

DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
DIAMOND HILLS HOMEOWNERS' ASSOCIATION

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THIS DECLARATION is made on the date hereinafter set forth by Novastar Enterprises Inc., ("Declarant"), who is the owner of certain land situated in the state of Washington, county of King, knows as "Diamond Hills," which is more particularly described on the attached Exhibit "A." In order to ensure preservation of the high quality residential environment at diamond Hills, Declarant agrees and covenants that all land and improvements now existing or hereinafter constructed thereon will be held, sold, conveyed subject to, and burdened by the following covenants, conditions, restrictions, reservations, limitations, liens and easements, all of which are for the purposes of enhancing and protecting the value, desirability and attractiveness of such lands for the benefit of all such lands and the owners thereof and their heirs, successor, grantees and assigns. All provisions of this Declarations shall be binding upon all parties having or acquiring any right, title or interest in such lands or any portion thereof and shall inure to the benefit of each owner thereof and to the benefit of Diamond Hills Homeowners' Association and shall otherwise in all respects be regarded as covenants running with the land.

ARTICLE I
DEFINITIONS

For purposes of the Declaration and the Articles of Incorporation and the Bylaws of the Diamond Hills Homeowners' Association, certain words and phrases shall have particular meanings as follows:

Section 1. "Association" shall mean and refer to Diamond Hill Homeowners' Association, its successors and assigns.

Section 2. "Board" shall mean and refer to the Board of Directors of the Association, as provided for in Article X. For purposes of exercising the powers and duties assigned in this Declaration to the Board during the Development Period, this term shall also mean the "Temporary Board" or "Declarant" as provided in Article III unless the language or context clearly indicates otherwise.

Section 3. "Properties" shall mean and refer to the real property described with particularity in Exhibit "A" and such additions to that property which may hereinafter be brought within the jurisdiction of the Association.

Section 4. "Common Areas" shall mean and refer to all of the real property (including the improvements thereto) owned by the Association for the common use and enjoyment of the members of the Association. The Common Areas to be owned by the Association at the time of the conveyance of the first lot are described as follows:

(a) Tract "A," which is a common open space/recreation tract, including all improvements located thereon.

Section 5. "Common Maintenance Areas" shall mean those portions of all real property (including the improvements thereto) maintained by the Association for the benefit of the members of the Association. The areas to be maintained by the Association at the time of recording this Declaration are described as follows:

(a) All Common Areas as set forth in Section 4 above.

(b) The landscaping and plat identification monument located at the southeast corner of the intersection of S.E. 280th Street and 228th Avenue S.E. lying within the designated landscape and/or signage easements and the adjacent right-of-way.

(c) The landscaping and entry monuments, if any, located within designated landscape/signage easements at the intersection of S.E. 282nd Street and 228th Avenue S.E., at the intersection of 230th Avenue S.E. and S.E. 280th Street, and at 231st Place S.E. and S.E. 280th Street, respectively, and as extended out into the adjacent right-of-way.

(d) All cul-de-sac planters within the public right-of-way, if any, within the public streets incorporated as part of the plat of Diamond Hills.

(e) The fence improvements around any part of the exterior plat boundary, including the associated right of reasonable access for maintenance, repair, or replacement of said fence.

(f) Additional perimeter landscaping adjacent to Diamond Hills that may be located between the exterior fence along S.E. 280th Street and 228th Avenue S.E., respectively, and the public street sidewalk, if any, which incorporates landscaping improvements.

Section 6. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties. Common Areas and Common Maintenance Areas shall not be regarded as Lots.

Section 7. "Declarant" shall mean and refer to Novastar Enterprises Inc.

Section 8. "Architectural Control Committee" shall mean and refer to the duly appointed or elected committee of the Board of Directors as outlined in Article XV of this Declaration, hereinafter referred to as the "Committee."

Section 9. "Development Period" shall mean and refer to that period of time as defined in Article III of this Declaration.

Section 10. "Plat" shall mean and refer to the Plat of Diamond Hills as approved and to be recorded in King Washington, under File No. (also as legally described on Exhibit "A" attached hereto.

Section 11. "Residence" shall mean and refer to buildings occupying any Lot.

Section 12. "Native Growth Protection Easement" (Not applicable)

Section 13. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of (1) a fee simple title to any Lot which is a part of the Properties (but excluding those persons or entities, such as real estate contract sellers, having record title merely as security for the performance of an obligation), or (2) the Purchaser under a real estate contract prior to issuance of the fulfillment deed for the contract.

ARTICLE II

PRE-EXISTING RESTRICTIONS

If the Properties covered by this Declaration are already affected by previous covenants, restrictions, conditions, and encumbrances (collectively "prior restrictions"), the Properties will continue to be subject to such prior restrictions to the extent the prior restrictions are valid and legally enforceable.

ARTICLE III

DEVELOPMENT PERIOD; MANAGEMENT RIGHTS OF
DECLARANT DURING DEVELOPMENT

Section 1. Management by Declarant. Development Period shall mean that period of time from the date of recording the Declaration until (1) the date five (5) years from the date of recording this Declaration or (2) the thirtieth (30) day after the Declarant has transferred title to the purchasers of Lots representing 100 percent of the total voting power of all Lot Owners as then constituted (so that Declarant no longer is entitled to vote either as a Class A or Class B member of the Association pursuant to Article X, Section 3) or (3) the date on which the Declarant elects to permanently relinquish all of Declarant's authority under this Article III by written notice to all Owners, whichever date first occurs. Notwithstanding anything in this Declaration to the contrary, until termination of the Development Period, either upon the sale of the required number of Lots, the expiration of five (5) years, or at the election of the Declarant, the Property shall be managed and the Association organized at the sole discretion of the Declarant.

Section 2. Notice to Owners. Not less than ten (10) nor more than thirty (30) days prior to the termination of the Development Period, the Declarant shall give written notice of the termination of the Development Period to the Owner of each Lot. Said notice shall specify the date when the Development Period will terminate and shall further notify the Owners of the date, place and time when a meeting of the Association will be held. The notice shall specify that the purpose of the Association meeting is to elect new Officers and Directors of the Association. Notwithstanding any provisions of the Articles or Bylaws of the Association to the contrary, for the purpose of this meeting, the presence, either in person or by proxy, of the Owners of five (5) Lots shall constitute a quorum. The Board of Directors and Officers of the Association may be elected by a majority vote in said quorum. If a quorum shall not be present,

the Development Period shall nevertheless terminate on that date specified in said notice and it shall thereafter be the responsibility of the Lot Owners to provide for the operation of the Association.

Section 3. Declarant may in Declarant's sole discretion, and at such times as the Declarant deems appropriate (including in the Articles of Incorporation of the Association), appoint three persons who may be Lot Owners, or are representatives of corporate entities or other entities which are Lot Owners, as a Temporary Board. This Temporary Board shall be for all purposes the Board of Directors of the Association, and shall have full authority (including the authority to adopt or amend the initial or subsequent Bylaws of the Association) and all rights, responsibilities, privileges and duties to manage the Properties under this Declaration and shall be subject to all provisions of this Declaration, the Articles and the Bylaws. Provided that, after selecting a Temporary Board, the Declarant, in the exercise of the Declarant's sole discretion, may at any time terminate the Temporary Board and reassume the Declarant's management authority under Article III or select a new Temporary Board under this section of Article III. When the Declarant has appointed a Temporary Board, the Temporary Board, during the Development Period, shall have, and may fully exercise, any power of authority granted to the Permanent Board after the Development Period.

Section 4. So long as no Temporary Board is managing the Properties or until such time as the first permanent Board is elected, should Declarant choose not to appoint a Temporary Board, Declarant or a managing agent selected by the Declarant shall have the power and authority to exercise all the rights, duties and functions of the Board and generally exercise all powers necessary to carry out the provisions of this Declaration, including, but not limited to, enacting reasonable administrative rules, contracting for required services, obtaining property and liability insurance, collecting and expending all assessments and Association funds, and enforcing this Declaration (including foreclosing any liens provided for by this Declaration). Any such managing agent or the Declarant shall have the exclusive right to contract for all goods and services, payment for which is to be made from any monies collected from assessments. In the event that Association expenses exceed assessments, any monies provided by Declarant for Association expenses that would otherwise be paid for out of Association assessments shall be considered a load to be repaid to Declarant through regular or special assessments from the Association, together with Interest at 12 percent (12%) per annum.

Section 5. These requirements and covenants are made to ensure that the Properties will be adequately administered in the initial stages of development and to ensure an orderly transition to Association operations. Acceptance of an interest in a Lot evidences acceptance of this management authority in Declarant.

Section 6. Declarant shall have the management authority granted by this Article III notwithstanding anything in this Declaration to the contrary. Declarant, as the Incorporator of the Association, may cause the Association to be incorporated, the Temporary Board to be appointed either in the Articles of Incorporation of the Association or by separate written instrument, to terminate the Temporary Board and reassume the Declarant's management authority under this Article III, reappoint successor Temporary Boards, or take any other action permitted by this Article III, all without affecting

the authority given the Declarant by this Article III to manage the Property and organize the Association at the Declarant's sole discretion.

ARTICLE IV

DEED AND DEDICATION OF COMMON AREAS

Section 1. Declarant hereby transfers, conveys and grants title to all of the Common Areas of the Properties to the Association for the common use and enjoyment of the Association and the Owners in accord with the terms and conditions of this Declaration reserving, however, to the Declarant for the benefit of Declarant, his successors and assigns, those certain rights of use, ingress, egress, occupation and control indicated elsewhere in this Declaration for the duration of the Development Period, at which time this reservation shall cease and then be of no further force and effect.

ARTICLE V

DEED AND DEDICATION OF EASEMENTS

Section 1. Declarant hereby transfers and conveys to the Association for the common use and enjoyment of the Association and the Owners all easements created hereby for the purpose of landscaping, utilities, and access; reserving, however, to Declarant for the benefit of Declarant, its successors and assigns an equal right to utilize all easements. The Declarant's and Association's right to use such easements are subject to the right of the public to use rights-of-way which have been dedicated as public roads and are open to public access, including emergency vehicle access.

