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CANTERWOOD
AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

RECORDED
ERIAN SCHITAG
AUDITOR PIERCE CO. WASH.

THIS AMENDED AND RESTATED DECLARATION is made on the _____ day of January, 1988, by LORIGON CORPORATION, a Washington corporation, hereinafter referred to as "Declarant" and is approved by the other undersigned owners of property in the Plat of Canterwood.

BACKGROUND

1. Declarant was originally the owner of certain property in Pierce County, Washington, which is described in Exhibit "A" which is attached to this Declaration and incorporated by this reference. The Declarant has sold certain lots within that property to others, including the undersigned owners, and Declarant has retained ownership of the balance of the property.
2. Declarant has created on the property the first section of the residential community of Canterwood with permanently maintained common areas for the benefit of the residents of Canterwood.
3. Declarant intends that Canterwood be a family-oriented rural community with emphasis on golf and equestrian activities.
4. Declarant has been granted summary site plan approval for the entire community under §9.270D(7) of the Development Regulations for the Gig Harbor Peninsula and site approval for Phases I and II under Ch. 9.270A of those regulations.
5. Declarant has previously subjected the property to a Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's No. 8107230103, amended by the First Amendment to Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's No. 8305100135 (jointly, the "Original Covenants"). Declarant and the undersigned owners, exercising the power to amend set forth in Article XV, Section 6 of the Original Covenants wish to amend and supersede the Original Covenants by this Amended and Restated Declaration.
6. Declarant and the undersigned owners desire to preserve and enhance the property values, amenities, and opportunities in Canterwood, and to provide for the health, safety, and welfare of residents, and to this end desire to subject the property described on Exhibit "A", together with such additions as may be

made to the property (as provided in Article II) to the covenants, restrictions, easements, charges, and liens set forth in this Declaration, all of which are for the benefit of the property and each owner.

7. Declarant has incorporated the Canterwood Homeowners Association to provide a means for meeting the purposes of this Amended and Restated Declaration, and the requirements of Pierce County.

DECLARATION

Declarant and the undersigned owners hereby declare that this Amended and Restated Declaration completely supersedes and replaces the Original Covenants and that said Original Covenants shall have no further force or effect. Declarant and the undersigned owners also hereby declare that the property described in Exhibit "A", and such additions as may be made pursuant to Article II is, are and shall be held, transferred, sold, conveyed, and occupied subject to the covenants, restrictions, easements, charges, and liens set forth in this Amended and Restated Declaration.

Further, Declarant and the undersigned owners, delegate and assign to the Canterwood Homeowners Association the power of owning, maintaining, and administering the common area, administering and enforcing the covenants and restrictions, collecting and disbursing the assessments and charges created in this Amended and Restated Declaration, and promoting the recreation, health, safety, and welfare of the residents.

ARTICLE I

Definitions

Section 1.1. "Approval" shall mean the issuance of written approval, the approval at any meeting, any written waiver of approval rights, or the issuance of a letter of "no objection".

Section 1.2. "ACC" shall mean the Architectural Control Committee as described in this Declaration.

Section 1.3. "Association" shall mean the Canterwood Homeowners Association, a Washington nonprofit corporation, its successors and assigns.

Section 1.4. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.5. "Common Areas" shall mean all real property and improvements owned or leased by the Association, or in which the Association has an easement (excepting easements for maintaining lots) for the use and enjoyment of the members.

Section 1.6. "Declarant" shall mean LORIGON CORPORATION, a Washington corporation, and its successors and assigns; provided, however, that no successor or assignee of Declarant shall have any rights or obligations of Declarant under the Declaration unless such rights and obligations are specifically set forth in the instrument of succession or assignment. Notwithstanding this provision, the obligations of Declarant under this instrument shall be binding upon any successor or assign who acquires all or substantially all of the remaining property in the Canterwood development.

Section 1.7. "Declaration" shall mean the covenants, conditions and restrictions and all other provisions set forth in this Amended and Restated Declaration, as they may from time to time be amended.

Section 1.8. "Development Plan" shall mean the total general plan of intended development approved by Pierce County and illustrated in Exhibit "C", as the plan may be amended from time to time, and as further defined in Article II. The amendments to the Development Plan may include the annexation of additional land for development.

Section 1.9. "Dwelling Unit" shall mean any portion of a building on the property, which portion is designed and intended as a residence for one family. Without limiting the foregoing, the term shall include single-family houses, townhouses and condominium units. The term "dwelling unit" shall encompass the lot upon which a dwelling unit is located and shall also apply to any undeveloped lot.

Section 1.10. "Federal Mortgage Agencies" shall mean those federal agencies which may have an interest in the properties, such as the Federal Housing Administration, the Veterans Administration, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, or the successors to their interests.

Section 1.11. "First Mortgagee" shall mean a lender who holds the first mortgage on a dwelling unit and who has notified the Association in writing of his holdings.

Section 1.12. "Lot" shall mean any numbered parcel of land shown upon any recorded subdivision map of the properties, with

the exception of the common areas or other areas set aside for nonresidential use.

Section 1.13. "Member" shall mean every person or entity who holds membership in the Association.

Section 1.14. "Mortgage" shall include a deed of trust or other security instrument.

Section 1.15. "Notice" shall mean written notice delivered personally or mailed to the last known address of the intended recipient.

Section 1.16: "Owner" shall mean every person or entity, including Declarant, which is a record owner of the fee simple title to any dwelling unit, or if any dwelling unit is sold under real estate contract, the vendee or vendees under that contract; provided, however, that the term "Owner" shall not include those having such interest merely as security for the performance of an obligation.

Section 1.17. "Properties" shall mean the real property described on Exhibit "A", together with such other property as may be annexed thereto under the provisions of Article II, from and after the time such other property is actually annexed.

ARTICLE II

Property Subject to this Declaration and Additions Thereto

Section 2.1. The Properties. The real property which is subject to this Declaration is described on Exhibit "A" and represents the first stage of the residential community of Canterwood.

Section 2.2. Additions to the Properties. Additional properties may become subject to this Declaration in the following manner:

(a) Additions by Declarant. Declarant, at its sole option, shall have the right to subject to this Declaration any additional property which is covered by the Development Plan as it may be amended from time to time as set forth in Section 2.3 of this Article. This provision shall not apply if more than ten (10) years have elapsed since the filing of the last supplementary declaration which subjects an area to this Declaration, or if more than twenty five (25) years

have elapsed since the filing of this Amended and Restated Declaration.

(b) Other Additions. Additional properties, other than those described in Section 2(a) above, may be annexed to the properties upon the approval of two-thirds (2/3) of the Class "A" members and of the Class "B" member, if any, at a meeting called for this purpose. Written notice of such meeting shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting and shall set forth the purpose of the meeting. The presence of members or of proxies entitled to cast Sixty (60%) Percent of the votes of the Class "A" membership and the presence of the Class "B" member or its proxy shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called subject to the notice requirements set forth above and the required quorum at such subsequent meeting shall be one-half (1/2) of the quorum of Class "A" members required at the preceding meeting, together with the Class "B" member. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. In the event that two-thirds of the Class "A" membership or the Class "B" member are not present in person or by proxy at any meeting conducted pursuant to this provision, members not present may give their written assent or dissent to the action taken at said meeting.

