarant. At the end of the Development Period, the number of votes in the Gleneagle Association shall be readjusted to equal the number of Lots in Gleneagle at Horn Rapids to that date. If, after the end of the Development Period, additional or fewer Lots are platted from time to time in Gleneagle at Horn Rapids, the number of votes in the Gleneagle Association shall similarly be readjusted from time to time, in order that there shall thereafter always be one vote for each Lot in Gleneagle at Horn Rapids.

Section 3.7. Owner's Compliance with Governing Documents. By acceptance of a deed to a Lot, execution of a contract therefor, or any other means of acquisition of an ownership interest, whether or not it shall be so expressed in any such deed or other instrument, the Owner thereof covenants and agrees thereby, on behalf of himself and his heirs, successors, and assigns, to observe and comply with all terms of the Governing Documents of the Gleneagle Association, and all rules and regulations duly promulgated pursuant to Gleneagle Association Action.

Section 3.8. Rules and Regulations. The Gleneagle Association shall have the power to adopt from time to time by Gleneagle Association Action and to enforce rules and regulations governing the use of Gleneagle at Horn Rapids, in addition to the use restrictions contained in this Declaration and whether or not expressly contemplated herein, provided that such rules and regulations shall not be inconsistent with this Declaration. The rules and regulations may not discriminate among Owners except as may be necessary to reflect (i) different requirements or restrictions applicable to different Lots under the Gleneagle Planned Unit Development or (ii) different access rights or maintenance obligations of Owners in relation to Common Areas that are the responsibility of the Gleneagle Association. The Board may prescribe penalties for the violation of such rules and regulations, including but not limited to suspension of the right to use the Common Areas or portions thereof. Any such rules and regulations shall become effective 30 days after promulgation or amendment and shall be mailed to all Owners within 30 days after promulgation or amendment. A copy of the rules and regulations

then in force shall be retained by the secretary of the Gleneagle Association and shall be available for inspection by any Owner during reasonable business hours. Such rules shall have the same force and effect as if set forth herein.

Section 3.9. Initial Construction Controls Committee. The plans for both the initial improvement of a Lot and the initial construction of Common Areas, a Living Unit, accessory structure or any other structure on a Lot during the Development Period shall require approval of a committee consisting of two representatives of Declarant pursuant to Section 6.2.

Section 3.10. Architectural Controls Committee. The Board shall establish and continuously maintain an Architectural Controls Committee composed of three or more representatives, one of whom shall be designated by the City of Richland until the City no longer owns any portion of Gleneagle at Horn Rapids, as provided in the Bylaws of the Gleneagle Association, to review and approve or disapprove the details and written plans and specifications of all construction not subject to Section 3.9, including conversions, additions to or exterior alterations of existing Common Areas, Living Units and accessory buildings on a Lot. The prior approval of the Architectural Controls Committee shall also be required for any changes in the landscape layout on Common Areas. The Gleneagle Association shall have the power to adopt from time to time by Gleneagle Association Action and to enforce guidelines, criteria, and procedures governing the Architectural Controls Committee and the Owners' compliance with the provisions of Section 6.2 hereof. The provisions of Section 3.8 hereof shall apply to such guidelines, criteria, and procedures as if fully set forth in this Section 3.10.

Section 3.11. Gleneagle Association Right to Subcontract. The Gleneagle Association, acting through its Board, shall be entitled to subcontract with the Master Association for the provision of any service or matter that would otherwise be the responsibility of the Gleneagle Association, including but not limited to the purchase of insurance and the maintenance of Common Areas.

Section 3.12. Decisions of the Architectural Controls Committee. The Architectural Controls Committee's approval or disapproval of plans shall be made within 45 days of submission of a complete set of plans, shall be in writing, and approval shall be evidenced by written endorsement on such plans, one copy of which shall be delivered to the Owner of the Lot upon which the construction is proposed. Except for violation of those restrictions specifically set forth in Sections 6.5, 6.6, 6.7, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.17, 6.18, 6.20, 6.21 and 6.25, if no suit challenging any construction has been commenced within six months after its completion, Committee approval will not be required and this Declaration shall be deemed to have been fully complied with.

Section 3.13. No Warranty. No act by the Initial Construction Controls Committee or the Architectural Controls Committee shall be deemed to be in any way a representation or warranty that the plans or actions reviewed by such committee do or do not comply with applicable governmental laws or regulations, do or do not meet the standards in the industry for such plans, or do or do not meet the needs or desires of the person submitting the plans.