ARTICLE VI

ADMINISTRATION AND USE OF COMMON AREAS AND COMMON MAINTENANCE AREAS

Section 1. Owners' Easements of Enjoyment. Every Owner shall have a right in easement of enjoyment in and to the Common Areas which shall be appurtenant to and shall pass with title (or, if applicable, with the equitable title held by a real estate contract purchaser), to every Lot subject to the following provisions:

(a) The right of the Declarant or the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Areas, and to establish use and operation standards for all Common Areas to be binding on all Association Members along with enforcement standards.

(b) The right of the Declarant (during the Development Period) or the Association (after the Development Period) to suspend an Owner's right to vote and to use any recreational facilities for any period during which assessments against his or her Lot remain unpaid and for a period, not to exceed 60 days, for any, and each separate, infraction of its published rules and regulations;

(c) The right of the Declarant (during the Development Period) or the Association (after the Development Period) to dedicate or transfer all or any port of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as the Declarant or Members, as

applicable, may deem appropriate. During the Development Period, any such dedication or transfer of all or any part of the Common Areas pursuant to this Section may be made by the Declarant in the Declarant's sole discretion. After the Development Period, no such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer, signed by the Owners of two-thirds (2/3) of the Lots, has been recorded.

Section 2. Insurance. Nothing shall be done or kept in any Common Areas which will increase the rate of insurance on the Common Areas or other Lots or Improvements without the prior written consent of the Board. Nothing shall be done or kept in any Common Areas which will result in the cancellation of insurance on any part of the Common Areas or which would be in violation of any laws or ordinances.

Section 3. Alteration of Common Areas and Common Maintenance Areas. Nothing shall be altered, or constructed in, or removed from any Common Maintenance Area except upon prior written consent of the Committee. There shall be no construction of any kind within the Common Areas except that community improvements may be constructed if two-thirds (2/3) of the members of the Association authorize (1) the construction of such improvements and (2) assessments for such improvements. Also, any such improvements would be subject to the acquisition of all required permits from governmental agencies. This Section shall not limit or prohibit Declarant (and no member consent shall be necessary), during the Development Period, from constructing or altering any such improvements to any Common Areas or Common Maintenance Areas, which the Declarant is Declarant's sole discretion, deems for the benefit and enhancement of said areas and the Association in general.

Section 4. Dumping in Common Areas, Common Maintenance Areas, or Native Growth Protection Easements. No trash, construction debris or waste, plant or grass clippings or other debris of any kind, nor hazardous waste (as defined in any federal, state, or local law or regulation) shall be dumped, deposited or placed on any Common Areas, Common Maintenance Areas, or Native Growth Protection Easement.

Section 5. Landscaping and Fencing. No permanent structures or landscaping of any kind, including fences, walls, or shrubs, may be built or placed within any right-of-way, easements, or Native Growth Protection Easements as delineated on the Plat except as deemed appropriate by the Committee. This prohibition shall not apply to the landscape and fence/monument sign improvements in the Common Maintenance Areas installed by Declarant, nor shall this Section prohibit the Association from installing additional improvements or landscaping within the designated Common Areas or Common Maintenance Areas, nor shall this section prohibit the installation of fences by Lot Owners on property lines as may be otherwise allowed in this Declaration, nor shall this section prohibit the installation of landscaping on private lot areas encumbered by utility easements nor otherwise restricted in this Declaration as to landscaping. Also, this prohibition shall not apply to landscaping of front or side yard areas of Lots extending up to the edge of the curb or sidewalk in the public right-of-way as further set forth in Article XII, Section 12 of this Declaration.

ARTICLE VII

MAINTENANCE OF THE COMMON AREAS AND COMMON MAINTENANCE AREAS

DELEGATION OF MANAGEMENT

Section 1. Maintenance of Common Areas. Maintenance of the Common Areas and all improvements thereon shall be the sole responsibility of the Association and shall include, but not be limited to, maintenance of the Common Areas and Common Maintenance Areas. All maintenance of Lots and Residences located on Properties shall be the sole obligation of the Owner, provided, however, the Association may, from time to time, provide certain common maintenance of Lots and Residences as may be determined to be in the best interests of all Owners. The Association shall maintain and regulate the use of Common Areas for the benefit of each Lot within the Plat, and shall do all things necessary to preserve and maintain the Common Areas for the purpose intended. It shall be the responsibility of the Association to maintain Tract "A" and any improvements thereon to preserve the value of said Tract "A" for the use and enjoyment of the Members of the Association in accordance with all restrictions and limitations established for said Tract "A" through this Declaration, and laws and ordinances of King County, Washington, and all other applicable statutes and regulations. The Declarant, during the Development Period, and the Board following the Development Period, shall have the exclusive right to establish use and operation standards for said Common Areas to preserve the value and desirability of said Common Areas for the enjoyment of the Members of the Association.

Section 2. Responsibility for Maintaining Common Maintenance Areas. The Association is responsible for maintaining and preserving the character of areas designated on the face of the Plat as Common Maintenance Areas, or as defined in this Declaration as Common Maintenance Areas. Common Maintenance Areas have been set aside for landscaping and community identification purposes.

Section 3. Repair of Common Areas and Common Maintenance Areas. Any damage to the Common Areas or Common Maintenance Areas or improvements thereon, including landscaping plantings, fences, berms, etc., by the Owners or their children shall be repaired within one (1) week by the Owners who (or whose children) caused the damages. If the damage cannot reasonably be repaired within one week, the time for the Owner to repair the Property shall be extended to the time reasonable required to repair the Property, provided that the Owner promptly begins, and diligently pursues, the repair of the damage. If such repairs are not made timely, the Association shall execute the repair and the Owner will be obligated to immediately pay the Association or its designee for the repair. If the Owner fails to promptly make payment for such repairs, the Owner will be charged interest at the rate of 12 percent (12%) per annum on the payment due, the payment due shall be a personal liability of the Owner, and the amount of the payment due shall be a lien on the Owner's Lot.

Section 4. Landscape Maintenance. It shall be the responsibility of the Association to maintain the landscaping and entry monuments, if any, located at the three (3) entrances into Diamond Hills, including 231st Place S.E., 230th Avenue S.E., and S.E. 282nd Street, respectively; the landscaping and monument signage located at the southeast corner of S.E. 280th Street and 228th Avenue S.E.; the

landscaping along the plat perimeter street frontage between the fence and the sidewalk parallel with 228th Avenue S.E. and S.E. 280th Street, respectively; landscaping improvements on the open space Tract "A"; and landscaping within the cul-de-sac planters, if any, within the internal street system dedicated to King County for right-of-way within Diamond Hills.

Section 5. Native Growth Protection Easements or Tracts. The Association shall not permit any structures, filing, grading or obstruction to be placed beyond the building setback lines or within the Native Growth Protection Easements or Tracts unless the Association obtains the approval of the County Department of Public Works and the King County Department of Building and Land Development. No decks, patios, out buildings, or overhangs shall be permitted beyond the building setback line or within the Native Growth Protection Easements or Tracts. Unless the Association obtains the approval of the King County Development, neither the construction of fencing nor the clearing or removal of trees or vegetation shall be permitted within the areas of the Native Growth Protection Easements or Tracts. Dead trees or vegetation growing within the Native Growth Protection Easements or Tracts which present a threat to life and property due to decay or other natural causes may be removed upon obtaining the approval of the Association. In the event of any conflict between this Section and the terms of Article VI, Section 5, the terms of this Section shall control.

Section 6. Management. Each Owner expressly covenants that the Board and the Declarant, during the Development Period, and the Board, after the Development Period, may delegate all or any portion of their management authority to a managing agent, manager or officer of the Association and may enter into such management contracts or other service contracts to provide for maintenance of Common Areas and Common Maintenance Areas and any portion thereof. Any management agreement or employment agreement for the maintenance or management by terminable by the Association without cause upon 90 days' written notice thereof: the term of any such agreement shall not exceed three (3) years, renewable by agreement of the parties for successive periods of up to three (3) years each. Each Owner is bound to observe the terms and conditions of any such management agreement or employment contract, all of which shall be made available for inspection by any Owner on request. Any fees or salaries applicable to any such management, employment or service agreement shall be assessed to each Owner.

ARTICLE VIII

ASSESSMENTS

Section 1. Each Owner of any Lot, by acceptance of a deed therefor, whether it shall be so expressed in each deed, is deemed to covenant and agree to pay to the Association (1) annual assessments or charges, (2) special assessments for capital improvements, and (3) any assessments made by Declarant within thirty (30) days of the date specified by the Association or Declarant (during the Development Period), the annual and special assessments, together with any interest, costs and any reasonable attorneys' fees incurred to collect such assessments, shall be a lien on the land comprising the Lot, and shall be a continuing lien upon the Lot against which such assessment is made. Each such assessment, together with any interest, costs and reasonable attorneys' fees incurred in attempting to collect the assessment, shall also be the personal obligation of the person who is the Owner of such

Property at the time when the assessment fell due. The personal obligation for delinquent assessments shall continue even if the Owner subsequently transfers legal or equitable title to the Lot; however, the personal obligation for delinquent assessments shall not pass to the delinquent Owner's successors in ownership of the Lot unless expressly assumed by the successor(s). The Association shall record such liens in the Office of King County Auditor.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to (a) promote the recreation, health, safety and welfare of the residents of the Properties, and (b) for the improvements and maintenance of the Common Areas and Common Maintenance Areas as provided in Article VI.

Section 3. Annual Assessment. Until January 1991, the annual assessment shall be \$180.00¹ per Lot; 25 percent (25%) of which shall be allocated and paid to the Declarant for Plat management services provided by the Declarant (or by a professional management firm hired by Declarant) to the Association. Such allocation of funds to the Declarant shall cease when the Development Period expires and the Association assumes collection costs, bookkeeping, and other management responsibilities which are described with particularity in the Bylaws of the Association. The balance of the annual assessment shall be used by Declarant during the Development Period, and by the Association after the Development Period, for maintenance, repair, and other purposes permitted by this Declaration.