The additions authorized under Subsections (a) and (b) above shall be made by complying with the applicable ordinances of Pierce County, by recording one or more supplementary declarations of covenants and restrictions with respect to the additional property, and by filing with the Association the preliminary plat or site plan for such additions.

Section 2.3. The Development Plan.

(a) Purpose. The Development Plan, illustrated on Exhibit "C", is the Declarant's intended design for the staged development of Canterwood as a planned residential community comprised of single-family and multi-family units. At the present time, the Development Plan includes 498 dwelling units located on 425 acres. If additional property is added as set forth below, a total of 830 dwelling units may be developed. The Plan may be modified and amended, as provided in this Declaration, during the several years required to develop the community. It is currently the intention of Declarant to develop Canterwood in full accordance with the Development Plan. The Development Plan is,

however, conceptual in nature, and does not bind the Declarant to add any of the properties which are shown on the Plan or to improve any portion of such properties. The Declarant has agreed that apartment units will not be constructed upon the property which is presently covered by the Development Plan or upon the 80-acre parcel or the 17-acre parcel referred to below. The Declarant reserves the right to construct apartment units on the other parcels described in Section 2.3(b) below, depending upon zoning requirements, sewage disposal requirements and the like. Declarant further agrees that the overall density for the Property presently subject to the Development Plan, the 17-acre parcel and the 80-acre parcel will not exceed 1.5 dwelling units per acre for a total of 783 dwelling units on those 522 acres.

(b) Amendments. Declarant reserves the right to amend the Development Plan or to add to the Development Plan the following parcels, each of which is adjacent to Canterwood: an approximately 80-acre parcel to the east; a 17-acre parcel to the west; two parcels totalling 55 acres to the north; and three parcels totalling 115 acres to the south. These rights shall be exercised by:

(i) Giving notice of the proposed changes to the Association; and

(ii) Securing the approval of the Pierce County as required by applicable ordinances and laws.

(c) Additional Covenants. The Declarant may subject portions of the property covered by the Development Plan to additional covenants or declarations governing particular aspects of the ownership such as party walls, condominium regimes, etc. Such covenants or declarations shall not require the approval of anyone other than Declarant.

ARTICLE III

Common Areas

Section 3.1. Declarant to Convey. Prior to the execution of this Declaration, the Declarant has delivered to the Association a warranty deed free of all liens and encumbrances for the property described in Exhibit "B", a copy of which is attached to this Declaration and incorporated by this reference. Declarant may convey by warranty deed to the Association additional common areas shown on the Development Plan as it may be amended, including roads, open space and retention areas, and a storm water drainage system. Common areas not shown on the Development

Plan, as it may be amended, may be conveyed to the Association only if approved by the members in the manner set forth in Article II, Section 2.2(b) of this Declaration for the approval of additions to the properties. Utility and other easements not inconsistent with the intended use of the common areas shall not be considered "liens or encumbrances under this paragraph". Declarant agrees to dedicate to the Association an eight-foot (8) unobstructed easement for an equestrian trail around the perimeter of the Canterwood property as shown on Exhibit "C". If and when additional areas are added to the development as set forth in this instrument, the easements will be modified to include the additional property. The trail easement will generally follow the perimeter of the Canterwood project.

Section 3.2. Owners' Easements of Enjoyment. Each owner shall have a right and a nonexclusive easement of enjoyment in and to the common areas and for ingress and egress over and through the common areas and such easement shall be appurtenant to and shall pass with the title to every dwelling unit, subject to the following provisions:

(a) The right of the Association to charge reasonable fees for the use by guests of any common area recreational facility.

(b) The right of the Association to suspend the voting rights and right to use of the common area recreational facilities by an owner for the period during which any assessment against his dwelling unit remains unpaid, and for a period not to exceed sixty (60) days, for any infraction of its published rules and regulations.

(c) The right of the Association to adopt reasonable rules governing the use of the common areas and the personal conduct of persons authorized to use said areas, and to establish appropriate penalties for the violation of those rules.

(d) The right of the Association to dedicate or transfer by deed or easement all or any part of the common areas to any public agency, authority, or utility or to the Canterwood Golf and Country Club, or Declarant or its successors and assigns for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective without the approval of two-thirds (2/3) of each class of members, except that any transfer of open spaces A, B or C in Division One of Canterwood shall require the affirmative vote of 90% of each class of members.

(e) The rights of the Canterwood Golf and Country Club and its employees, contractors, agents and members as set forth below.

Section 3.3. Delegation of Use. Any owner may delegate his right of enjoyment to the common areas and facilities to the members of his family, his tenants, or his guests, subject to the limitations set forth above.

Section 3.4. Association to Maintain. The Association shall maintain, repair, replace, and improve the common areas as appropriate for a first-class rural community, and shall pay the actual cost of the same from annual or special assessments as appropriate. Without limiting these duties, the Association shall be specifically obligated to maintain those portions of the common areas which give Canterwood an equestrian orientation, including any horse trails which may be developed and dedicated to the Association. That specific obligation shall include the responsibility to remove animal waste from any such trails on a regular basis.

Section 3.5. Delegation to Manager. The Board of Directors may delegate any of its managerial duties, powers, or functions to any person, firm, or corporation, provided that any management agreement for the project shall be terminable by the Association for cause upon thirty (30) days written notice thereof, and the term of any such agreement may not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods. The members of the Board of Directors shall not be liable for any omission or improper exercise by the manager of any duty, power, or function so delegated by written instrument executed by a majority of the Board of Directors.

Section 3.6. Common Areas Designated "Open Space". Those portions of the common areas which are designated as "open space" on any recorded plat of the properties shall be subject to the use limitations and restrictions set forth in Sections 9.210.070(9) and 9.210.070(10) of the Development Regulations for the Gig Harbor Peninsula, as those regulations may be amended from time to time.

Section 3.7. Rights of Canterwood Golf and Country Club. The Canterwood Golf and Country Club, its members, guests, contractors, agents and employees shall have a right and a nonexclusive easement of enjoyment in and to the common area roads and paths for access to, from and among the Canterwood Golf and Country Club facilities. In addition, the Canterwood Golf and Country Club shall have a nonexclusive easement over the open space portions of the common area for utilities and for access to

maintain golf course facilities; provided that use by the Club shall be consistent with the open space provisions of the Gig Harbor Development Regulations and shall be accomplished with minimal effect on the Association and its members. The Association may not interfere with or restrict the rights granted in this section. The Association shall furnish to the Club keys, access cards and other equipment as may be necessary to allow full use of the easements granted in this section, and the Club shall pay the actual costs of the Association in furnishing such equipment, keys and cards.