Section 3.14. Immunity. So long as a Director, member of the Initial Construction Controls Committee or the Architectural Controls Committee, Association member, or Declarant, acting on behalf of the Board or the Association, has acted in good faith, without willful or intentional misconduct, upon the basis of such actual information as is then possessed by such person, then no such Person shall be personally liable to any Owner, or to any other person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of such person; provided that this Article shall not apply to the extent the liability of such person for such act, omission, error, or negligence is covered by any insurance actually obtained by the Board.

Section 3.15. Indemnification. Each Director, each member of the Initial Construction Controls Committee, each member of the Architectural Controls Committee, and Declarant shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which such person may be a party, or in which such person may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not such person holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by insurance actually obtained by the Board and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his or her duties; provided, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interests of the Association.

ARTICLE 4

ASSOCIATION BUDGET, ASSESSMENTS, AND LIENS

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

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

Section 4.3. Levy of General Assessment. In order to meet the costs and expenses projected in its operating budget, the Board shall by Gleneagle Association Action determine and levy in advance on every Owner a general assessment, as follows:

4.3.1. The general assessment shall be calculated as follows: The amount of the Gleneagle Association's operating budget shall be divided by the number of Lots in Gleneagle at Horn Rapids; the resulting quotient shall be the per-Lot assessment share; such quotient shall then be multiplied by the sum of the number of an Owner's Lots; the resulting product shall be the amount of such Owner's general assessment.

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

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

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

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

Section 4.5. Non-Discriminatory Assessment. Except as authorized in Section 4.3., 4.8, and 6.22 hereof, no assessment shall be made at any time which may unreasonably discriminate against any particular Owner or group of Owners in favor of other Owners. However, a special assessment may be made against a particular Owner by a two-thirds majority vote of the Board or other Gleneagle Association committee to which such oversight responsibility has been delegated, in the event that, after notice from the Gleneagle Association of failing to maintain the same in a condition comparable to the other Lots or Living Units in Gleneagle at Horn Rapids has been given to the Owner thereof, the Gleneagle Association elects to expend funds to bring such Owner's Lot or Living Unit up to such comparable standard.

Section 4.6. Commencement of Assessments. Liability of an Owner for assessments shall commence on the first day of the calendar month following the date upon which any instrument of transfer to such Owner becomes operative (such as the date of a deed, the date of a recorded real estate contract for the sale of any Lot, the date of death in the case of a transfer by will or intestate succession, etc.) and, if earlier, the first day of the calendar month following the first occupancy of a Living Unit by an Owner. The Board may in its rules and regulations provide for an administratively convenient date for commencement of assessments that is not more than 90 days after the effective date established above. The due dates of any special assessment payment shall be fixed by the Gleneagle Association Action authorizing such special assessment.

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

Section 4.8. Special Assessments. In addition to the general assessments authorized by this Article, the Board may, by Gleneagle Association Action, levy a special assessment or assessments at any time against existing Living Units only, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, inordinate repair, or replacement of a described capital improvement located upon or forming a part of the Common Areas, including necessary fixtures and personal property related thereto, or for such other purpose as the Board may consider appropriate; provided, however, that any such assessment must have the prior favorable vote of Owners representing two-thirds of the existing Living Units. If appropriate, the Board may levy a special assessment against a portion of the Living Units in cases where some but not all of the Units would benefit by the special assessment. The amount of each Owner's special assessment for any year shall be the total special assessment for such year, divided by the sum of the number of existing Living Units affected by the special assessment.

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

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

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

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

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

Section 4.13. Certain Areas Exempt. The Common Areas to which the Gleneagle Association or the Master Association holds fee ownership, the Golf Course, any Lots owned by Declarant or CTV that do not have Living Units with issued certificates of occupancy thereon, and all portions of Gleneagle at Horn Rapids owned by or dedicated to and accepted by a charitable or non-profit organization that is exempt from federal income taxation under section 501(c) (2) or (3) of the Internal Revenue Code (as the same may hereafter be amended or under any successor statute) or that is exempt from taxation under the laws of the State of Washington, shall be exempt from assessments by the Gleneagle Association. All portions of the Property owned by or dedicated to and accepted by a public authority shall not be entitled to votes in the Gleneagle Association and shall be exempt from assessments by the Gleneagle Association.

ARTICLE 5

SUBORDINATION OF LIENS

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

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

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

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

Section 5.5. Survival of Assessment Obligation. After the foreclosure of a security interest in a Lot, any unpaid assessments shall continue to exist and remain as a personal obligation of the Owner against whom the same was levied, and the Gleneagle Association shall use reasonable efforts to collect the same from such Owner.

