

OF John Cannon
RECORDS & CLERK

2006 MAR 23 AM 9:50

Foster Pepper & Shefelman PLLC
Attention: Gary N. Ackerman
1111 Third Avenue, Suite 3400
Seattle, Washington 98101-3299

(24)



2006 1177023

Clallam
County

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS,
AND RESERVATIONS FOR SOLANA COMMUNITY ASSOCIATION

Grantor/Declarant: SEQUIM HIGHLANDS LLC, a Washington limited liability company,
SEQUIM HIGHLANDS ESTATE HOMES LLC, a Washington
limited liability company
Additional names on pg. N/A

Grantee: SOLANA COMMUNITY ASSOCIATION
Additional names on pg. N/A

Legal Description: Ptn. of W 1/2 of Sec. 28, Twp. 30 N., Rge. 3 W., W.M.
Official legal description on Exhibit A

Assessor's Tax Parcel ID#: 033028 300010 1000; 033028 300010 2001
033028 300020 - 300280
033028 420250

Reference # (if applicable): N/A
Additional numbers on pg. N/A

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**DECLARATION
OF
COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, AND
RESERVATIONS
FOR
SOLANA COMMUNITY ASSOCIATION**

This Declaration is made as of this 15th day of February, 2006, by Sequim Highlands LLC, a Washington limited liability company, and Sequim Highlands Estate Homes LLC, a Washington limited liability company (collectively, the "Declarant").

RECITALS

A. Declarant is the owner of that certain real property located within the City of Sequim, Clallam County, Washington, known as Solana and being platted in phases as Solana Cluster Lots and Solana Estate Lots on property described in Exhibit A attached hereto (the "Property").

B. Declarant desires to create an owners association at Solana to provide for the maintenance of the Common Areas of Solana (as defined below).

C. Declarant desires to create certain easements for the benefit of the Property and to provide for the maintenance and preservation of such easements and of certain facilities and improvements to be developed on the Property for the future use and enjoyment of all residents of the Property.

SUBMISSION OF THE PROPERTY TO THIS DECLARATION

Declarant hereby makes this Declaration for the purpose of submitting the Property to this Declaration, and declares that the Property described above shall be held, sold, conveyed, encumbered, leased, rented, occupied and improved subject to the following covenants, conditions, restriction, reservations, grants of easement rights, rights of way, liens, charges and equitable servitudes, which are for the purpose of protecting the value and desirability of the Property and shall be binding on all parties having any right, title or interest in the Property or any part thereof, and shall inure to the benefit of each owner thereof. This Declaration shall run with the land and bind Declarant, its successors and assigns, and all subsequent owners of the Property or any part thereof, together with their grantees, successors, heirs, executors, administrators, devisees or assigns. Any conveyance, transfer, sale, assignment, lease or sublease of a Lot (as defined below) in the Property shall and hereby is deemed to incorporate by reference all provisions of this Declaration. The

provisions of this Declaration shall be enforceable by Declarant, the owner of any Lot, and the Solana Community Association.

Article 1
DEFINITIONS

Section 1.1 Definitions. For the purposes of this Declaration and any amendments hereto, the following definitions shall apply.

“Articles” shall mean the articles of incorporation of the Association, as defined below.

“Assessments” shall mean all sums chargeable by the Association against a Lot, including, without limitation: (a) general and special Assessments for Common Expenses; (b) charges and fines imposed by the Association; (c) interest and late charges on any delinquent account; and (d) costs of collection, including reasonable attorneys’ fees, incurred by the Association in connection with the collection of a delinquent Owner’s account.

“Association” shall mean the Solana Community Association, a Washington non-profit corporation, as described more fully in Article 3, and its successors and assigns.

“Board” shall mean and refer to the board of directors of the Association, as provided for in Article 5.

“Bylaws” shall mean the bylaws of the Association as they may from time to time be amended.

“City” shall mean the City of Sequim, in the County of Clallam, State of Washington.

“Entry Signage and Road” shall mean Tract F, as shown on the plat for Solana Estate Lots Phase 1, including signage for Solana, the portion of Solana Parkway that serve both Solana Cluster Lots and Solana Estate Lots and the lighting and landscaping adjacent thereto.

“Clubhouse Property” shall mean Tracts A and B, as shown on the plat for Solana Estate Lots Phase 1, including the clubhouse, swimming pool, tennis court, parking area, lighting, landscaping and other improvements located or to be constructed thereon.

“Completed Home” shall mean a residential dwelling unit constructed on a Lot for which a certificate of occupancy has been issued.

“Common Areas” shall mean the real property and improvements described in Section 2.1.

“Common Expenses” shall mean the expenses and liabilities of the Association, including, but not limited to, the expenses of the Association relating to operation, maintenance and improvement of the Common Areas.

“Declarant” shall mean Sequim Highlands LLC, a Washington limited liability company, and Sequim Highlands Estate Homes LLC, a Washington limited liability company and their successors and assigns if such successors or assigns should (i) acquire more than a Lot from a Declarant for the purpose of development, and (ii) be specifically assigned the rights and duties of a Declarant by written instrument in recordable form.