The annual assessment may be increased (after December 31, 1990) during the Development Period to reflect increased (1) maintenance costs, (2) repair costs, or (3) plat management costs. All increases during the Development Period must directly reflect increases in the above recited costs. During the Development Period, the Declarant shall have the authority to reduce the annual assessments if economic data supports such a reduction because of reduced maintenance costs or other anticipated Association expenses.

(a) After the Development Period expires, the maximum annual assessment may not be increased each year more than 10 percent (10%) above the maximum assessment for the previous year without a vote of the membership pursuant to Section 3(b) of Article VIII of this Declaration.

(b) After the Development Period expires, the maximum annual assessment may be increased by more than 10 percent (10%) (over the previous year's maximum annual assessment) only if two-thirds (2/3) of the members of the Association, who are voting in person or by proxy at a meeting duly called for this purpose consent to such an increase.

(c) After the Development Period expires, the Board of Directors shall fix the annual assessment in accord with the above recited standards.

Section 4. Special Assessment for Capital Improvements. In addition to the annual assessments authorized above, the Association (or during the Development Period, the Declarant) may levy, in any assessment year, a common assessment, applicable to that year only, for the purpose of defraying, in

¹ See the Second Amendment.

whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Maintenance Areas not prohibited by this Declaration, including fixtures and personal property related thereto, provided that any such assessment for those capital improvements or repairs exceeding \$5,000.00 shall have the assent of two-thirds (2/3) of the members of the Association who are voting in person or by proxy at a meeting duly called for this purpose.

Section 5. Notice and Quorum for any Action Authorized Under Sections 3 and 4. Written notice of the place, day, hour and purpose of any meeting called for the purpose of taking any action authorized under Sections 3 and 4 of this Article shall be sent to all members not less than thirty (30) days nor more than fifty (50) days in advance of the meeting. At the first meeting called, the presence of 60 percent (60%) of the members of the Association or of proxies entitled to cast 60 percent (60%) of the votes of the Association shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement: the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. In the event that a quorum is still not achieved at the second meeting, then the Declarant, during the Development Period, shall have the sole and exclusive authority to initiate a special assessment and carry out capital improvements more fully described in Section 4 herein without first obtaining the approval of the required number of members of the Association at further defined in Sections 4 and 5 herein.

Section 6. Uniform Rate of Assessment. Both annual and special assessments arising under Article VIII, Section 3, 4, and 11, must be fixed at a uniform rate for all Lots, provided, however, that, as stated in Article VIII, Section 10, any unimproved Lot owned by the Declarant shall not be subject to any assessments or charges described in this Declaration. Assessments shall be collected on a monthly, bi-monthly, quarterly, or annual basis as determined by the Declarant during the Development Period, or by the Association for periods after the Development Period.

Section 7. Date of Commencement of Annual Assessment: Due Dates. The annual assessments described in this Article shall commence during the first calendar month following recording of the plat of Diamond Hills, or any division thereof. If the plat is recorded in divisions, then the annual assessment shall only apply to those lots recorded within each division based on the date each division is recorded. The first annual assessment for each Lot owner shall be adjusted according to the number of months remaining in the calendar year calculated from the date of recording of the division in which the lot is located. After the Development Period expires, the Board of Directors shall fix the annual assessment. Written notice of the annual assessments shall be sent to every Owner subject to such assessments. The due date shall be established by the Board of Directors. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Lot has been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 8. Effect of Non-Payment of Assessments: Remedies of the Association. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of 12 percent (12%) per annum. Each Owner hereby expressly vests in the Declarant during the Development Period, or the Association after the Development Period, or their agents the rights and powers to bring

all actions against such Owner personally for the collection of such assessments as debts and to enforce lien rights of the Association by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage of real property. Such Owner hereby expressly grants to the Declarant or to the Association, as applicable, the power of sale in connection with such liens. The liens provided for in this Section shall be in favor of the Association and shall be for the benefit of the Association. The Association shall have the power to bid in an interest at foreclosure sale and to acquire, hold, lease, mortgage and convey the same. The Owner is responsible for payment of all attorneys' fees incurred in collecting past due assessments or enforcing the terms of assessment liens (see Article XVI, Section 5). No Owner may waive or otherwise escape liability for the assessments provided herein by non-use of the Common Areas, Common Maintenance Areas or abandonment of his Lot.

The Association shall have the right to suspend the voting rights and enjoyment of Common Areas (see Article VI, Section 1[b]) of an Owner for any period during which any assessment against the Lot remains unpaid and for a period not to exceed sixty (60) days per infraction for any infraction of the terms of either this Declaration, the Articles or the Bylaws of the Association.

Section 9. Subordination of the Lien to Mortgage. The lien for assessments, provided for in this Article, shall be subordinate to the lien of any first mortgage or first deed of trust ("first mortgage"). Sale or transfer of any lot pursuant to a mortgage foreclosure, or any proceeding in lieu thereof, or the first mortgage holder's acceptance of a deed in lieu of foreclosure, shall extinguish the lien created pursuant to this Article as to payments which become due prior to such sale or transfer. No sale or transfer, however, shall (a) relieve such Sot Owner or Lot from liability for any assessments thereafter becoming due nor from the lien thereof, nor (b) shall relieve the delinquent Owner from personal liability for the amount of the payments which become due prior to such sale or transfer, and for costs and attorney's fees.

Section 10. Exempt Property. All property dedicated to and accepted by local public authority shall be exempt from the assessments provided for in this Article. Property and Lots within Diamond Hills owned by Declarant, and all Common Areas, shall be exempt from any and all assessments provided for in this Declaration. This Section shall apply notwithstanding any other provision to the contrary in this Declaration.

Section 11. Management by Declarant During the Development Period. Declarant, at its option, shall have and may exercise all of the rights and powers herein given to the Association. Such rights and powers are reserved by the Declarant, its successors and assigns as provided in Article III. Declarant shall have the right and option to assess Owners for actual costs of maintaining Common Areas, Common Maintenance Areas, and rights-of-way, and to assess a Plat management fee during the Development Period as set forth in Article VIII, Section 3.

ARTICLE IX

MAINTENANCE OF LOTS

Section 1. Exterior Maintenance by Owner. Each Lot and Residence shall be maintained by the Owner in a neat, clean and slightly condition at all times and shall be kept free of accumulations of litter, junk, containers, equipment, building materials, and other debris. All landscaping areas, including landscaping extending into the county right-of-way, shall be regularly maintained and trimmed to present a clean, neat, and well-maintained appearance. All refuse shall be kept in sanitary containers sealed from the view of any Lot; the containers shall regularly be emptied and the contents disposed of off the Properties. No grass cuttings, leaves, limbs, branches, and other debris from vegetation shall be dumped or allowed to accumulate on any part of the Properties, except that a regularly tended compost device shall not be prohibited. No storage of goods, vehicles, boats, trailers, trucks, campers, recreational vehicles, or other equipment or device shall be permitted in open view from any Lot or right-of-way. (Vehicles, boats, trailers, trucks, campers, and recreational vehicles shall be referred to as "Vehicles.") This provision shall not exclude temporary (less than 24 hours) parking of Vehicles on the designated driveway areas adjacent to garages on the Lots. This paragraph is not meant to disallow permanent (more than 24 hours) parking or storage of Vehicles on the Lots, but if stored, Vehicles shall be adequately screened from the view of adjacent rights-of-way and Lots. Screening of such Vehicles must have the approval of the Committee. Upon 48 hours' notice to the Owner of an improperly parked Vehicle, the Board has the authority to have towed, at the Owner's expense, any Vehicles still visible from the right-of-way or adjacent Residences that have been parked on any Lot or within the right-of-way for more than 24 hours.

Notwithstanding the foregoing, Owners who have visiting guests intending to stay in such a Vehicle may secure written permission from the Board for such guests to part the Vehicle upon the Lot owned by the Owner for a maximum period of one (1) week. Such a privilege shall only exist, however, after the written permission has been obtained from the Board.

Section 2. Easements for Enforcement Purposes. Owners hereby grant to the Association an express easement for the purposes of going upon the Lots of Owners for the purpose of removing Vehicles or other similar objects which are parked or stored in violation of the terms of this Declaration.

Section 3. Lot Maintenance by the Association. In the event that an Owner shall fail to maintain the exterior of his premises and the improvements situated thereon in a manner consistent with maintenance standards of the Diamond Hills community, including maintenance of landscaping required in the adjacent right-of-way as set forth in Article XII, Section 12, the Board shall, upon receipt of written complaint of any Owner and the subsequent investigation which verifies that complaint, have the right through its agents and employees to enter upon the offending Owner's Lot and repair, maintain and restore the Lot and exterior of the improvements on that Lot if the Owner shall fail to respond in a manner satisfactory to the Board within forty-five (45) days after mailing of adequate notice by certified mail to the last known address of the Owner. The cost of such repair, maintenance or restoration shall be assessed against the Lot, and the Board shall have the right to cause to be recorded a notice of lien for labor and materials furnished, which lien may be enforced in the manner provided by law for

enforcement of labor liens and materialman's liens. In the event that the estimated cost of such repair should exceed one-half of one percent (0.50%) of the County Tax Assessor's assessed value of the Lot and improvements on the Lot, the Board shall be required to have the assent of two-thirds (2/3) of the Members before undertaking such repairs.

Section 4. Enforcement During the Development Period. During the Development Period, the Declarant may elect to exercise and perform the functions of the Board. If the Declarant elects not to perform this function or at any time elects to no longer perform this function, the Declarant shall appoint the Temporary Board to function as provided herein.

ARTICLE X

HOMEOWNERS' ASSOCIATION

Section 1. Non-Profit Corporation. The Association shall be a non-profit corporation under the laws of the state of Washington.