Section 5.6. Subordination of Assessment Liens. The liens for assessments provided for in this Declaration shall be subordinate to the lien of any Mortgage or other security interest placed upon a Lot as a construction loan security interest or as a purchase price security interest, and the Gleneagle Association will, upon demand, execute a written subordination document to confirm the particular superior security interest. The sale or transfer of any Lot or any interest therein shall not affect the liens provided for in this Declaration except as otherwise specifically provided for herein, and in the case of a transfer of a Lot for purposes of realizing a security interest, liens shall arise against the Lot of Living Unit for any assessment payments coming due after the date of completion of foreclosure (including the expiration date of any period of redemption).

ARTICLE 6

USE COVENANTS, CONDITIONS AND RESTRICTIONS

Section 6.1. Authorized Uses. Gleneagle at Horn Rapids shall be used solely for the uses authorized in the Planned Unit Development. Such uses include, but are not limited to, residential, active and passive recreational uses, public uses and facilities such as streets and sidewalks, and other uses and facilities normally incidental to a residential neighborhood. During the Development Period, no Lot shall be further subdivided without Declarant's prior written approval. Thereafter, no Lot shall be further subdivided without prior approval conferred by Gleneagle Association Action. Ownership of a Living Unit or any other structure on a Lot may not be separated from ownership of the underlying Lot.

Section 6.2. Approval for Building or Clearing Plans Required. Within Gleneagle at Horn Rapids the following shall apply:

(a) During the Development Period, no initial construction of a Unit, accessory building on a Lot, Common Areas, or landscaping in a street right-of-

way shall be commenced or maintained until written approval thereof has been obtained from the Initial Construction Controls Committee. After the Development Period or the initial construction of a Living Unit, accessory building on a Lot, Common Areas, or landscaping in a street right-of-way, no construction shall be commenced or maintained until written approval of the Architectural Controls Committee has been obtained.

(b) No conversion, addition to or exterior alteration of all or any portion of an existing Living Unit, accessory building on a Lot, Common Areas, or landscaping in a street right-of-way shall be commenced or maintained until written approval of the Architectural Controls Committee has been obtained.

(c) Except for maintenance activities conducted by the Gleneagle Association, no clearing, no excavation, and no filling is permitted on a Lot, Common Areas, or street right-of-way, until written approval of the Architectural Controls Committee is obtained, provided that when such clearing, excavation, or filling occurs during the Development Period such written approval shall be obtained from the Initial Construction Controls Committee.

(d) In order to obtain approval pursuant to this section, an Owner shall submit to the Initial Construction Controls Committee or the Architectural Controls Committee, as applicable, written plans and specifications showing the nature, kind, shape, height, materials, colors, landscaping, location and other information relevant to the application for approval. The Initial Construction Controls Committee, or the Architectural Controls Committee, as applicable, shall have the authority to approve, reject or approve with conditions any application based upon the Committee's determination as to whether or not the proposed work is in harmony of external design and location with surrounding structures, vegetation, properties and topography and is in compliance with the Governing Documents. Committee decisions shall be final and binding on all parties.

(e) The initial construction of a Living Unit or accessory structure and major alterations thereto shall be done by a licensed and bonded general contractor, unless written permission otherwise is obtained from either the Initial Construction Controls Committee, or the Architectural Controls Committee, as appropriate. Proof of current contractor registration shall be submitted with the plans and specifications described above.

(f) Plans and specifications shall include a reasonable timetable for completion of any authorized construction activity and shall, in no case, exceed one year provided that an extension to complete landscaping may be granted where completion within one year is not feasible due to weather or other exceptional circumstances. The appropriate committee may, where appropriate, require completion of the exterior of any structure and landscaping within a shorter period of time.

(g) No act by the Initial Construction Controls Committee or the Architectural Controls Committee shall be deemed to be in any way a representation or warranty that the plans or actions reviewed by such committee do or do not comply with applicable governmental laws or regulations, do or do not meet the standards in the industry for such plans, or do or do not meet the needs or desires of the person submitting the plans.

(h) This Section 6.2 shall not apply to (1) activity undertaken by the Declarant pursuant to the exercise of Declarant's rights under Section 7.1., (2) activity undertaken by CTV, or its assigns, (3) activity undertaken on the Golf Course by CTV, or to (4) activity undertaken by Declarant, CTV, irrigation source entity or their successors in interest to maintain or improve the irrigation system for Gleneagle at Horn Rapids.