ARTICLE IV

Association

Section 4.1. General. Every owner of a dwelling unit shall be a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any dwelling unit. Ownership of a dwelling unit shall be the sole qualification for membership.

Section 4.2. Classes. The Association shall have two (2) classes of voting membership:

(a) Class "A". Class "A" members shall be all owners, with the exception of Declarant, and shall be entitled to one (1) vote for each dwelling unit owned. When more than one person holds an interest in any dwelling unit, all such persons shall be members. The vote for such dwelling unit shall be divisible and exercised as the owners determine, but in no event shall more than one vote be cast with respect to any dwelling unit.

(b) Class "B". The Class "B" member shall be the Declarant, and shall be entitled to three (3) votes for each dwelling unit owned. The Class "B" membership shall cease and be converted to Class "A" membership upon the happening of either of the following events, whichever occurs earlier:

(i) When the total votes in the Class "A" membership equal the total votes in the Class "B" membership.

(ii) On June 1, 1998.

Section 4.3. Multiple Dwelling Units. The votes for any lot upon which multiple dwelling units may be constructed shall be based upon the number of dwelling units permitted under the Development Plan, until such time as all dwelling units on the lot have been completed. Thereafter, the votes shall be based

upon the number of units actually constructed upon the lot. Notwithstanding this provision, any investor who owns more than one dwelling unit for rental purposes shall be restricted to one (1) vote regardless of the number of dwelling units owned; provided, however, that this provision shall not apply to the Declarant or to any recognized financial institution.

ARTICLE V

Easements

Section 5.1. Utility and Drainage Easements. In addition to easements reserved on any plat of the Properties or shown by any instrument of record, easements for utilities and drainage are reserved over a five (5) foot wide strip along each side of the interior lot lines, over the rear ten (10) feet of each lot, and over, under, and on the common areas. Within all of the easements, no structure, planting or fill material shall be placed or permitted to remain which may, in the opinion of the ACC, damage or interfere with the installation and maintenance of utilities, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each lot and all improvements within it shall be maintained continuously by the owner of the lot, except for those improvements for which a public authority, a utility company, or the Association is responsible. This provision shall apply to the perimeter of areas where multiple-dwelling units or townhouse units may be constructed under the Development Plan, but shall not apply along lot lines separating individual dwelling units or clusters of units in such areas.

Section 5.2. Easement for Association. The Association and its agents shall have an easement for access to each lot and to the exterior of any building located thereon during reasonable hours as may be necessary for the following purposes:

- (a) The maintenance, repair, replacement, or improvement of any common area accessible from that lot.
- (b) Emergency repairs necessary to prevent damage to the common areas or to another lot or the improvements thereon.
- (c) Cleaning, maintenance, repair, or restoration work which the owner is required to do but has failed or refused to do.

Except in an emergency where advance notice is not possible, these easements shall be exercised only after reasonable notice to the lot owner.

Section 5.3. Easement for Government Personnel. An easement for access by police, fire, rescue and other government personnel is reserved across all common areas as necessary or appropriate for the performance of their public duties.

Section 5.4. Easement for Declarant. The Declarant shall have an easement across all common areas for ingress, egress, storage and placement of equipment and materials, and other actions necessary for or related to the development or maintenance of Canterwood.

ARTICLE VI

Assessments

Section 6.1. Covenants for Maintenance Assessments.

(a) Declarant, for each dwelling unit owned by it, agrees, and each owner of a dwelling unit by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to agree to pay to the Association (i) annual assessments or charges, and (ii) special assessments for capital improvements.

(b) The annual and special assessments, together with interest, costs and reasonable attorney's fees shall be a charge and a continuing lien upon the dwelling unit against which each such assessment is made. Such lien may be foreclosed by the Association in like manner as a mortgage on real property.

(c) Each assessment, together with interest, costs, and reasonable attorney's fees shall also be the personal obligation of the person who was the owner of the dwelling unit assessed at the time the assessment fell due. The personal obligation shall not pass to the owner's successors-in-interest unless expressly assumed by them. The new owner shall be personally liable for assessments which become due on and after the date of sale or transfer.

Section 6.2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the properties, including the improvement, repair and maintenance of the common area and the services and

facilities related to the use and enjoyment of said area, and for the payment of taxes and insurance on the common areas.

Section 6.3. Maximum Annual Assessments. The Board of Directors shall establish the maximum annual assessment which may, from time to time, be increased subject to the following conditions and limitations:

(a) Until such time as the Class "B" membership ceases to exist, the Board of Directors may fix and increase the maximum annual assessment as necessary to fulfill the purposes set forth above.

(b) From and after the date upon which the Class "B" membership ceases to exist, the maximum annual assessment may not be materially increased without an affirmative vote of two-thirds (2/3) of the Class "A" members who are voting in person or by proxy, at a meeting duly called for such purpose pursuant to Section 6.7 of this Article. A "material increase" shall be an increase which, cumulatively for the Association's fiscal year, increases the annual assessment by a percentage in excess of the percentage increase in the Consumer Price Index over the twelve (12) month period ending one (1) month before the start of the fiscal year. The Consumer Price Index shall be that applicable to "All Urban Consumers" published by the Bureau of Labor Statistics for the area which includes Canterwood, or if that index is terminated or superseded, a comparable measure.

Section 6.4. Board to Fix Annual Assessment. The Board of Directors shall fix the annual assessment at an amount not in excess of the maximum at least fifteen (15) days prior to the start of the fiscal year. Written notice of the annual assessment shall be sent to every owner. In the event the Board fails to fix an annual assessment for any fiscal year, then the assessment established for the prior year shall automatically be continued until such time as the Board acts. The annual assessments shall be sufficient to meet the obligations imposed by the Declaration and any supplementary declarations, and shall be sufficient to establish an adequate reserve fund for the maintenance, repair and replacement of those common areas which require such actions on a periodic basis.

Section 6.5. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy in any assessment year, a special assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of a described capital improve-

ment upon the common area, including the necessary fixtures and personal property related thereto; provided, however, that any such assessment shall have the assent of two-thirds (2/3) of the votes of each class of members who are voting in person or by proxy at a meeting duly called for this purpose pursuant to Section 6.7 of this Article.

Section 6.6. Rate of Assessment. Both annual and special assessments shall be fixed at a uniform rate for all dwelling units provided that owners of dwelling units for which no plans have been approved by the Architectural Control Committee shall be assessed at Twenty Five (25%) Percent of the regular annual assessment rate. For lots upon which multiple-dwelling units are permitted, assessments shall be based upon the number of units permitted until such time as all dwelling units on the lot are completed. Thereafter, assessments shall be based upon the actual number of units actually constructed.