Section 2. Membership. Every person or entity (including Declarant) who is an Owner of any Lot shall become a member of the Association. Membership shall be appurtenant to the Lot and may 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, or a real estate contract vendee's interest in, said Lot and then only to the transferee of either the title to the Lot or the vendee's interest in the Lot. All Owners shall have the rights and duties specified in this Declaration, the Articles and the Bylaws of the Association.

Section 3. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A: Class A members shall be all Owners, with the exceptions of (i) the Declarant while the Declarant is a Class B member, and (ii) the Owners of Lots described as exempt in the Declaration. Class A members shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as they by majority determine, but in no event shall more than one (1) vote be cast with respect to any Lot, nor shall any vote be divided. When more than one person holds an interest in any Lot, all such persons shall unanimously designate (in writing delivered to the secretary of the Association) one of the persons (owning an interest in the Lot) to vote (in person or by proxy) the vote for such Lot.

Class B: Class B member(s) shall be the Declarant (as defined in this Declaration), and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on January 1, 1995. The Declarant shall become a Class A member as to any Lots owned by the Declarant on January 1, 1995.

The voting rights of any Owner may be suspended as provided for either in this Declaration, or in the Articles, or in the Bylaws of the Association. The Declarant, during the Development Period, or the Association, after the Development period, shall have the right to suspend the voting rights of a member for (i) any period during which any assessment, or any other charge (as defined in Article XVI, Section 6),

against the Lot remains unpaid, and (ii) for a period of not to exceed sixty (60) days each for any (and for each separate) infraction of the terms of this Declaration, the Articles or the Bylaws of the Association.

Section 4. Meetings. Meetings shall be conducted in accord with the specifications set forth in the Bylaws of Diamond Hills Homeowners' Association.

ARTICLE XI

MANAGEMENT BY BOARD

Section 1. Expiration of the Development Period. Upon expiration of the Declarant's management authority under Article III, all administrative power and authority shall vest in a Board of three directors who need not be members of the Association. The Association, by amendment of the Bylaws, may increase the number of directors. All Board positions shall be open for election at the first annual meeting after termination of the Development Period under Article III.

Section 2. Terms. The terms which the Board members will serve are defined in the Bylaws.

Section 3. Powers of the Board. All powers of the Board must be exercised in accord with the specifications which are set forth in the Bylaws. The Board, for the benefit of all the Properties and the Lot Owners, shall enforce the provisions of this Declaration and the Bylaws. In addition to the duties and powers imposed by the Bylaws and any resolution of the Association that may be hereafter adopted, the Board shall have the power and be responsible for the following, in way of explanation but not limitation:

(a) Insurance. Obtain policies of insurance for Common Areas and Common Maintenance Areas.

(b) Legal and Accounting Services. Obtain legal and accounting services if necessary to the administration of Association affairs, administration of the Common Areas and Common Maintenance Areas, or the enforcement of this Declaration.

(c) Maintenance. Pay from Association funds, all costs of maintaining the Common Areas and Common Maintenance Areas.

(d) Maintenance of Lots. Subject to the requirements of Article IX, Section 3, maintain any Lot if such maintenance is reasonably necessary in the judgment of the Board to (1) protect Common Maintenance Areas, or (2) to preserve the appearance and value of the Properties or Lot. The Board may authorize such maintenance activities if the Owner or Owners of the Lot have failed or refused to perform maintenance within a reasonable time after written notice of the necessity of such maintenance has been delivered by the Board to the Owner or Owners of such Lot, provided that the Board shall levy a special assessment against the Owner or Owners of such Lot and the Lot for the cost of such maintenance.

(e) Discharge of Liens. The Board may also pay any amount necessary to discharge any lien or encumbrance levied against the entire Properties or any part thereof which is claimed or may, in the opinion of the Board, constitute a lien against the Properties rather than merely against the interest

therein of particular Owners. Where one or more Owners are responsible for the existence of such liens, they shall be jointly and severally liable for the entire cost of discharging the lien(s) and all of any costs or expenses, including reasonable attorneys' fees and costs of title search incurred by the Board by reason of such lien or liens. Such fees and costs shall be assessed against the Owner or Owners and the Lot(s) responsible to the extent of their responsibility.

(f) Utilities. Pay all utility charges attributable to Common Areas and Common Maintenance Areas.

(g) Security. Pay all costs deemed appropriate by the Board to ensure adequate security for the Lots and Common Areas and Common Maintenance Areas constituting the residential community created on the Properties.

(h) Right to Contract. Have the exclusive right to contract for goods, services, maintenance, and capital improvements provided, however, that such right of contract shall be subject to the provisions of this Declaration.

(i) Improvement of Common Areas and Common Maintenance Areas. Improve the Common Areas and Common Maintenance Areas with capital improvements to such Common Areas and Common Maintenance Areas; provided that for those capital improvements exceeding \$5,000.00, addition of such capital improvements to the Common Areas and Common Maintenance Areas must be approved by two-thirds (2/3) of the members of the Association who are voting in person or by proxy at a meeting duly called for this purpose (subject to notice and quorum requirements as set forth in Article VIII Section 5 herein).

(j) Right of Entry. Enter any Lot or Residence, when reasonably necessary, in the event of emergencies or in connection with any maintenance, landscaping or construction for which the Board is responsible. Except in cases of emergencies, the Board, its agents or employees shall attempt to give notice to the Owner or occupant of any Lot or Residence 24 hours prior to such entry. Such entry must be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board, at the Association's expense, if the entry was due to an emergency (unless the emergency was caused by the Owner of the Lot entered, in which case the cost shall be specially assessed to the Lot and against the Owner of the Lot). If the repairs or maintenance activities were necessitated by the Owner's neglect of the Lot, the cost of such repair or maintenance activity shall be specially assessed to that Lot and against the Owner of that Lot. If the emergency or the need for maintenance or repair was caused by another Owner of another Lot, the cost thereof shall be specially assessed against the Owner of the other Lot and against the other Lot.

(k) Promulgation of Rules. Adopt and publish any rules and regulations governing the members and their guests and establish penalties for any infractions thereof.

(l) Declaration of Vacancies. Declare the office of a member of the Board to be vacant in the event that a member of the Board is absent from three (3) consecutive regular meetings of the Board.

(m) Employment of Manager. Employ a manager, as independent contractor, or such other employees as the Board deems necessary and describe the duties of such employees.

(n) Payment for Goods and Services. Pay for all goods and services required for the proper functioning of the Common Areas and Common Maintenance Areas.

(o) Impose Assessments. Impose annual and special assessments.

(p) Bank Account. Open a bank account on behalf of the Association and designate the signatories required.

(q) Exercise of Powers, Duties and Authority. Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by other provisions by the Bylaws, Articles of Incorporation, or this Declaration. The Board shall have all powers and authority permitted to it under this Declaration and the Bylaws. However, nothing herein contained shall be construed to give the Board authority to conduct a business for profit on behalf of all the Owners or any of them.

Section 4. This Article XI is subject to the provisions of Article III.

ARTICLE XII

LAND USE RESTRICTIONS

Section 1. All Lots within the Properties shall be used solely for private single-family residential purposes. Private single-family residences shall consist of no less than one (1) Lot, and no Lot shall ever be further subdivided. No Residence shall be constructed which exceeds the allowable height set forth in the King County Zoning Code for this zone. Each Residence must have a private enclosed car shelter for not less than two (2) cars. No single structure shall be altered to provide residence for more than one (1) family. Rambler-type residences (residences² consisting of a basement and one story or residences² consisting of a single story) shall contain at least ~~1,400~~ 1100² square feet. Multistory residences (residences² consisting of a basement and two stories or residences consisting of two stories) shall contain at least ~~1,600~~ 1350² square feet. In computing the total square footage of a residence, the basement shall not be included, nor shall garages or enclosed decks be included.

Section 2. No lot shall be used in a fashion which unreasonably interferes with any other Owner's right to use and enjoy the other Owner's Lots. The Board, the Committee designated by it, or the Declarant during the Development Period, shall determine whether any given use of a Site unreasonably interferes with those rights; such determinations shall be conclusive.

Section 3.

(a) No noxious or offensive activity shall be conducted on any Lot, nor shall anything be done or maintained on the Properties which may become an activity or condition which unreasonably interferes

² See the First Amendment.

with the rights this Declarant gives other Owners to use and enjoy any part of the Properties. No activity or condition shall be conducted or maintained on any part of the Properties which detracts from the value of the Properties as a residential community. No untidy or unsightly condition shall be maintained on any property. Untidy conditions shall include, but are not limited to, publicly visible storage of wood, boats, trailers, mobile homes, recreational vehicles, disabled vehicles of any kind whatsoever, and landscaping which is not properly maintained.

(b) Notwithstanding anything in Section 3(a) of this Article XII to the contrary, during the Development Period the Declarant may permit trailers ("temporary trailers") to be placed upon Owner's Lots to facilitate the sale of the Lots and the construction of residences (and residence-associated improvements) upon the Lots. All such temporary trailers shall be placed only upon either (A) a Lot being sold by the Lot's Owner, or (B) the Lot upon which a residence is being constructed by the Lot's owner. No such temporary trailers shall be placed, without Declarant's permission, on any other portion of the property described on the attached Exhibit "A" and the adjacent rights-of-way. The Declarant specifically, in the Declarant's sole discretion, may (i) completely deny an Owner permission to place a temporary trailer on the Owner's Lot, (ii) require any temporary trailer placed upon the Lot to be placed in such a location as to minimize view from public rights-of-way or from residences on other Lots, or (iii) impose landscaping requirements which the Declarant, in the Declarant's sole discretion, may require, to improve the appearance of the temporary trailer on the Lot.

Section 4. Fences, walls or shrubs are permitted on side and rear property lines, up to within the greater of (i) twenty (20) feet of the front property line, or (ii) the distance between the front Lot line and the front wall (facade) of the primary Residence, subject to (1) the approval of the Committee and (2) determination whether such fences, walls or shrubs would interfere with utility easements reflected on the face of the Plat and other easements elsewhere recorded. In no event shall any fences be allowed between the front Lot line and the front wall (facade) of the primary Residence. No barbed wire, chain link, or corrugated fiberglass fences shall be erected on any Lot, except that chain link fencing for sports facility enclosures may be considered for approval by the Committee upon request. All fences, open and solid, are to meet the standards set by the Committee and must be approved by the Committee prior to construction.