Section 6.3. Leasing Restrictions. No Lot or Living Unit may be leased or rented by any party for a period of fewer than 30 days, nor shall less than the whole of any Lot or Living Unit be leased or rented. Each lease or rental agreement shall be in writing and shall by its terms provide that it is subject in all respects to the provisions of the Governing Documents. Any failure by a lessee to comply with the terms of the Governing Documents shall be a default under the lease, whether or not it is so expressed therein. Owners may, but are not required to delegate to their Tenants, the right to use the Common Areas in the same manner as Owners, provided that non-resident Owners of Lots who delegate their right to use Common Areas to their Tenants shall not also have the right to use the Common Areas during the period of such delegation. Other than the foregoing, there is no restriction on the right of any Owner to lease his Lot or Living Unit.

Section 6.4. Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or kept; provided, however, that dogs, cats or other conventional household pets may be kept if they are not kept, bred, or maintained for any commercial purposes. Owners shall be responsible for the immediate cleanup and removal of all fecal matter deposited by dogs on any property other than the Lot of the Owner of the dog. Dogs shall be confined to the Owner's Lot or Living Unit, unless on a leash and accompanied by a responsible person. In no case are dogs allowed on the Golf Course. The Board may prohibit Owners from allowing dogs in some or all of the Common Areas. No domestic pet may be kept if it is a source of annoyance or a nuisance. The Board shall have the authority to determine whether a particular pet is a nuisance or a source of annoyance, and such determination shall be final and conclusive. Pets shall be attended at all times and shall be registered, licensed, and inoculated from time to time as required by law. When not confined to the Owner's Lot or Living Unit, pets within Gleneagle at Horn Rapids must be accompanied by a responsible person.

Section 6.5. Commercial Uses. No commercial enterprise, including itinerant vendors, shall be permitted on any Lot or in any Living Unit; provided, however, that the Board may permit specified home occupations to be conducted under such regulations and restrictions as may be adopted by the Board, so long as allowed by law and if such occupation will not, in the reasonable judgment of the Board, cause traffic congestion or other disruption of the Gleneagle at Horn Rapids neighborhood.

Section 6.6. Mobile Homes and Modular or Prefabricated Homes. The use, parking or storage of mobile homes, modular or prefabricated homes, or similar structures which are largely constructed off-site as living units is prohibited on Lots or streets in Gleneagle at Horn Rapids, regardless of the anticipated duration of such use except for those uses approved in advance by the Initial Construction Controls Committee or after the Development Period, by the Board.

Section 6.7. Storage of Automobiles, Boats, Trailers and Campers. The storage of all or any of the following: automobiles, vans, boats, house trailers, campers, camp trucks, boat trailers, junk vehicles, or any other similar machinery or equipment of any kind or character is prohibited, unless provided otherwise in this section. The Board shall approve regulations controlling the temporary storage of a limited number of such vehicles for a specified time period on a Lot.

However, an Owner may keep in a Living Unit such equipment and machinery as may be reasonable, customary, and usual in connection with the use and maintenance of any Lot or Living Unit, provided such equipment and machinery when not in use is stored indoors. The Declarant, CTV, the Gleneagle Association, the Golf Course operator and the applicable irrigation source entity may keep such equipment and machinery as it may require in connection with the maintenance and operation of the Golf Course, the water system and the Common Areas. Except for bona fide emergencies, the repair or extraordinary maintenance of automobiles or other vehicles shall not be carried out in the Property.

Section 6.8. Parking. Parking is prohibited on all auto courts within Gleneagle at Horn Rapids. On-street parking spaces on Monarch Lane and Dornoch Place shall be reserved only for the use of guests of Owners. The Board shall approve regulations concerning the parking on a Lot of vehicles, including but not limited to automobiles, vans, trucks, campers, boats, and boat trailers.

Section 6.9 Golf Carts. The use of golf carts on the streets within Gleneagle must comply with all applicable local, state, and federal government regulations. The Board shall approve regulations controlling the parking and/or storage of golf carts on a Lot and on Monarch Lane and Dornoch Place.

Section 6.10. Garbage. No garbage, refuse, or rubbish shall be deposited or left in Gleneagle at Horn Rapids, unless placed in a suitable covered container. Trash and garbage containers shall not be permitted to remain in public view except on days of trash collection. No incinerator shall be kept or maintained, and no burning of any trash, refuse, or scrap of any kind shall be permitted, provided that the Declarant, the Golf Course and the Gleneagle Association may burn debris during the development or maintenance of the Golf Course and Common Areas.