Section 6.7. Notice and Quorum For Any Action Authorized Under Sections 6.3 and 6.4. Written notice of any meeting conducted pursuant to Sections 6.3 or 6.4 of this Article shall be sent to all members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting and shall include a statement of the purpose for which the meeting is to be held. At the first meeting called for the purposes set forth in Sections 6.3 and 6.5, the presence of members or of proxies entitled to cast Sixty (60%) Percent of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth herein, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 6.8. Commencement of Annual Assessments; Due Dates. The annual assessments shall commence as to all dwelling units within the Properties on the first (1st) day of the month following the conveyance of the first dwelling unit. If additional property is annexed to the Properties pursuant to Article II, annual assessments on each of the dwelling units added shall commence on the first (1st) day of the month following the first conveyance of a dwelling unit within the annexed property. The first annual assessment on any dwelling unit shall be adjusted according to the number of months remaining in the calendar year.

Section 6.9. Certificate. The Association shall upon demand furnish a certificate in writing signed by an officer of the Association setting forth whether the assessments on a

specified dwelling unit have been paid. A reasonable charge may be made by the Association for the issuance of these certificates. Such certificate shall be conclusive evidence of payment of any assessment stated to have been paid.

Section 6.10. Effect of Nonpayment of Assessments; Remedies of Association. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of Twelve (12%) Percent per annum, and the Association may bring an action at law against the owner obligated to pay the assessment, or may foreclose the lien against the property, and in either event, interest, costs, and reasonable attorney's fees shall be added to the amount of such assessment. No owner may waive or otherwise escape liability for annual or special assessments by nonuse of the common area or by abandonment of his dwelling unit.

Section 6.11. Subordination of Lien to Mortgages. The lien of the assessments provided for in this Declaration shall be subordinate to the lien of any first mortgage. Sale or transfer of any dwelling unit shall not affect the assessment lien. However, where the mortgagee of a mortgage of record or other purchaser of a dwelling unit obtains possession of the dwelling unit as the result of foreclosure of a mortgage, or by deed or assignment in lieu of foreclosure, such possessor, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such dwelling unit which became due prior to such possession. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the owners, including such possessor, his successors and assigns.

Section 6.12. Exempt Property. The following property shall be exempt from the payment of annual and special assessments:

(a) All portions of the Properties dedicated to and accepted by a local public authority.

(b) The common areas and other areas (including the golf course) set aside for nonresidential use.

(Note: Lot Numbers 1, 2 and 3 of Canterwood are not subjected to the Declaration and the owners of those lots have no responsibility for the payment of assessments.)

ARTICLE VIIExterior Maintenance

Each owner shall have the obligation to maintain his lot and any building or improvements located on the lot to standards appropriate for a first-class rural community. If the owner of any lot fails to maintain the lot, buildings, and other improvements to those standards, the Association, after approval by two-thirds (2/3) vote of the Board, shall have the right, through its agents and employees, to enter upon the lot and to clean, repair, maintain, and restore the lot and the exterior of the buildings and other improvements. The cost of such exterior maintenance shall be added to and become part of the assessments to which such dwelling units thereon are subject.

ARTICLE VIIIArchitectural Control Committee

Section 8.1. Appointment. An Architectural Control Committee ("ACC") consisting of not less than three (3) nor more than seven (7) persons shall be appointed. Each member shall hold office until he resigns, is removed, or until his successor has been appointed and qualified. Declarant shall have the authority to appoint the members of the ACC until the termination of the Class "B" membership as set forth in this Declaration. Thereafter, the members of the ACC shall be appointed by the Board of Directors.

Section 8.2. Duties. The ACC shall have the authority to review and act upon proposals and plans submitted and to perform other duties set forth in this Declaration.

Section 8.3. Guidelines; Permits; Fees. The ACC shall have the authority to adopt and amend written guidelines to be applied in its review of plans and specifications, in order to further the intents and purposes of this Declaration and any other covenants or restrictions covering the properties. If such guidelines are adopted, they shall be available to all members upon request. The ACC may, among other things, establish guidelines requiring, for all lots sold by Declarant after the date of this instrument, a Canterwood Building Permit for activities requiring ACC approval. The ACC may charge a fee to cover plan review and inspection and may require a completion bond to ensure that exterior and landscaping work is completed. All permit fees and bond proceeds shall belong to the Association.

Section 8.4. Meetings; Compensation. The ACC shall meet as necessary to properly perform its duties, and shall keep and maintain a record of all actions taken at the meetings or otherwise. Unless authorized by the Association, the members of the ACC shall not receive any compensation for their services. All members shall be entitled to reimbursement for reasonable expenses incurred in connection with the performance of any ACC duties.

Section 8.5. Nonwaiver. Approval by the ACC of any plans, drawings or specifications shall not be a waiver of the right to withhold approval of any similar plan, drawing, specification, or matter submitted for approval.

Section 8.6. Liability. Neither the ACC nor any of its members shall be liable to the Association or to any owner for any damage, loss or prejudice resulting from any action taken in good faith on a matter submitted to the ACC for approval or for failure to approve any matter submitted to the ACC. The ACC or its members may consult with the Association or any owner with respect to any plans, drawings, or specifications, or any other proposal submitted to the ACC.

ARTICLE IX

Architectural and Landscape Control

Section 9.1. Approval of Plans Required. Except as provided in Section 9.2 below, none of the following actions may be taken until plans and specifications for the same have been approved in writing by the ACC:

- (a) The construction of private roads or driveways.
- (b) The construction or erection of any building, fence, corral, wall or other structure, including the installation, erection, or construction of any solar collection device.
- (c) The remodeling, reconstruction, or alteration of any road, driveway, building or other structure.
- (d) The cutting, damaging, or removal of any tree which is greater than six (6) inches in diameter at a point four (4) feet above the ground level.
- (e) The removal of any living plant or tree from any portion of a lot which is a setback area under any covenant, regulation, or restriction applicable to said lot, except

such removal as may be necessary under the terms of any other covenant applicable to the lot.

Any of such actions which has been approved shall only be taken in conformity with the plans and specifications actually approved by the ACC, and no changes in or deviations from the approved plans and specifications shall be made without the prior written approval of the ACC. In addition, a home may only be constructed by a builder approved by the ACC as set forth below.

NONE OF THE ACTIONS DESCRIBED ABOVE MAY BE TAKEN UNTIL THE OWNER HAS RECEIVED A WRITTEN LETTER FROM THE ACC APPROVING THE PLANS.

Section 9.2. Approval Not Required. Notwithstanding any provision of this Declaration, the approval of the ACC shall not be required for action taken by Declarant to develop the property in accordance with the Development Plan.

Section 9.3. Procedure for Approval. Any person wishing to take any of the actions described above shall submit to the ACC two (2) sets of plans and specifications which meet the following requirements:

(a) Plans for the construction or modification of roads or driveways shall show the proposed location, course, width, grade, and materials.