For corner lots or panhandle lots, fencing closer to the front property line than as otherwise allowed in this section may be approved upon review by the Committee.

Section 5. No mobile or "manufactured" homes, trailers, structures of a temporary character, recreational vehicle, basement, tent, shack, garage, barn, or other out buildings shall be used on any Lot at any time for a Residence, either temporarily or permanently. No vehicles parked in public rights-of-way may be used temporarily or permanently for residential purposes.

Section 6. Mining. No oil drilling, oil development operations, oil refining, quarrying, or mining operation of any kind shall be permitted on or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavation or shafts be permitted on or in any Lot. No derrick or other structures designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot. Oil storage for

residential heating purposes is permissible if the storage tank is buried, any necessary permits are obtained, and the storage complies with all applicable environmental laws, rules, and regulations.

Section 7. Building Setbacks. No structures shall be located within twenty (20) feet of the front line or nearer to the side street line than minimum dwelling setback lines required by relevant public zoning ordinance. For the purpose of this Covenant, eaves, steps, chimneys, and open porches shall not be considered as part of the dwelling; provided, however, that this shall not be considered to permit any portion of a dwelling on a Lot to encroach any required setbacks by legal codes, or to encroach upon another Lot or upon any easements indicated on the face of the Plat or as otherwise recorded, or upon the Common Areas or Common Maintenance Areas. In no event shall any structure violate any provisions of any county zoning ordinance, or any specific setbacks as set for on the recorded plat map, or any setbacks imposed through the establishment of easements for utilities or access.

Section 8. Signs.

(a) No signs, billboards, or other advertising structures or device shall be displayed to the public view on any Lot except One (1) sign not to exceed five (5) square feet in area may be placed on a Lot to offer the property for sale or rent. The sign may also be used by a builder to advertise the property during the construction and sale period. Political yard signs, not more than eight (8) square feet in area, of a temporary nature, will be allowed during campaign periods or Lots. Within five (5) days after the date of the election to which the sign refers, such signs must be removed from Lots. This Section 8(a) (including, but not limited to, the restrictions on the number of signs and the sign size limit) shall not apply to signs approved under Section 8(b) or Article XII by the Declarant during the Development Period.

(b)(1) The Declarant may establish, for the duration of the Development Period, signage guidelines and standards for Lot identification signs, realtor identification signs, "for sale" signs, and other signage that may be placed by parties other than the Declarant on any part of the Lots within Diamond Hills, the Common Areas, Common Maintenance Areas, or public rights-of-way. The Declarant may also develop an overall theme for signage within the project, including specific requirements for physical sign installations and size requirements, which theme will then become part of the established guidelines and standards for signage in Diamond Hills during the Development Period. In the event such guidelines are established, the Declarant shall make the signage guidelines and standards available upon request to Lot Owners and their representatives, including both builders and real estate agents of Lot Owners.

(b)(2) During the Development Period, the Declarant shall have the sole and exclusive right to approved, in the Declarant's sole discretion, any and all signage installations within any part of the real property encompassed within the plat of Diamond Hills, including the adjacent rights-of-way. Every Owner of a Lot in Diamond Hills, and any builder or real estate agent on behalf of an Owner, shall submit any proposed signs to the Declarant for approval prior to installation of any signs.

Any signs not specifically approved by the Declarant found anywhere within Diamond Hills, the Common Areas, the Common Maintenance Areas, (or any other portion of the property identified on

the attached Exhibit "A"), or on adjacent rights-of-way, may be promptly removed and disposed of by the Declarant. The absolute right of the Declarant to remove unauthorized signs from the Promises specifically include, but is not limited to, the Declarant's right to remove any and all signs placed by real estate agencies or their representatives, including temporary reader board signs and other signage installations.

No person, including, but not limited to, the person or persons owning any interest in the signs removed, shall be entitled to compensation of any kind for sign(s) removed by Declarant pursuant to this Section.

(b)(3)(i) The Declarant, during the Development Period, may also require that an Owner install a specific Lot identification sign on the Owner's Lot. All such Lot identification signs shall meet any signage guidelines and standards established by Declarant under Section 8(b). The Lot identification signs shall be constructed and installed at the sole expense of Owner. The Lot identification sign shall remain on the premises regardless of any transfer of Lot ownership until such time as the Declarant determines that a Lot identification sign is no longer necessary for marketing purposes.

(ii) Notwithstanding anything in Section 8(b)(3)(i) to the contrary, the Declarant will not require an Owner to install a specific Lot identification sign if both (A) the Owner already resides in a completed residence on the Lot, and (B) the Owner does not intend to sell the Lot within the next two (2) years. Any Owner claiming exemption from the specific Lot identification sign requirement of this Section (b) shall, upon request, furnish to Declarant an affidavit under oath confirming that the Owner intends to reside indefinitely in the completed residence on the Lot and does not intend to sell the Lot within two (2) years from the date of the affidavit.

(iii) If an Owner fails to obtain and install a specific Lot identification sign within fourteen (14) days of written request by Declarant, the Declarant may obtain and install a Lot identification sign for the Owner's Lot. During the Development Period, Owner shall not remove the sign without Declarant's consent. The Owner shall, upon demand, reimburse Declarant for all costs of making and installing the specific Lot identification sign. Declarant's cost of obtaining and installing the sign shall be a lien upon the Owner's Lot, and a personal obligation of the Owner, and shall be an "other charge" for purposes of Article XVI, Section 6. Interest shall accrue pursuant to Article XVI, Section 6, on any unpaid amounts due Declarant under this Section, which interest shall accrue from the date ten (10) days after the Owner's receipt of written demand for repayment.

(c) The Board may cause any sign placed on Properties, in violation of this Article VII, Section 8, to be removed and destroyed without compensation of any kind to anyone including, but not limited to, any persons having an ownership interest in the sign. This Section shall not apply to signage placed by Declarant (see Section 8(d) of this Article XII).

(d)(i) Additional signage may be installed by Declarant during the "Development Period" to promote the sale of Lots or houses, and to promote Declarant's project and company. Notwithstanding anything on this Section 8 of Article XII to the contrary, signs placed by the Declarant shall not be subject to any sign restrictions, and specifically shall not be subject to the limitation set forth in Section 8(a) of

this Article XII on the number of signs and the size of signs. The Declarant shall not be subject to any guidelines or standards established by Declarant for other parties pursuant to this Section 8(b) of Article XII.

(d)(ii) Under no circumstances shall the Declarant be liable for, or be required to pay, for all or any part of the construction, installation, or maintenance of any signs which are placed upon any Lot not owned by the Declarant. This Section shall apply even if Declarant requires an Owner to place a sign pursuant to this Section 8 of Article XII.

Section 9. Animals. No animals, except dogs, cats, caged birds, fish and tanks, and other small household pets, will be permitted on Lots. Dogs shall not be allowed to run at large or to create a disturbance for other Owners in the plat. Leased animals are permitted within right-of-way when accompanied by their owners. Efforts shall be made by the person accompanying the animal to exercise "scooping" of animal waste. All pens and enclosures must be approved by the Committee prior to construction and shall be kept clean and odor free at all times. If the investigation of the Board indicates that animals are kept in violation of this Section, the Board will give the Owner ten (10) days' written notice of the violation. Such violation must be remedied by the Owner within ten (10) days. Failure to comply with the written notice will result in a fine of \$25.00 per day. Any fine imposed by this Section shall be the personal obligation of the fined Owner and a lien on the Lot of the fined Owner. The Association shall be entitled to attorneys' fees and costs for any action taken to collect such fines in accordance with the provisions of Article XVI, Section 5.

Section 10. Driveways. All driveways shall be paved with concrete, unless otherwise approved by the Committee.

Section 11. Delegation of Use and Responsibilities. Any Owner may delegate, to members of his family or his tenants, in accordance with the Bylaws of Diamond Hills Homeowners' Association, the Owner's right of enjoyment of Common Areas and Common Maintenance Areas. In the event an Owner rents or leases his property, a copy of this Declaration, as well as any rules and regulations that may be adopted by the Association, shall be made available by the Owner to the prospective renter at the time of commitment to the rental agreement. Each Owner shall also be responsible for informing guests and service personnel of the contents of this Declaration, as well as any rules and regulations that may be adopted by the Association as they may relate to appropriate community behavior. Each Owner personally, and the Owner's Lot, shall be responsible for any damages to any Common Areas and Common Maintenance Areas (or any other area maintained by the Association) or to any other Association property, whether real or personal, caused by an Owner's family, guest, tenant, agent, workman, contractor or other licenses or invitee. The Association shall have a lien upon the Owner's Lot for the amount of damages.

Section 12. Landscaping Standards. The entire front yard, including up to the edge of the curb or sidewalk in the adjacent right-of-way fronting any Lot within Diamond Hills shall be landscaped in accordance with the provisions of this Section 12. The landscaping shall be installed within sixty (60) days of the receipt of a Certificate of Occupancy, or within eight (8) months from the date that

construction is initiated, whichever date is earlier. If inclement weather conditions prevent the timely installation of said landscaping improvements, the Lot Owner must make application to the Committee for an extension of time until weather conditions sufficiently improve. For corner lots, the "front yard" shall mean the frontage on both streets, such that both street frontages and yards must be landscaped.

"Front yard" shall be defined as the lot area extending from the front property line back to a line measured parallel with the front property line which would coincide with the front wall of the main dwelling on thi Lot, exclusive of any garage projections.

The front yard landscaping shall include all of the adjacent public street right-of-way along the Lot frontage out to the edge of the curb or sidewalk in the public street. Each lot Owner shall be responsible for installing and maintaining the landscaping within this adjacent right-of-way.