Section 6.11. Utilities Underground. Except for hoses and the like which are reasonably necessary in connection with normal lawn maintenance, no water pipe, sewer pipe, gas pipe, drainage pipe, telephone, power or television cable, or similar transmission line shall be installed or maintained above the surface of the ground.

Section 6.12. Mining Prohibited. No portion of Gleneagle at Horn Rapids shall be used for the purpose of boring, mining, quarrying, or exploring for or removing oil or other hydrocarbons, minerals, gravel, or earth; provided that Declarant may engage in such activities in the exercise of Declarant's rights under Section 7.1.

Section 6.13. Signs. Except for entrance, street, directional, traffic control, parking, safety signs, signs necessary for the Golf Course and such promotional signs as may be maintained by Declarant or agents or contractors thereof, or the Gleneagle Association, no signs or advertising devices of any character shall be erected, posted, or displayed upon, in or about Gleneagle at Horn Rapids; provided, however, that one temporary real estate sign not exceeding 6 square feet in area may be erected upon any Lot or attached to any Living Unit placed upon the market for sale or lease. Any such temporary real estate sign shall be removed promptly following the sale or rental of such Lot or Living Unit. Three signs of a political nature regarding one or more candidates or ballot issues, not exceeding 6 square feet in area each, may be erected upon any Lot during a political campaign provided such sign shall be removed within 48 hours after the relevant election day.

Section 6.14. No Obstruction of Easements. No structure, planting, or other material shall be placed or permitted to remain upon Gleneagle at Horn Rapids which may damage or interfere with any easement or the installation or maintenance of utilities, or which may unreasonably change, obstruct, or retard direction or flow of any drainage channels.

Section 6.15. Antennae. No external television, radio, short-wave or citizens band antennae, free-standing antenna towers, satellite reception dishes or similar equipment of any kind shall be permitted in Gleneagle at Horn Rapids without the prior written approval of the Initial Construction Controls Committee or the Architectural Controls Committee, as applicable, and without appropriate screening from the Golf Course, adjacent Lots, Living Units, Common Areas, and public access ways.

Section 6.16. Swimming Pools; Spas; Outdoor Courts. No swimming pool, spas or outdoor courts shall be constructed on any Lot without the prior written approval of the Architectural Controls Committee.

Section 6.17. Fences; Walls; Decks. Fences, walls and decks are prohibited in front yards unless permitted by the standards prepared by the Initial Construction Controls Committee, or the Architectural Controls Committee (see below.) No fence, wall or deck shall be constructed on any other portion of a Lot without the prior written approval of the Initial Construction Controls Committee or the Architectural Controls Committee, as applicable. All fences, walls and decks, if approved, shall be constructed in a good and workman-like manner of suitable materials, shall be artistic in design, and shall not detract from the aesthetic quality and enjoyment of the Golf Course, Common Areas or an adjacent Living Unit. All wood fences must be of a "good neighbor" style, which does not display a bare framework to the outboard side of the fence, or a style which completely conceals all framework. Except for the noise attenuation fence along the property boundary with SR 240, no fence higher than six (6) feet shall be permitted unless required by local planning authorities. No fence, wall or deck shall be of a height which interferes unreasonably with the view and/or privacy of any Lots or Living Units within Gleneagle at Horn Rapids. No fence shall be extended, removed, or replaced without the prior review and approval of the Initial Construction Controls Committee or the Architectural Controls Committee, as applicable. Repair work shall be equal to the remainder of the fence in design and the quality of workmanship and materials. The Initial Construction Controls Committee or the Architectural Controls Committee, as applicable, shall prepare standards for the construction, repair, replacement, or extension of fences and walls consistent with the purposes and/or provisions of the "Fence Locational Criteria and Development Standards for Horn Rapids P.U.D. #2" and the "Fencing Plan" contained in the approved Final P.U.D. Plan approved for Horn Rapids P.U.D. #2 (Gleneagle.).

Section 6.18. Outdoor Lighting. Outdoor lighting on Lots and Living Units shall be of a type and in a location to provide illumination of specific areas and not provide general lighting. All outdoor lighting shall be screened or shielded to prevent unwanted lighting or glare on the Golf Course, adjacent Lots, Living Units, Common Areas, and public spaces. No sodium vapor, quartz or metal halide lighting is permitted in Gleneagle at Horn Rapids without the prior written approval of the Architectural Controls Committee.

Section 6.19. Water Quality and Conservation. In order to minimize the risk of contamination of surface and ground waters, the use of pesticides and herbicides in Gleneagle at Horn Rapids should be avoided if possible. Both the Gleneagle Association and any applicable irrigation source shall have the authority to prohibit or restrict the use of fertilizers, pesticides and herbicides in Gleneagle at Horn Rapids, if deemed necessary to maintain surface and ground water quality.