(b) Plans for the construction or modification of any building, fence, corral, wall, or other structure shall be building elevation plans which, in addition to the details customarily shown on such plans, shall show the proposed location of the structure on the lot, elevations from all four viewpoints, the exterior color scheme, proposed outdoor lighting, proposed landscaping, and proposed grading and shall show and otherwise identify any special needs or conditions which may arise or result from the installation, erection, or construction of any solar collection device. At the request of the ACC, the person submitting such plans shall locate stakes on the lot which indicate the corners of the proposed structure. The specifications shall include a list of all materials that will be visible on the exterior of the improvement. The person seeking approval shall also submit color and material samples at the request of the ACC.

(c) Plans for the removal or planting of trees and plants shall show the location, type, and approximate size of the trees or plants to be added or removed.

(d) Plans for the construction of a residence shall also identify the builder which the owner proposes to employ to construct the home.

Approval of such plans and specifications shall be evidenced by letter and by written notation on such plans and specifications, one (1) copy of which shall be delivered to the owner of the lot upon which the proposed action is to be taken. The ACC shall not be responsible for any structural defects in such plans or specifications or in any building or structure erected according to such plans and specifications. The ACC shall make its decision within 10 business days from the date the completed plans and specifications are submitted.

Section 9.4. Criteria for Approval. Approval of plans and specifications may be withheld or conditioned if the proposed action is at variance with these covenants, other covenants covering the Properties, or design guidelines adopted by the ACC. Approval may also be withheld or conditioned if, in the opinion of the ACC, the proposed action will be detrimental to the community because of the grading and drainage plan, location of the improvement on the lot, color scheme, finish design, proportions, size of home, shape, height, style, materials, outdoor lighting proposed, or landscaping plan, or impact on view rights. The ACC shall also have the right to withhold approval of the builder the owner plans to employ, based upon the builder's experience, reputation or credit history.

Section 9.5. Conformity With Approved Plans. It shall be the responsibility of the ACC to determine that actions have been completed in accordance with the plans as submitted and approved. Such determination must be made within sixty (60) days of the completion of the action. If the ACC shall determine that the action does not comply with the plans and specifications as approved, it shall notify the owner within that sixty (60) day period, and the owner, within such time as the ACC shall specify, but not less than thirty (30) days, shall either remove or alter the improvement or take such other steps as the ACC shall designate.

ARTICLE X

Permitted and Prohibited Uses

Section 10.1. Land Use and Building Type. Except with the prior written approval of the ACC, no building shall be erected, altered, placed or permitted to remain upon any single-family lot as shown on the Development Plan other than one (1) single-family dwelling not to exceed two (2) stories in height; one (1) private

garage or carport for not more than three (3) standard-size passenger automobiles, and as to lots identified as "horse lots," one (1) single-story stable for not more than two (2) horses. Multi-family structures, including townhouses, may be built upon portions of the properties approved for such uses on the Development Plan. Nothing in this provision shall prevent the Declarant from using all or any portion of any lot for roadway purposes, provided such improvements are shown on the Development Plan.

Section 10.2. Horse Lots. The following are designated as "horse lots": 4, 5, 7, 8, 9, 10, 15, 16, 17, 18, 21, 69, 70, 71 and 72.

Section 10.3. Building Location. The setback requirement under the Development Regulations for the Gig Harbor Peninsula shall apply to the location of any building on any lot unless a variance from or waiver of the Pierce County Regulations has been granted; provided, however, that nothing contained in this provision shall prevent the ACC from applying a more restrictive requirement in the architectural approval process. As to those lots located adjacent to golf course boundaries, no dwelling unit or other structure shall be located within thirty (30) feet of the lot line bordering the golf course, without the written approval of the ACC and the Canterwood Golf and Country Club.

Section 10.4. Swimming Pools. Unless approved by the ACC in writing, swimming pools shall not be nearer than twenty five (25) feet to any lot line and shall not project with their coping more than four (4) feet above the established grade.

Section 10.5. Completion of Construction. On all single-family lots sold after the date of this instrument, construction of the principal structure shall be commenced within two (2) years from the date the Declarant first sells the lot. The work of construction on all building and structures shall be prosecuted diligently and continuously from commencement of construction until the structures are fully completed and painted. All structures shall be completed as to external appearance, including finish painting, within twelve (12) months from date of commencement of the construction, unless prevented by cause beyond the owner's control, or unless the construction period is extended by the ACC.

Section 10.6. Sight Distance at Intersections. No fence, wall, tree, hedge, shrub or other planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner lot within the triangular area formed by the street property lines and a line connecting them at a point twenty five (25) feet from

the intersection of the street lines, or in the case of a rounded property corner from the intersection of the street property lines extended. The same sight line limitations shall apply on any lot within the (10) feet from the intersection of a street property line with the edge of a driveway.

Section 10.7. Quality of Construction. The principal structure on each lot shall be constructed by a licensed building contractor.

Section 10.8. Driveway Standards. All driveways shall be constructed of concrete or asphalt; provided, however, that no concrete shall be used on any portion of a driveway which is located on common area; and provided, further, that all-weather gravel shall be permitted on driveways where the principal residential structure is set back a distance greater than sixty (60) feet from the intersection of the lot line and the driveway. For purposes of measurements under this covenant, distances shall be measured on a line running perpendicular to the lot line from the center of the driveway at the point of intersection with the lot line.

Section 10.9. Parking. Unless fully enclosed within an approved structure upon a lot, no recreational vehicles, commercial vehicles, construction or like equipment, trailers (utility, boat, camping, horse, or otherwise), or disabled vehicles shall be allowed to be parked or stored on any lot, street, or area other than the designated Recreational Vehicle Parking Area, for a period in excess of twenty four (24) hours in any one week.

Section 10.10. Nuisances. No noxious or undesirable thing, or noxious or undesirable use shall be permitted or maintained upon any lot or upon any other portion of the Properties. If the Board determines that a thing or use is undesirable or noxious, that determination shall be conclusive.

Section 10.11. Excavation. Except with the permission of the ACC, or except as may be necessary in connection with the construction of any approved improvement, no excavation shall be made nor shall any dirt be removed from any lot herein.

Section 10.12. Drainage. Except with the approval of the ACC, the natural drainage of any lot shall not be changed.

Section 10.13. Use During Construction. Except with the approval of the Board, no persons shall reside upon the premises of any lot until such time as the improvements to be erected thereon in accordance with the plans and specifications approved by the Board have been completed.

Section 10.14. Divisions of Lots. No lot shall be divided for the purpose of sale or lease without the prior written approval of the Board of Directors; provided that this restriction shall not apply to boundary line adjustments which do not create additional building lots.

Section 10.15. Oil and Mining Operations. No oil drilling, oil development operations, oil refining, quarrying, mining or mineral extraction operation of any kind shall be permitted upon or in any lot, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any lot.