Section 13. Garages. Each Residence shall incorporate a minimum two (2) car garage designed and constructed as an integral part of said Residence.

ARTICLE XIII

BUILDING RESTRICTIONS

Section 1. Building Materials. All homes constructed on each Lot shall be built of new materials, with the exception of "décor" items such as used brick, weathered planking, and similar items. The Committee will determine whether a used material is a "decor" item. In making this determination, the Committee will consider whether the material harmonizes with the aesthetic character of Diamond Hills development and whether the material would add to the attractive development of the subdivision. All roofs are to be cedar shake, shingle, or³ tile, or 'textured' composition roofing such as 'Pabco HO-25' or similar³. All siding and trim are to be re-sawn wood or 'LP' type siding³ of a color approved by the Committee.

The exterior of all construction on any Lot shall be designed, built, and maintained in such a manner as to blend in with the natural surroundings and landscaping within Diamond Hills. Exterior colors must be approved by the Committee. Exterior trim, fences, doors, railings, decks, eaves, gutters, and the exterior finish of garages and other accessory buildings shall be designed, built, and maintained to be compatible with the exterior of the structure they adjoin.

Section 2. Maintenance of Lots During the Construction Period. Each Lot Owner, exclusive of the Declarant shall have a responsibility to generally maintain the Lot in either a natural forested condition prior to any clearing, or in a neat and clean appearance after construction commences for a Residence on said Lot. After clearing of vegetation for construction, the debris from the clearing operation shall be promptly removed from the Lot and disposed of off site in an approved location. In no case shall any vegetation cleared from one Lot be deposited on an adjacent Lot.

³ See the First Amendment.

During construction of each Residence, periodic efforts shall be made by the Owner, or the Owner's construction representatives, to pick up scrap materials and other construction debris and to periodically dispose of said materials. No dumping of any such debris or refuse shall be allowed on adjoining Lots or on any Common Areas or Common Maintenance Areas within the Plat of Diamond Hills.

Upon completion of the construction on any Lot and prior to the occupancy of the structure, the Lot Owner shall be responsible for keeping the landscaping improvements and the structure itself in a clean and neat appearance. This shall include the responsibility for regular landscape maintenance, watering, trimming, and upkeep to present a finished, manicured appearance of said premises from the adjacent right-of-way. In the event that the Lot Owner, or Owner's construction representative(s), fails to meet the standards set forth in this Section, the Board shall have the right to complete such clean-up activity in accordance with the provisions as set forth in Article IX.

Section 3. Plan Checks/Construction Cleanup Fee. Each Lot Owner shall be required to clean up the Lot within ten (10) days of receiving a Certificate of Occupancy. Such Lot Owners shall, upon application to the Committee for approval of house plans, be required to pay a \$300.00 fee to the Committee to be used as follows:

(a) \$50.00 for house plan check as provided in Section 9 of Article XV; and

(b)(1) \$250.00 as a damage deposit to be held without interest until house construction is complete. The damage deposit will be used in the event the Owner does not comply with all construction standards, clean-up standards, and landscape installation and maintenance standards contained in Articles XII and XIII of this Declaration (the "Completion Standards").

If the Owner does not comply with the Completion Standards, the Committee may handle the clean-up, landscape installation or maintenance, or any other actions required to bring the construction and Lot completion into compliance with this Declaration.

The cost of any actions taken by the Committee pursuant to this section shall be deducted from the \$300.00 deposit. If the cost of the actions taken by the Committee pursuant to this section exceeds the deposit, the additional expense shall be the personal obligation of the Owner of the Lot, a lien upon the Lot, and "other charge" for purposes of Article XVI, Section 6, and shall be paid to the Association upon demand.

Notwithstanding anything in this section or the Declaration to the contrary, neither the Declarant nor the Committee shall be obligated to take any action required to clean up a Lot, nor to bring a residence, landscaping, or other improvements on a Lot into compliance with the Completion Standards nor with other requirements of this Declaration. The Declarant or the Committee may take such action as the Declarant wishes; however, any action taken by the Declarant or the Committee shall not impose any requirement on the Declarant or the Committee to initiate or complete any other actions necessary or advisable to clean up the lot or otherwise bring the construction and landscaping into compliance with the Completed Standards and this Declaration.

(b)(2) Once all of the construction on a specific Lot has been completed by the Owner, including all required landscaping improvements on site and within the adjoining rights-of-way as set forth in this Declaration, the Owner may request a refund of the \$250.00 damage deposit.

Within thirty (30) days from receiving said notice, the Committee, or designated representative, shall conduct a site inspection to verify that the Owner appears to have met all Completion Standards (as defined in Section 3(b)(1) of this Article XIII). If all Completion Standards appear to have been met, then the damage deposit shall be returned to the Owner within ninety (90) days of the original date of the Committee's receipt of the request for the refund.

Return of all or any portion of the damage deposit shall not under any circumstances constitute a representation or warranty by the Declarant or by the Committee to the Owner, other Lot Owners, the Association, or anyone else, either (A) that the Completion Standards have been met, or (B) than any other requirements of this Declaration has been complied with.

If any part of the deposit may be required to fulfill Completion Standard requirements, then (i) the damage deposit may be applied to the cost of clean-up as set forth in Section (b)(1) immediately above, and (ii) the Committee shall give the Owner written notice specifying the reasons for the denial of the refund. Section (b)(1) above shall also apply if the clean-up costs exceed \$250.00.

(c) During the Development Period, the Declarant shall have the right to waive these fees at Declarant's sole discretion.

Section 4. Permits. No construction or exterior addition or change or alteration of any structure may be started on any portion of the Properties without the Owner first obtaining a building permit and other necessary permits from the proper local governmental authority, and written approval of such permits from the Board, Committee, or the Declarant, as well as plan check approval as set forth in Article XV, Section 8.

Section 5. Codes. All construction shall conform to the requirements of the state of Washington's Rules and Regulations for Installing Electric Wires and Equipment, and Uniform Codes (building, mechanical, plumbing), in force at the commencement of the construction, including the latest revisions thereof.

Section 6. The time of Completion. The exterior of any structures, including painting or other suitable finish and front yard landscaping, shall be completed within eight (8) months of the beginning of construction so as to present a finished appearance when viewed from any angle. The construction area shall be kept reasonably clean during the construction period.

Section 7. Entry for Inspection. Any agent, officer or member of the Board, Committee, or Declarant may, at any reasonable predetermined hour upon twenty-four (24) hour's notice during construction or exterior remodeling, enter and inspect the structure to determine if there has been compliance with the provisions of this Declaration. The above recited individuals shall not be deemed

guilty of trespass for such entry or inspection. There is created an easement over, upon and across the residential Lots for the purpose of making and carrying out such inspections.

Section 8. Contractor. Without the prior approval of the Committee, no home may be constructed on any Lot other than by a contractor licensed as a general contractor under the statutes of the state of Washington.

ARTICLE XIV

UTILITIES

Section 1. Wiring. The wiring (other than interior wiring) for buildings of any kind shall be underground.

Section 2. Antennae. No radio or television antennae, transmitters or parabolic reflectors (satellite dish antennae) shall be permitted unless approved by the Committee. Any such installations shall be fully screened from public view as a minimum requirement for approval, but such screening shall not guarantee approval by the Committee. Any such installations shall not be approved if, in the sole discretion of the Committee, the installation(s) will detract from the appearance of the Lot or Properties.

Section 3. Utilities – Requirement for Natural Gas Connection. All structures must utilize natural gas for home heating systems unless otherwise approved by the Declarant. A penalty of \$777.00 will be assessed against any Lot Owner's Lot where natural gas is not utilized for home heating systems unless a specific exemption in writing was first obtained by said Lot Owner from the Declarant. The \$777.00 penalty shall be a lien upon the Lot or Lots upon which the residence, not using natural gas, is located, and shall also be the personal obligation of the Owner of the Lot(s). Declarant shall have the right to foreclose on said lien if payment is not made by said Lot Owner promptly within 30 days of the request for such payment by Declarant. The \$777.00 to be paid pursuant to this Section shall be paid to Declarant.

ARTICLE XV

ARCHITECTURAL CONTROL

Section 1. Architectural Control Committee ("Committee"). So long as the Declarant is either a Class A or Class B voting member of the Association, the Declarant shall act as the Architectural Control Committee ("act as the Committee") created by this Article XV (even if the Development Period has ended) unless the Declarant elects not to act as the Committee. If the Declarant is acting as the Committee, the Declarant shall have all authority and perform all functions given to the Committee by these Declarations and applicable law; all references to "Committee" in this Article XV shall apply to the Declarant while acting as the Committee.

If the Declarant is still a voting member of the Association but elects not to act as the Committee, when (i) if the Development Period has not ended, Declarant shall appoint a Committee to function as the Committee and (ii) after the Development Period, the Board shall appoint the

Committee. At such time as the Declarant is no longer a voting member of the Association, the Board shall have the authority to appoint the Committee provided for by this Article XV. The Committee, when appointed, shall consist of not less than three (3) and not more than five (5) members. It is not a requirement that Members of the Committee be (1) Owners or (2) Members of the Association.

Section 2. Jurisdiction and Purpose. The Committee or the Declarant as set forth herein, shall review proposed plans and specifications for Residences, accessory structures, fences, walls, appurtenant recreational facilities (e.g., hot tubs, basketball courts, tennis courts, swimming pools, and bath houses). or other exterior structures to be placed upon the Properties. No exterior addition, structural alteration, or exterior structures of any kind may be made until plans and specifications showing the nature, kind, shape, height, materials and location of the proposed structure or alteration have been submitted to and approved, in writing, by the Committee. The Committee shall also review proposals to change the exterior color of homes in the Plat. The Committee shall determine whether the exterior design and location of the proposed structure, alteration, or color change harmonizes with the (1) surrounding structures, (2) surrounding natural and built environment, and (3) aesthetic character of other homes in the Plat.