To conserve irrigation water, all Owners shall follow a schedule of watering on alternating days as established by the Gleneagle Association or an irrigation source entity. Such schedule may be modified at the direction of the Gleneagle Association, the irrigation source entity, or governmental agency with jurisdiction.

Section 6.20. Sewage Disposal Systems. Each Living Unit in Gleneagle at Horn Rapids shall be connected to the sewage disposal system for Gleneagle at Horn Rapids owned and operated by the City of Richland Department of Public Works or its successor in interest. Owners shall be individually responsible for compliance with all rules and regulations of the City of Richland associated with use and maintenance of such sewage disposal systems and shall be responsible for payment of all fees and costs assessed by the City of Richland related to such systems, their use, maintenance, repair and replacement. Any easement shall be in such form as required by the City of Richland.

Section 6.21. Wells and Septic Tanks. There shall be no water wells or septic tanks on Lots. Owners shall be required at all times to connect their Living Units to the public water and sewer facilities administered by the City of Richland, or its successor, and at all times to maintain such facilities in good working order and repair.

Section 6.22. Owners' Maintenance Responsibilities. The maintenance, upkeep, and repair of individual Living Units, Lots, and the landscaping in any adjacent street right-of-way shall be the sole responsibility of the individual Owners thereof, and in no way shall it be the responsibility of the Gleneagle Association, its agents, subagents, officers or directors. Owners shall maintain the Living Units and Lots and any and all appurtenances thereto in good order, condition, and repair, and in a clean, sightly, and sanitary condition at all times. Without limitation as to the foregoing, each Owner shall be obligated to maintain the landscaping on his Lot and in any adjacent street right-of-way in healthy and attractive state and in a manner comparable to that on the other Lots and adjacent areas in Gleneagle at Horn Rapids. Each Owner shall maintain the landscaping on his Lot such that it does not interfere unreasonably with the view from any adjacent Lot, Living Unit, or public or private open space. After notice to an Owner from the Gleneagle Association of such Owner's failure to so maintain his landscaping, and after approval of a two-thirds majority vote by the Board or other Gleneagle Association committee to which such oversight responsibility shall have been delegated, the Gleneagle Association shall have the right, through its agents

and employees, and upon not less than forty-eight hours prior written notice, to enter upon any Lot and adjacent area which has been found to violate the foregoing standards in order to repair, maintain, and/or restore the landscaping to such standards. The cost of such work shall be a special assessment on such Owner only, and the provisions of this Declaration regarding collection of assessments shall apply thereto.

Section 6.23. Weapons. No firearms of any kind or nature, including rifles, handguns, bows, slingshots, BB guns, slings, traps, or any other like weapon shall be used or discharged within Gleneagle at Horn Rapids except by authorized government officials. No hunting shall be permitted within Gleneagle at Horn Rapids.

Section 6.24. Sales and Construction Facilities. Notwithstanding any other provisions of this Declaration, it is expressly permissible during the Development Period for Declarant or agents or contractors thereof, to maintain on any portion of Gleneagle at Horn Rapids owned by Declarant or CTV such facilities as in the sole opinion of Declarant may be reasonably required, convenient, or incidental to the construction and sale of Lots or Living Units, including without limitation business offices, storage areas, construction yards, signs, model Living Units, or sales offices.

Section 6.25. Nuisances Prohibited. No noxious or offensive trade or activity shall be conducted in any portion of Gleneagle at Horn Rapids, nor shall anything be done or maintained therein in derogation or violation of the laws of the State of Washington, City of Richland, or any other applicable governmental entity. Nothing shall be done or maintained on any portion of Gleneagle at Horn Rapids which may be or become an annoyance or nuisance to the neighborhood or other Owners or detract from the value of the Gleneagle neighborhood community. The Gleneagle Association shall determine by Gleneagle Association Action whether any given use of a Lot or Living Unit unreasonably interferes with the rights of the other Owners to the use and enjoyment of their respective Lots or Living Units or of the Common Areas, and such determination shall be final and conclusive.