Section 10.16. Sewage Disposal Systems; Garbage Disposals. No individual sewage disposal system shall be permitted on any lot unless the system is designed, located and constructed in accordance with the requirements, standards and recommendations of all governmental agencies having jurisdiction of such system. No garbage disposal shall be permitted without the consent of the Tacoma-Pierce County Health Department.

Section 10.17. Health Standards--Horses. Owners of horse lots who wish to keep horses on their lots will be required to have a current Negative Coggins Test (Equine Infectious Anemia) for their horses before the animals will be allowed to reside upon such lot.

Section 10.18. Water Supply. No individual water supply system shall be permitted on any lot.

Section 10.19. Signs. No sign or billboard of any kind shall be displayed to public view on any portion of any lot, excepting one sign of not more than five square feet advertising the property for sale or rent, one sign indicating the name of the owner, or signs of reasonable size used by a builder to advertise the property during the construction and initial sales period. All signs shall be subject to the approval of the ACC.

Section 10.20. Animals. No animals or reptiles of any kind shall be kept on the properties, except that dogs, cats, or other household pets may be kept on any lot, and horses may be kept on horse lots, subject to the rules and regulations adopted by the Association. No animal may be kept, bred, or maintained for any commercial purpose.

Section 10.21. Garbage and Refuse. No garbage, refuse, rubbish, cuttings or debris of any kind shall be deposited on or

left upon any lot unless placed in an attractive container suitably located and screened from public view. All incinerators or other equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. No building material of any kind shall be placed or stored upon any property within Canterwood until the owner is ready to commence construction, and then such material shall be placed within the boundary lines of the lot upon which its use is intended. All lots which are designated "horse lots" shall be maintained in a neat and clean condition at all times in order that they shall not constitute a nuisance to adjoining lots. All manure, used bedding and other waste or debris shall be removed from the horse lots on a regular basis.

Section 10.22. Motorized Vehicles. No motorized vehicles except necessary maintenance equipment shall be permitted on trails, horse or jogging paths or any portion of the common areas not designated as a roadway, cart path or parking area.

Section 10.23. Temporary Structure. No structure of a temporary or movable character including but not limited to a trailer, mobile home, basement, tent, shack, garage, barn or any other outbuilding shall be kept or used on any lot at any time as a residence. This provision shall not be deemed to prevent the use of a construction shack or trailer for purposes of storage or security at any time during the initial period of construction.

Section 10.24. Utility Lines; Radio and Television Antennas. All electrical service, telephone lines and other outdoor utility lines shall be placed underground. No exposed or exterior radio or television transmission or receiving antennas shall be erected, placed, or maintained on any part of such premises except as approved by the ACC prior to installation or construction. Any waiver of these restrictions shall not constitute a waiver as to other lots or lines or antennas.

Section 10.25. Tanks, Etc. No elevated tanks of any kind shall be erected, placed, or permitted on any part of such premises, provided, that nothing herein shall prevent the Developer, its heirs and assigns, from erecting, placing, or permitting the placing of tanks and other water system apparatus on such premises. Any tanks for use in connection with any residence constructed on such premises, including tanks for the storage of fuels, must be buried or walled sufficiently to conceal them from the view from neighboring lots, roads, or streets. All clotheslines, garbage cans, equipment, coolers, wood piles, or storage piles shall be walled in or otherwise suitably screened to conceal them from the view of neighboring

lots, common areas, roads, or streets. Plans for all enclosures of this nature must be approved by the ACC prior to construction.

Section 10.26. Solar Rights. No building or structure of any nature, landscaping, vegetation, nor other object of any type may be erected, altered, maintained, planted or cultivated in such a manner as to intrude or encroach into and/or on to that particular roof space or area designed and/or required in order that the collection surface of a solar collection device on said property receive or be exposed to direct sunlight for that period of time commencing at 9:00 a.m. True Solar Time, and continuing through 3:00 p.m. True Solar Time on each day of the year, or in any way obstruct or otherwise interfere with the sunlight necessary for the efficient operation of said solar equipment. In the event any building, structure, landscaping, vegetation or other object is erected, altered, maintained, or cultivated in a manner as to violate the provisions of this covenant, then and in that event such violation shall be deemed a public and private nuisance and shall be subject to appropriate action and/or legal proceedings to prevent, enjoin, abate, or remove such nuisance, which action and/or legal proceedings may be commenced by the appropriate municipal, county or state authority, by the owner of the property suffering the nuisance, or by any owner.

Section 10.27. Authority to Adopt Additional Rules and Restrictions. The Association shall have the authority to adopt additional written rules and restrictions governing the use of the properties, provided such rules and restrictions are consistent with the purposes of the Declaration, and to establish penalties for violation of those rules and restrictions. If rules and restrictions are adopted, they, along with the established penalties, shall be available to all members upon request.

ARTICLE XI

Special Restrictions Affecting Golf Fairway Residential Areas.

Section 11.1. Golf Course Maintenance Easement. There is reserved to the Declarant a "Golf Course Maintenance Easement Area" on each lot adjacent to the golf course developed on the property. This reserved easement shall permit the Declarant, at its election, to go onto any affected lot at any reasonable hour and maintain or landscape the Golf Course Maintenance Easement Area. Such maintenance and landscaping shall include regular removal of underbrush, trees less than six (6) inches in diameter, stumps, trash or debris, planting of grass, watering, application of fertilizer, and mowing the Golf Course Maintenance Easement Area. This Golf Course Maintenance Easement Area shall

be limited to the portion of such lots within thirty (30) feet of the lot line bordering the course, or such lesser area as may be shown as a "Golf Course Maintenance Area" on the recorded plat of such lot; provided, however, that the above-described maintenance and landscaping rights shall apply to the entire lot until there has been filed with the Declarant or the ACC a landscaping plan for such lot by the owner thereof, or alternatively, a dwelling unit is constructed on the lot.

Section 11.2. Entry by Golfers. Until such time as a dwelling unit is constructed on a lot, the Declarant, its agents, successors or assigns, reserves an easement to permit and authorize registered golf course players and their caddies to enter upon a lot to recover a ball or play a ball, subject to the official rules of the course, without such entering and playing being deemed a trespass. After a dwelling unit is constructed, such easement shall be limited to that portion of the lot included in the Golf Course Maintenance Easement Area, and recovery of balls only, not play, shall be permitted in such Easement Area. Registered players or their caddies shall not be entitled to enter on any such lot with a golf cart or other vehicle, nor spend unreasonable time on such lot, or in any way commit a nuisance while on such lot. After construction of a dwelling unit on a lot, "Out of Bounds" markers may be placed on said lot at the expense of the Declarant or Association.

Section 11.3. Prohibited Activities. Owners of golf fairway lots shall be obligated to refrain from any actions which would detract from the playing qualities of the golf course or the development of an attractive overall landscaping plan for the entire golf course area. Such prohibited actions shall include, but are not limited to, such activities as permitting unfenced dogs or other pets on the lot under conditions interfering with play due to noise or otherwise, running on the golf course, picking up balls or other like interference with play.