Section 3. Membership. Except as provided in Section 1 of this Article XV, the Committee shall be designated by the Board. An election to fill either a newly created position on the Committee or a vacancy on the Committee requires the vote of the majority of the entire Board. However, the Board is not obliged to fill a vacancy on the Committee unless the membership of the Committee numbers less than three (3) persons.

Section 4. Designation of a Representative. The Committee may unanimously designate one or more of its members or a third party to act on behalf of the Committee with respect to both ministerial matters and discretionary judgments. The decisions of such individuals are subject to review by the entire Committee at the request of any member of the Committee.

Section 5. Donation of Time. No member of the Committee shall be entitled to any compensation for services performed on behalf of the Committee. Committee members shall have no financial liability resulting from Committee actions.

Section 6. Address of the Committee. The address of the Committee shall be at the registered office address of the Association.

Section 7. Voting. Committee decisions shall be determined by a majority vote of the members of the Committee.

Section 8. Submission of Plans. All plans and specifications required to be submitted to the Committee shall be submitted by mail to the address of the Committee in duplicate. The written submission shall contain the name and address of the Owner submitting the plans and specifications, identify the Lot involved, and the following information about the proposed structures:

- (a) The location of the structure upon the Lot;

- (b) The elevation of the structure with reference to the existing and finished Lot grades;
- (c) The general design;
- (d) The interior layout;
- (e) The exterior finish materials and colors, including roof materials;

(f) Other information which may be required in order to determine whether the structure conforms to the standards articulated in this Declaration and the standards employed by the Committee in evaluating development proposals.

Section 9. Plan Check Fee. All individuals submitting plans to the Committee shall be obliged to pay a reasonable plan check fee to cover the administrative costs of reviewing such development proposals. It will be necessary to pay the plan check fee upon submitting plans and specifications to the Committee. A plan check fee of \$50.00 will be charged to review plans and specifications for Residences. A fee of \$25.00 will be charged for the review of other structures. After the Development Period, the review fees may be changed by vote of a majority of the Board, to cover reasonably review costs.

Section 10. Evaluating Development Proposals. The Committee shall have the authority to establish aesthetic standards for evaluating development proposals. In addition to such standards, in evaluating development proposals, the Committee shall determine whether the external design, color, building, materials, appearance, height, configuration, location on the Lot, and landscaping of the proposed structure (the "design elements") harmonize with (1) the various features of the natural and built environment, (2) the aesthetic character of the other homes in Diamond Hills, and (3) any other factors which affect the desirability or suitability of the proposed structure or alteration (collectively the "approval factors"). The Committee shall decline to approve any design in which (1) the design elements fail to harmonize with the approval factors described in the previous sentence or which fail to meet any aesthetic standards promulgated by the Committee, (2) impacts adversely on nearby Properties and Common Areas, or (3) is of a temporary or non-permanent nature. Committee determinations may be amended by a majority vote of Committee members.

Section 11. Exclusions. So long as the Declarant is either a Class A or Class B voting member of the Association, the Declarant shall have the right to waive the plans and specifications review for builders in Diamond Hills. Any such waiver shall not exempt said builder from any of the standards or restrictions articulated in this Declaration, and all structures and improvements shall meet all standards and restrictions contained in these declarations.

Section 12. Approval Procedure. Within fourteen (14) days after the receipt of plans and specifications, the Committee shall approve or disapprove the proposed structure. The Committee may decline to approve plans and specifications which, in its opinion, do not conform to restrictions articulated in this Declaration and criteria (including those in Section 10 of this Article XV) or to its aesthetic standards. The Committee shall indicate its approval or disapproval on one of the copies of the plans and specifications provided by the applicant and shall return the plans and specifications to the

address shown on the plans and specifications. In the event that no disapproval of such plans and specifications is given within fourteen (14) days of submission, then the plans shall be deemed to be approved. In any event, the Association shall hold the Committee members (and the Declarant, if acting as the Committee) harmless from any actions taken (or actions not taken) relative to the approval, disapproval, or non-action on any plans submitted for review. "Non-action" on the part of the Committee shall not exempt the applicant from any of the provisions of this Declaration or the restrictions articulated herein. By purchasing a Lot in Diamond Hills, the Owners agree that, to the extent permitted by law, the Declarant shall have no liability to the Owners or the Association for any actions taken, or actions not taken, while acting as the Committee.

Section 13. Compliance with Codes/Environmental Laws.

(a) In all cases, ultimate responsibility for satisfying all local building codes and requirements rests with the Owner and contractor employed by the Owner. The Committee has no responsibility for ensuring that plans and specifications which it reviews comply with local building codes and requirements. The Owner shall hold the Committee members (and Declarant) harmless in the event that a structure which the Committee (or Declarant) authorizes fails to comply with relevant building and zoning requirements or these covenants and restrictions contained herein. No person on the Committee or acting on behalf of the Committee, nor the Declarant acting as the Committee, or anyone acting on behalf of the Declarant, shall be held responsible for any defect in any plans or specifications which are approved by the Committee or Declarant nor shall any member of the Committee or any person acting on behalf of the Committee or Declarant be held responsible for any defect in the structure which was built pursuant to plans and specifications approved by the Committee, or by the Declarant.

(b) Neither the Declarant, the Committee, nor any member of the Committee, nor the Association, nor anyone acting on behalf of the Committee or the Association, shall have any responsibility for compliance by Owner (or any agent, representative, guest, or invitee of Owner) with any environmental laws, regulations, or rules, including, but not limited to, those relating to hazardous waste and placement of underground oil storage tanks.

Section 14. Variation. The Committee shall have the authority to approve plans and specifications which do not conform to these restrictions in order to (1) overcome practical difficulties or (2) prevent undue hardship from being imposed on an Owner as a result of applying these restrictions. However, such variations may only be approved in the event that the variation will not (1) detrimentally impact on the overall appearance of the development, (2) impair the attractive development of the subdivision or (3) adversely affect the character of nearby Lots. Granting such a variation shall not constitute a waiver of the restrictions articulated in this Declaration. Variations shall only be granted if the Committee determines that the variation would further the purposes and intent of these restrictions. Variations shall only be granted in extraordinary circumstances.

Section 15. Enforcement. The Association (including the Declarant on behalf of the Association), Board, or any Owner shall have the right to bring suit for judicial enforcement of a determination of the Committee, or, after the Development Period, to seek an order requiring the Committee to exercise its

authority, and perform its functions, under this Article XV. In any judicial action to enforce a determination of the Committee, the losing party shall pay the prevailing party's attorney's fees, expert witness fees, and other costs Incurred in connection with such a legal action or appeal (see Article XVI, Section 5).

Section 16. Committee/Declarant Liability. The Association shall hold the Committee Members and the Declarant, if acting as the Committee, harmless from any actions taken (or actions not taken) under any previous of this Declaration, including, but not limited to, actions taken (or not taken) under Articles XII, XIII, and XV of this Declaration. By purchasing a Lot in Diamond Hills, the Owners agree that, to the extent permitted by law, neither the Declarant (nor any officer, director, or representative of Declarant), nor the Committee (nor any member of the Committee) shall have any liability to the Owners or to the Association for any actions taken, or actions not taken, while acting as the Declarant or the Committee under this Declaration.

"Non-action" on the part of the Committee or the Declarant shall not exempt the applicant from any of the provisions of this Declaration or restrictions contained in this Declaration.

ARTICLE XVI

GENERAL PROVISIONS

Section 1. Covenants Running with the Land. These covenants are to run with the land and be binding on all parties and persons claiming under them for a period of thirty (30) years from the date these covenants are recorded, after which time the covenants shall be automatically extended for successive periods of ten (10) years unless an instrument signed by a majority of the individuals then owning Lots has been recorded which reflects their intent to amend, or remove the covenants in whole or in part.

Section 2. Amendment. The covenants and restrictions articulated in this Declaration shall run with the land and bind the land for a term of thirty (30) years from the date that this Declaration is recorded. After 30 years have expired, the covenants shall be automatically extended in accordance with the provisions set forth in Section 1 of this Article. So long as the Declarant is either a Class A or Class B member of the Association, this Declaration may be amended only if (a) the Declarant gives the Declarant's express written approval of the amendment in writing, and (b) the Owners of at least 51 percent (51%) of the Lots, including those owned by Declarant, sign an instrument (which may be executed in counterparts) approving the amendment. At such time as the Declarant is no longer a Class A or Class B voting member of the Association, this Declaration may be amended if the Owners of at least 75 percent (75%) of the Lots vote to amend particular provisions of this instrument as then in effect (including any prior amendments). In no event shall any provisions expressly Referring to the Declarant be amended at any time without the express written Approval of the Declarant or the Declarant's successor in interest (unless the Declarant, or Declarant's successor in interest, no longer exists). All Amendments must be filed with the office of the King County Auditor.

Section 3. Insurance. The Association shall have no obligation to obtain any insurance on the Lots or the structures located on the Lots except as expressly provided herein.

Section 4. Enforcement. The Association (including the Declarant on behalf of the Association), the Board, or any Owner shall have the right to enforce, by any legal proceeding, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration (including, but not limited to, Article XV, Section 15).

Section 5. Attorneys' Fees. In the event that it is necessary to seek the services of an attorney in order to enforce any (1) provisions of this Declaration, or (2) lien created pursuant to the authority of this Declaration, the individual against whom enforcement is sought shall be personally obligated to pay any attorneys' fees incurred. If the Owner fails to pay such fees within sixty (60) days, such fees shall become a lien against the Owner's Lot.

In any legal action commenced in order to enforce the provisions of this Declaration, the prevailing party shall be entitled to recover all reasonable attorney's fees and expert witness fees incurred in order to enforce the provisions of this Declaration. The prevailing party shall also be entitled to recover all costs.