Section 6.26. Relief from Certain Provisions. In cases where an Owner has made a factual showing that strict application of the provisions of Sections 6.4, 6.5, 6.6, 6.7, 6.11, 6.13, 6.15, 6.17, and 6.23 only of this Article (regulating animals, commercial uses, mobile homes and modular or prefabricated homes, automobiles, boats, trailers and campers, utilities underground, signs, antennae, fences, walls and decks, and weapons, respectively) would work a severe hardship upon him, the Board by Gleneagle Association Action may grant the Owner relief from any of such provisions, in addition to any exceptions or provisions already contained in those sections; provided, however, that such relief shall be limited by its scope or by conditions to only that necessary to relieve the

hardship; and provided further, that no such relief shall be granted if the condition thereby created would in the reasonable judgment of the Board violate the provisions of Section 6.25 of this Article. The decision of the Board in granting or denying such relief shall be final and conclusive.

Section 6.27. Additional Restrictions on Lots Adjacent to Golf Course. All lots bordering on the golf course shall be subject to the following additional restrictions:

(a) No construction or placement of any permanent or temporary structure or landscaping which in the opinion of the Initial Construction Controls Committee or the Architectural Controls Committee, as applicable, detracts from the aesthetic value of the Golf Course shall be allowed in a rear or side yard adjacent to the Golf Course.

(b) Fences on Lots adjacent to the Golf Course are subject to special standards prepared by the Initial Construction Controls Committee, or the Architectural Controls Committee, as applicable. The standards for fences in these locations are to be consistent with the provisions of the "Fence Locational Criteria and Development Standards for Horn Rapids P.U.D. #2" contained in the Final P.U.D. Plan for Horn Rapids P.U.D. #2 (Gleneagle).

(c) No landscaping over six (6) feet high or trees over 15 feet high, other than those already present on the site, may be planted or permitted to grow in the areas described above, unless landscaping guidelines issued by the Initial Construction Controls Committee, or the Architectural Controls Committee, as applicable, permit otherwise.

(d) Owners of Lots abutting the Golf Course recognize and accept the risk that golfers will misplay balls into Lots, and do thereby grant an easement for ingress and egress to authorize Golf Course players, Golf Course operator and the Declarant to retrieve such balls without interference and without constituting a trespass. This easement shall extend only to the retrieval of the balls and does not extend to permitting play within the Lot or for players to spend an unreasonable time on the Lot while retrieving balls or committing a nuisance while on the Lot. Declarant or the Golf Course operator may place and maintain markers designating the Lot as "out of bounds." Golfers will be permitted to retrieve such balls without interference. Golfers will not be permitted to play balls which leave the Golf Course but must retrieve their balls and "drop" it in an appropriate location on the Golf Course. The Golf Course operator will endeavor to alert all golfers to this course rule.

(e) Owners and occupants of Living Units adjacent to tees, fairways and greens, as well as their families and invitees shall be obligated to refrain from any unreasonable actions which would distract from the enjoyment of the playing qualities of the Golf Course. Examples of prohibited activity would include, but not be limited to, excessively barking dogs or noisy pets, running or walking on the Golf Course property, picking up balls in play, or interference with play.

ARTICLE 7

COMMON AREAS

Section 7.1. Title to Common Areas. Declarant, CTV, or approved third parties shall from time-to-time during the Development Period convey Common Areas to the Gleneagle Association or the Master Association. Upon its creation as a Common Area, and whether or not it shall have been conveyed as yet to the Gleneagle Association, every Common Area shall be subject to an easement for access and maintenance in favor of the Gleneagle Association in accordance with the terms and conditions of the Governing Documents except for the park within Gleneagle which shall be subject to an easement for access and maintenance in favor of the Master Association. Such easements shall be appurtenant to and shall not be separated from ownership of any Lot and shall not be assigned or conveyed in any way except upon the transfer of title to such Lot, and then only to the transferee of such title and shall be deemed so transferred and conveyed whether or not it shall be so expressed in the deed or other instrument conveying title. Certain rights of use, ingress, egress, occupation, and management authority in the Common Areas set forth elsewhere in this Declaration shall be reserved to Declarant or approved third parties for the duration of the Development Period. All Common Areas when conveyed to the Gleneagle Association shall be free and clear of financial liens and encumbrances. Assessments shall not be used to defray operating and maintenance costs of Common Areas which have not yet been conveyed to the Gleneagle Association or the Master Association.

The Declarant or approved third parties shall retain the right to construct one or more roads across the Common Areas so as to connect roads and utilities to the Gleneagle at Horn Rapids Planned Unit Development to roads and utilities on adjacent properties if such connections are authorized by the City of Richland, its successor in interest, or any public or private utility. In the event such roads or utility connections are so required, the Gleneagle Association shall dedicate to the City of Richland, its successors in interest, or to an appropriate utility any and all rights of way and/or easements so required.