Section 11.4. No Reserved Rights. Ownership of a dwelling unit or lot in itself shall not create any rights of access, play or membership to any golf course constructed within the properties, and the Declarant reserved the right to use said golf course and golf club as it may choose in its sole discretion including, but not limited to, the right to permit public play or to create a private club.

Section 11.5. Assignment of Declarant's Rights. Declarant may assign its rights under this Article XI to the Canterwood Golf and Country Club.

ARTICLE XIIInsurance Requirements

The Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for a planned unit development project established by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Veterans Administration, and Government National Mortgage Association, so long as any of them are a mortgagee or owner of a dwelling unit within the project, except to the extent such coverage is not available or has been waived in writing by Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Veterans Administration, and Government National Mortgage Association.

ARTICLE XIIIDamage or Destruction

Section 13.1. In the event of damage or destruction to all or part of the common areas, the insurance proceeds, if sufficient, shall be applied to repair, reconstruct or rebuild the common area in accordance with the original plans. Such repair, reconstruction or rebuilding shall be arranged for promptly by the Board of Directors.

Section 13.2. If the insurance proceeds are insufficient to pay for the cost to repair the common areas, the Board shall promptly, but in no event later than ninety (90) days after the date of damage or destruction, give notice to and conduct a special meeting of the owners to review the proposed repairs, replacement, and reconstruction, as well as the projected cost of such repairs, replacement or reconstruction. The owners shall be deemed to have approved the proposed repairs, replacement, and reconstruction as proposed by the Board at that meeting, unless the owners decide by an affirmative vote of Fifty One (51%) Percent of the total votes cast at such meeting (provided a quorum exists), to repair, replace, or reconstruct the premises in accordance with the original plan in a different manner than that proposed by the Board. In any case, however, use of hazard insurance proceeds for other than repair, replacement, or reconstruction of the common area in accordance with the original plans shall not be permitted without the prior written approval of at least Sixty Seven (67%) Percent of the first mortgagees (based on one [1] vote for each first mortgage owned) or owners (if there is no first mortgage on that dwelling unit) of the dwelling units.

ARTICLE XIV

Condemnation

In the event of a partial condemnation of the common areas, the proceeds shall be used to restore the remaining common area, and any balance remaining shall be distributed to the Association.

In the event that the entire common area is taken or condemned, or sold, or otherwise disposed of in lieu of or in avoidance thereof, the condemnation award shall be distributed to the Association.

No proceeds received by the Association as the result of any condemnation shall be distributed to a lot owner or to any other party in derogation of the rights of the first mortgagee of any dwelling unit.

ARTICLE XV

Mortgagees' Protection

Section 15.1. As used in this Declaration: (1) "mortgagee" includes the beneficiary of a deed of trust, a secured party, or other holder of a security interest; (2) "foreclosure" includes a notice and sale proceeding pursuant to a deed of trust or sale on default under a security agreement; and (3) "institutional holder" means a mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

Section 15.2. The prior written approval of at least Seventy Five (75) Percent of the first mortgagees (based on one vote for each first mortgage owned) of the individual dwelling units shall be required for any of the following:

(a) The abandonment or termination of the PUD status of the project, except for abandonment or termination, if any, provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain.

(b) Any material amendment to this Declaration or to the Articles of Incorporation or Bylaws of the owners association, including, but not limited to, any amendment which would change the ownership interests of the owners in this project, change the pro rata interest or obligation of any

individual owner for the purpose of levying assessments or charges or for allocating distributions of hazard insurance proceeds or condemnation awards.

(c) The effectuation of any decision by the owners association to terminate professional management and assume self-management (however this shall not be deemed or construed to require professional management).

(d) Partitioning or subdividing any lot.

(e) Any act or omission seeking to abandon, partition, subdivide, encumber, sell or transfer the common areas; provided, however, that the granting of easements for public utilities or other public purposes consistent with the intended use of the common areas shall not be deemed a transfer within the meaning of this clause.

(f) Any act or omission seeking to change, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or the exterior appearance of buildings and other improvements, the exterior maintenance of buildings and other improvements, the maintenance of common property walks or common fences and driveways, or to the upkeep of lawns and plantings in the properties.

(g) Any act or omission whereby the Association fails to maintain fire and extended coverage on insurable properties common property on a current replacement cost basis in an amount not less than 100% of the insurable value (based on current replacement costs).

(h) Use of hazard insurance proceeds for losses to any properties common property for other than the repair, replacement or reconstruction of such common property.

Section 15.3. Each first mortgagee (as well as each owner) shall be entitled to timely written notice of:

(a) Any significant damage or destruction to the common areas.

(b) Any condemnation or eminent domain proceeding effecting the common areas.

(c) Any default under this Declaration or the Articles of Incorporation or Bylaws which gives rise to a cause of action against the owner of a lot subject to the mortgage of

such holder or insurer, where the default has not been cured in thirty (30) days.

(d) Any proposed abandonment or termination of the PUD status of this project.

(e) Any material amendment of this Declaration or to the Articles of Incorporation or Bylaws of the Association.

Section 15.4. Each first mortgagee shall be entitled, upon request, to:

(a) Inspect the books and records of the Association during normal business hours.

(b) Require the preparation of and, if preparation is required, receive an annual audited financial statement of the Association for the immediately preceding fiscal year, except that such statement need not be furnished earlier than ninety (90) days following the end of such fiscal year.

(c) Receive written notice of all meetings of the Owners Association and be permitted to designate a representative to attend all such meetings.

Section 15.5. First mortgagees of any dwelling units may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the common areas, and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such common areas, and the first mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

ARTICLE XVI

General Provisions

Section 16.1. Binding Effect. All present and future owners or occupants of dwelling units shall be subject to and shall comply with the provisions of this Declaration, and the Bylaws and rules and regulations of the Association, as they may be amended from time to time. The acceptance of a deed or conveyance or the entering into occupancy of any dwelling unit shall constitute an agreement that the provisions of this Declaration, and the Bylaws and rules and regulations of the Association, as they may be amended from time to time, are accepted and ratified by such owner or occupant, and all such provisions shall be deemed and taken to be covenants running with the land and shall

bind any person having at any time any interest or estate in such dwelling unit, as though such provisions were recited and stipulated at length in each and every deed and conveyance or lease thereof.

Section 16.2. Enforcement. The Association and any owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Should the Association or any owner employ counsel to enforce any of the foregoing covenants, conditions, reservations, or restrictions, all costs incurred in such enforcement, including a reasonable fee for counsel, shall be paid by the owner found to be in violation of said condition, covenant, reservation, or restriction, or found to be delinquent in the payment of said lien or charge.

Section 16.3. Failure to Enforce. No delay or omission on the part of the Declarant or the owners of dwelling units in exercising any rights, power, or remedy provided in this Declaration shall be construed as a waiver of or acquiescence in any breach of the covenants, conditions, reservations, or restrictions set forth in the Declaration. No action shall be brought or maintained by anyone whatsoever against the Declarant for or on account of its failure to bring any action for any breach of these covenants, conditions, reservations, or restrictions, or for imposing restrictions which may be unenforceable.