Section 6. Liens for Other Charges. This Section shall apply to all fees, charges, penalties, interest, costs, attorney's fees and other amounts assessed against an Owner or the Owner's Lot (the "other charges") and which are not described in Sections 3 and 4 of Article VIII of this Declaration (the "regular assessments"). Unless otherwise provided in this Declaration, the other charges shall be a personal obligation of the Owner, and also a lien against the Owner's Lot(s) identical to the lien of the regular assessments. The liens upon Lots for other charges may be recorded, collected and foreclosed in the same manner as liens for regular assessments, with the costs (including reasonable attorney's fees) of collection or foreclosure, or both, to be additional "other charges" for which the Owner shall be personally liable and which shall be a lien on the Owner's Lot enforceable as provided in this Section.

Section 7. Interest. All assessments, penalties, liens, fines, and other charges (defined in Section 6 of this Article XVI) shall bear interest, if not paid when due, at the rate of 12 percent (12%) per annum until paid in full. The interest shall accrue from the due date.

Section 8. Successors and Assigns. The covenants, restrictions and conditions articulated in this Declaration shall run with the land and shall accordingly be binding on all successors and assigns.

Section 9. Severability. The invalidity of any one or more phrases, clauses, sentences, paragraphs or sections hereon shall not affect the remaining portions of this Declaration or any part thereof. In the event that one or more of the phrases, clauses, sentences, paragraphs or sections contained herein should be invalid, this Declaration shall be construed as if the invalid phrase, clause, sentence paragraph or section had not been inserted.

Section 10. Rule Against Perpetuities. In the event that any provision or provisions of this Declaration violate the rule against perpetuities, such provision or provisions shall be construed as being

void and of no effect as of twenty-one (21) years after the death of the last surviving member of the Temporary Board appointed by the Declarant in the Articles of Incorporation for the Association ("First Temporary Board") of the Association or twenty-one (21) years after the death of the last survivor of all of any of the First Temporary Board member's children and grand children who shall be living at the time this instrument is executed, whichever is later. All such provisions shall be given full effect until the particular provisions become void under this Section.

IN WITNESS WHEREOF the undersigned, being the Declarant herein, have hereunto set their hand and seal this ____ day of _____.

Thomas A. Barghausen, President
NOVASTAR ENTERPRISES INC.

EXHIBIT "A"

LEGAL DESCRIPTION

The Northwest quarter of the Southwest quarter of Section 34, Township 22 North, Range 6 East, Willamette Meridian, in King County, Washington;

EXCEPT the Northern Pacific Railway Company right-of-way.

FIRST AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS

Recorded Under A.F. No. 9006040978

Records of King County, Washington

FOR PLAT OF DIAMOND HILLS HOMEOWNERS' ASSOCIATION

This amendment is to the Declaration of Covenants, Conditions and Restrictions recorded under King County, Washington, Recorder's File No. 9006040978 (hereafter referred to either as the "Declaration" or as the "Covenants, Conditions and Restrictions"). This Amendment is applicable to all of the real property subject to the Declaration, which property includes the entire plat of Diamond Hills, Lots 1 through 157, inclusive, together with all common areas within said plat, which plat is of the real property legally described on the attached Exhibit "A" ("Diamond Hills"), and also legally described on Exhibit "A" of the Declaration.

WHEREAS, the undersigned, NOVASTAR ENTERPRISES INC., is the owner of all of the real property described on the attached Exhibit "A", and is therefore the owner of more than 51 percent of the lots within the property subject to the Declaration;

AND WHEREAS, the undersigned, NOVASTAR ENTERPRISES INC., also is the Declarant as set forth in the original Covenants, Conditions and Restrictions as recorded under Auditor's File No. 9006040978, and consents to the amendments set forth below;

NOW THEREFORE, the undersigned, NOVASTAR ENTERPRISES INC., as authorized by Article XVI, Section 2 of the Declaration, does hereby make the following Amendments to the original Covenants, Conditions and Restrictions. The following amendments shall become and are hereby made a part of all conveyances of Lots 1 through 157, inclusive, within the plat of Diamond Hills. The Covenants, Conditions and Restrictions, as amended by this First Amendment, shall by reference, become a part of any such conveyances of lots within the plat of Diamond Hills and shall apply to those conveyances as fully and with the same effect as if the Covenants, Conditions and Restrictions and this First Amendment were set forth in the conveyances of lots within Diamond Hills.

The Covenants, Conditions and Restrictions are amended as set forth in Sections 1 and 2 below:

1. Article XII, Section 1 is hereby amended to revise that portion of the existing text of Article XII, Section 1 which stipulates minimum square footages for residences as follows:

"Rambler-type residences (residences consisting of a basement and one story or residences consisting of a single story) shall contain at least 1100 square feet. Multi-story residences (residences consisting of a basement and two stories or residences consisting of two stories) shall contain at least 1350 square feet."

The other portions of Article XII, Section 1, shall hereby remain unchanged except as above stated.

2. Article XIII, Section 1, is hereby amended to revise that portion of the existing text of Article XIII, Section 1, which stipulates allowable building material for residences as follows:

“All roofs are to be cedar shake, shingle, tile, or ‘textured’ composition roofing such as ‘Pabco HO-25’ or similar. All siding and trim are to be re-sawn wood or ‘LP’ type siding of a color approved by the committee.”

The other portions of Article XIII, Section 1, shall hereby remain unchanged except as above stated.

AMENDMENTS TO RUN WITH THE LAND

The foregoing Amendments to the Declaration contained in this First Amendment shall (1) for all purposes be and are hereby made fully a part of the original Covenants, Conditions and Restrictions for Diamond Hills Homeowner’s Association as recorded under King County Recorder’s File No. 9006040978, and (2) shall run with the land described on the attached Exhibit “A”, including, but not limited to, all of the lots within the plat of Diamond Hills, and shall be binding on all parties who shall be or shall become the owner of any of the said lots. The provisions of the Declaration, as amended by this First Amendment, are for the benefit of the current and future owners of any lots or building sites on said plat. The Declaration as amended by this First Amendment, is intended and designed for the purpose of keeping said lots desirable, uniform and suitable in architectural design and use. All property described on the attached Exhibit “A”, including, but not limited to, all lots within the plat of Diamond Hills, shall be held, sold and conveyed subject to the Declaration of Covenants, Conditions and Restrictions as recorded under King County Recorder’s Receiving No. 9006040978 and as amended by this First Amendment.

NOVASTAR ENTERPRISES INC.

By: _____
Thomas A. Barghausen, President

SECOND AMENDMENT TO DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS

Recorded Under A.F. No. 9006040978

Records of King County, Washington

FOR PLAT OF DIAMOND HILLS HOMEOWNERS' ASSOCIATION

This Second Amendment is to the Declaration of Covenants, Conditions and Restrictions recorded under King County, Washington, Recorder's File No. 9006040978, and as first amended by instrument recorded in King County under Recorder's File No. 9011200224, (hereafter referred to either as the "Declaration" or as the "Covenants, Conditions and Restrictions"). This Amendment is applicable to all of the real property subject to the Declaration, which property includes the entire plat of Diamond Hills, Lots 1 through 157, inclusive, together with all common areas within said plat, which plat is of the real property legally described as the plat of Diamond Hills as recorded in the records of King County in Volume 153 of Plats at pages 4 through 10, respectively, under Recording No. 9007181077, and also legally described on Exhibit "A" of said Declaration.

WHEREAS, the undersigned, NOVASTAR ENTERPRISES INC., WM. SHERMAN COMPANY INC., and CASTLEWOOD HOMES INC., represent a majority interest within said plat of Diamond Hills, and are the owners of more than 51 percent of the lots within the property subject to said Declaration;

AND WHEREAS, the undersigned, NOVASTAR ENTERPRISES INC., also is the Declarant as set forth in the original Covenants, Conditions and Restrictions as recorded under Auditor's File No. 9006040978, and as first amended by instrument recorded in King County under Recorder's File No. 901120224, and consents to the amendments set forth below;

NOW THEREFORE, the undersigned, NOVASTAR ENTERPRISES INC., as authorized by Article XVI, Section 2 of the Declaration, does hereby make the following Amendments to the original Covenants, Conditions and Restrictions. The following amendments shall become and are hereby made a part of all conveyances of Lots 1 through 157, inclusive, within the plat of Diamond Hills. The Covenants, Conditions and Restrictions, as amended by this Second Amendment, shall by reference, become a part of any such conveyances of lots within the plat of Diamond Hills and shall apply to those conveyances as fully and with the same effect as if the Covenants, Conditions and Restrictions and this Second Amendment were set forth in the conveyances of lots within Diamond Hills.

The Covenants, Conditions and Restrictions are amended as set forth in Sections 1:

1. The annual assessment specified in Article VIII, Section 3, "Annual Assessment," is hereby amended to reflect an annual assessment requirement of \$96.00 per lot per annum in lieu of the original specified annual assessment of \$180.00 per lot per annum.

The other portions of Article VIII, Section 3, shall hereby remain unchanged except as above stated.

AMENDMENTS TO RUN WITH THE LAND

The foregoing Amendments to the Declaration contained in this Second Amendment shall (1) for all purposes be and are hereby made fully a part of the original Covenants, Conditions and

Restrictions for Diamond Hills Homeowner's Association as recorded under King County Recorder's File No. 9006040978, and as first amended by instrument recorded under King County Recorder's File

No. 9011200224, and (2) shall run with the land described on the attached Exhibit "A", including, but not limited to, all of the lots within the plat of Diamond Hills, and shall be binding on all parties who

shall be or shall become the owner of any of the said lots. The provisions of the Declaration, as amended by this Second Amendment, are for the benefit of the current and future owners of any lots or building sites on said plat. The Declaration as amended by this Second Amendment, is intended and designed for the purpose of keeping said lots desirable, uniform and suitable in architectural design and use. All lots within the plat of Diamond Hills, shall be held, sold and conveyed subject to the Declaration of Covenants, Conditions and Restrictions as recorded under King County Recorder's File No. 9006040978, and as amended by the First Amendment as recorded under King County Recorder's Receiving No. 9011200224, and as amended by this Second Amendment.

NOVASTAR ENTERPRISES INC.

By: _____
Thomas A. Barghausen, President

WM. SHERMAN COMPANY INC.

By: _____

CASTLEWOOD HOMES INC.

By: _____