Section 7.2. Owner's Common Rights. Owners shall have equal rights to use the Common Areas. All easements for ingress, egress, utilities, and use of facilities, unless otherwise specifically limited, shall exist in favor of all Owners.

Section 7.3. Maintenance of Common Areas. The Gleneagle Association shall maintain, repair, replace, improve, and otherwise manage all of the Common Areas except for the park within Gleneagle so as to keep them in good repair and condition and shall conduct such additional maintenance, repair, replacement, construction, or reconstruction as may be determined pursuant to Gleneagle Association Action to promote the recreation, health, safety, and welfare of the Owner(s). Any action necessary or appropriate to the maintenance and upkeep of the Common Areas including the landscaping, irrigation, storm drainage, sewer and water systems, all buildings, gas, telephone, or electrical or television facilities applicable to the Common Areas, shall be taken by the Gleneagle Association or the appropriate entity only. The Gleneagle Association, as applicable, shall be responsible for compliance with any and all requirements of the City of Richland or its successor regarding maintenance of the Common Areas except for the park.

Section 7.4. Relationship to Golf Course. The Horn Rapids Golf Course is owned, operated and maintained as a stand-alone entity independent of the Declarant, CTV, the Gleneagle Association, and any other Sub-Association or any Owners. The Gleneagle Association, any other Sub-Association, or Owners are not required to contribute to the costs of operation and maintenance of the Golf Course.

ARTICLE 8

INSURANCE; CASUALTY LOSSES; CONDEMNATION

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

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

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

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

8.1.4. Fidelity coverage naming the Gleneagle Association as an obligee to protect against dishonest acts by the Board, Gleneagle Association officers, committees, managers, and employees of any of them, and all others who are responsible for handling Gleneagle Association funds, in an amount equal to three months' general assessments on all Lots and Living Units, including reserves.

8.1.5. Insurance against loss of personal property of the Gleneagle Association by fire, theft, and other losses without deductible provisions as the Gleneagle Association deems advisable.

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

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

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

ARTICLE 9

ENFORCEMENT

Section 9.1. Right to Enforce. The Gleneagle Association, Board, Declarant, irrigation source entity, or any two (2) Owners acting in concert, shall have the right to enforce, by any appropriate proceeding at law or in equity, all covenants, conditions, restrictions, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure or forbearance by any person or entity so entitled to enforce the provisions of this Declaration to pursue enforcement shall in no event be deemed a waiver of the right to do so thereafter.

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

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

ARTICLE 10

AMENDMENT AND REVOCATION

Section 10.1. Amendment by Declarant or Gleneagle Association. Declarant may, during the Development Period, amend this Declaration with the prior written approval of CTV. This Declaration may also be amended by an instrument executed by the Gleneagle Association for and on behalf of the Owners, provided, however, that such amendments shall have received the prior approval of a vote of the Owners (except Declarant) having seventy-five (75) percent of the total outstanding votes in the Gleneagle Association; and provided, further, that no such amendment shall be valid during the Development Period without the prior written consent of the Declarant and CTV.

Section 10.2. Effective Date. Amendments shall take effect only upon recording with the Office of the Benton County Auditor or any successor recording office.

ARTICLE 11

GENERAL PROVISIONS

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

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

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

Section 11.4. Attorneys' Fees. In the event of a suit or action to enforce any provision of this Declaration or to collect any money due hereunder or to foreclose a lien, the unsuccessful party in such suit or action shall pay to the

prevailing party all costs and expenses, including title reports, and all attorney's fees that the prevailing party has incurred in connection with the suite or action, in such amounts as the court may deem to be reasonable therein, and also including all costs, expenses, and attorney's fees incurred in connection with any appeal from the decision of a trial court or any appellate court.

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

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

Section 11.7. Severability. Invalidity of any one of these covenants, conditions, restrictions, easements, or provisions by judgment or court order shall in no way affect any other of the same, all of which shall remain in full force and effect.

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

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

IN WITNESS WHEREOF, THE UNDERSIGNED DECLARANT HAS EXECUTED THIS DECLARATION THE DAY AND YEAR FIRST ABOVE WRITTEN.

PRESTIGE HOMES-VENTURES

A Washington joint venture

By: D. Keith Hughes

Title: PARTNER

STATE OF WASHINGTON)
)ss.
COUNTY OF Benton)

I certify that I know or have satisfactory evidence that D. Keith Hughes is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the Partner of Prestige Homes-Ventures to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: 11-16-94

Christi R. Carter
(Signature of Notary Public)

Christi R. Carter
(Printed Name of Notary Public)

My Appointment expires: 3-9-98