Section 16.4. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall not affect any other provisions which shall remain in full force and effect.

Section 16.5. Interpretation. In interpreting this Declaration, the term "person" may include natural persons, partnerships, corporations, associations, and personal representatives. The singular may also include the plural and the masculine may include the feminine, or visa versa, where the context so admits or requires. This Declaration shall be liberally construed in favor of the party seeing to enforce its provisions to effectuate the purpose of protecting and enhancing the value, marketability, and desirability of the Properties by providing a common plan for the development of Canterwood.

Section 16.6. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years. This Declaration may be

amended during the first twenty (20) years by a vote of Ninety (90%) Percent of each class of members and thereafter by a vote of Seventy-Five (75%) of the members. Any amendment must be in writing and signed by the approving members or owners, and must be recorded.

Section 16.7. Power of Declarant to Amend to Meet Financing Requirements. Notwithstanding anything in this Declaration to the contrary, Declarant may without the consent of any owner, at any time prior to the time it has sold and closed Seventy Five (75%) Percent of the dwelling units, amend this Declaration by an instrument signed by Declarant alone in order to satisfy the requirements of the Federal Mortgage Agencies.

Section 16.8. FHA/VA Approval. As long as there is a Class "B" membership, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration if such Administrations have insured any of the properties or hold a first mortgage on any of the properties: annexation of additional properties, dedication of common area, any amendment to this Declaration of Covenants, Conditions and Restrictions.

Section 16.9. Certain Rights of Declarant. For such time as Declarant shall own lots or dwelling units, there shall be no amendments to the Declaration, the Articles of Incorporation, the Bylaws of the Association, or any Rules and Regulations adopted by the Association which:

(a) Discriminate or tend to discriminate against the Declarant's rights as an owner.

(b) Change Article I ("Definitions") in a manner which alters Declarant's rights or status.

(c) Alter Declarant's rights under Article II regarding annexation of additional properties.

(d) Alter the character and rights of membership or the rights of Declarant as set forth in Article IV.

(e) Alter previously recorded or written agreements with public or quasi-public agencies regarding easements and rights-of-way.

(f) Deny the right to convey common areas to the Association so long as such common areas lie within the land area represented in the Development Plan.

(g) Alter its rights as set forth in Articles VIII and IX relating to architectural controls.

(h) Alter the basis for assessments.

(i) Alter the provisions of Articles X or XI.

(j) Alter the number or selection of Directors as established in the Bylaws.

(k) Substantially alter the rights of the Canterwood Golf and Country Club or its members as set forth in this Declaration.

(l) Alter the Declarant's rights as they appear under this Article.

Section 16.10. Signature Pages. Multiple copies of this Declaration have been prepared and distributed for signature. By signing below, the parties authorize Lorigon to detach the executed signature page bearing their original signature and reattach it to one original of the Declaration for recording.

IN WITNESS WHEREOF, the undersigned has caused this Declaration to be executed this 9th day of March, 1988.

LORIGON CORPORATION,
a Washington corporation

By: Douglas A. Gonyea
President

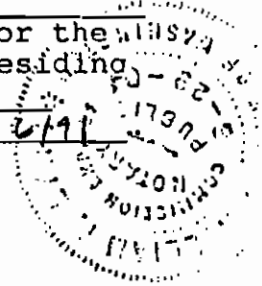
STATE OF WASHINGTON)
) ss.
COUNTY OF PIERCE)

On this 9th day of March, 1988, before me personally appeared DOUGLAS GONYEA, to me known to be the President of LORIGON CORPORATION, a Washington corporation, the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

William T. L.

NOTARY PUBLIC in and for the State of Washington, Residing at Tacoma My Appointment Expires 6/91



SIGNATURE PAGES

1807-1834

NOT REPRODUCED

EXHIBIT "A"

VOL 475PAGE1835

CANTERWOOD

Legal Description

The property platted as CANTERWOOD, DIVISION ONE, according to the plat recorded in Book 62 of Plats at Pages 8, 9, 10, 11 and 12, in Pierce County, Washington.

EXCEPT Lots 1, 2 and 3.

8803180143

EXHIBIT "B"

The following portions of CANTERWOOD, DIVISION ONE, according to the plat recorded in Book 62 of Plats, at Pages 8, 9, 10, 11 and 12, in Pierce County, Washington, are to be conveyed to the Association as the initial common areas:

- (1) The area identified on the plat as "Recreational Vehicle Parking Lot".
- (2) All roads within the plat, together with the security gate located on Canterwood Drive at the entrance of Canterwood.
- (3) The areas within the plat identified as "open spaces A, B. and C, D, E and F".

90 NOV 14 AM 11:26

AFTER RECORDING MAIL TO:

Stephanie A. Arend
Gordon, Thomas, Honeywell,
Malanca, Peterson & Daheim
2200 First Interstate Plaza
P.O. Box 1157
Tacoma, WA 98401-1157

RECORDED
BRIAN SONNTAG
AUDITOR PIERCE CO. WASH.

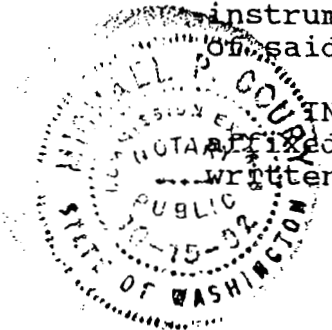
**FIRST AMENDMENT TO CANTERWOOD AMENDED AND RESTATED
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS**

This First Amendment to Canterwood Amended and Restated Declaration of Covenants, Conditions and Restrictions is made on the 7th day of NOVEMBER, 1990, by Lorigon Corporation, a Washington corporation, and Canterwood Homeowners Association, a Washington nonprofit Corporation, amending the Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's Fee No. 8107230103; and its Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's Fee No. 8803180143; and its Supplemental Declaration of Covenants, Conditions, and Restrictions for Divisions 2, 3, 4, 5, and 6 recorded under Pierce County Auditor's Fee Nos. 8805160078, 8810070127 and 8907050182, 9006070186, respectively (the "Declaration"). This instrument was approved by a vote of 90% of each class of members, whose signatures are attached hereto as Exhibit A.

Under Article VI, Assessments, Section 6.6, Rate of Assessment, is hereby amended to read as follows:

Both annual and special assessments shall be fixed at a uniform rate for all dwelling units. For lots upon which multiple dwelling units are permitted, assessments shall be based upon the number of units permitted until such time as all dwelling units on the lot are completed. Thereafter, assessments shall

instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed is the corporate seal of said corporation.



IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

Michael P. Coy
NOTARY PUBLIC in and for the
State of Washington, residing
at: 616 Harbor WA.
Commission expires: 10/15/92