“Declaration” shall mean this Declaration of Covenants, Conditions, Restrictions, Easements, and Reservations for Solana Community Association, and any amendments thereto.

“Detention Pond” shall mean Tract C, as shown on the plat for Solana Estate Lots Phase I.

“Entry Road” shall mean Tract F, as shown on the plat for Solana Estate Lots Phase I.

“Lot” shall mean and refer to any of the numbered Lots shown on the Plats.

“Member” shall mean a person entitled to membership in the Association pursuant to Section 4.5.

“Mortgage” shall mean a recorded mortgage or deed of trust that creates a lien against a Lot and shall also mean a real estate contract for the sale of a Lot.

“Mortgagee” shall mean the beneficial owner, or the designee of the beneficial owner, of an encumbrance on a Lot created by a Mortgage and shall also mean the vendor, or the designee of vendor, of a real estate contract for the sale of a Lot. For the purpose of determining the percentage of first Mortgagees approving a proposed decision or course of action, a Mortgagee shall be deemed a separate Mortgagee for each Lot on which it holds a Mortgage which constitutes a first lien on said Lot. Mortgagees shall have the same voting power as the owners of the Lot subject to such Mortgage.

“Notice and Opportunity to be Heard” shall mean the procedure wherein the Board shall give written notice of the proposed action to all Owners, tenants or occupants of the Lots whose interest would be significantly affected by the proposed action. The notice shall include a general statement of the proposed action and the date, time and place of the hearing, which shall be not less than five days from the date notice is delivered by the Board. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of

procedure established by the Board to assure a prompt and orderly resolution of the issues. Such evidence shall be considered in making the decision but shall not bind the Board. The affected person shall be notified of the decision in the same manner in which notice of the meeting was given.

“Owner” shall mean the owner of record, whether one or more persons or entities, of fee simple title to any Lot. Except as may be otherwise expressly provided herein, in the case of a Lot which has been sold pursuant to a real estate contract, “Owner” shall include any person of record holding a vendee’s interest under such real estate contract, to the exclusion of the vendor thereunder. Any person or entity having such an interest merely as security for the performance of an obligation shall not be considered an owner.

“Person” shall include natural persons, limited liability companies, partnerships, corporations, associations and personal representatives.

“Plats” shall mean the plat for Solana Estate Lots Phase I recorded under Auditor’s File No. 2006-1177015, records of Clallam County, Washington, and any other plat recorded by a Declarant with respect to the Property as later phases of Solana Cluster Lots or Solana Estate Lots.

“Property” shall mean that real property and improvements located within the City of Sequim, County of Clallam, State of Washington, legally described on Exhibit A hereto.

“Solana” shall mean the Property included in the Plats, including all Lots and Common Areas shown thereon.

“Solana Cluster Lots shall mean any of the numbered lots shown on the Solana Cluster Plats.

“Solana Estate Lots shall mean any of the numbered lots shown on the Solana Estate Plats.

“Solana Cluster Plats” shall mean the plats for Solana Cluster Lots recorded with respect to the portion of the Property designated as Solana Cluster Lots Phases 1 and 2 on the plat for Solana Estate Lots Phase I recorded under Auditor’s File No. 2006-1177015, records of Clallam County, Washington.

“Solana Estate Plats” shall mean the plat for Solana Estate Lots Phase 1 recorded under Auditor’s File No. 2006-1177015, and any subsequent plats for later phases of Solana Estate Lots recorded with respect to the portion of the Property designated thereon as Solana Estate Lots Phases 1, 2 and 3.

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Storm Drainage System" shall mean the Detention Pond and all portions of the storm drainage system in Solana not located on a Lot but including any portion of the storm drainage system located on a Lot for which an easement is provided on the Plats.

"Wildlife Corridor" shall mean the area so designated on the plat for Solana Estate Lots Phase I.

Article 2
COMMON AREAS

Section 2.1 Description. The Common Areas are described on Exhibit B attached hereto, as it may be amended upon the recording of later phases of Solana Estate Lots or Solana Cluster Lots. In addition, Declarant reserves the right to create additional Common Areas by easements recorded subsequent to the recordation of the Plats.

Section 2.2 Conveyance. Declarant, by recording the Plat, dedicates, transfers and conveys the Common Areas and any easements appurtenant thereto to the Association.

Section 2.3 Use of Common Areas. Each Owner shall have the right to use the Common Areas in common with all other Owners, subject to this Declaration, the Bylaws, any rules and regulations adopted by the Association, and the following:

2.3.1 The Association may totally bar or restrict use of portions of the Common Areas where ordinary use could be dangerous, unreasonably increase Association costs, or be detrimental to the environment.

2.3.2 The Association shall have the right to suspend the voting rights by any Owner for any period during which any Assessment against such Owner's Lot remains unpaid, and for a period not to exceed 60 days for any, and for each separate, infraction of the Association's published rules and regulations.

2.3.3 The Association shall have the right to dedicate or transfer all or any portion of the Common Areas, including easements thereon, to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless two-thirds of each class of Members vote or consent in writing to such dedication or transfer. The instrument dedicating or transferring all or any portion of the Common Areas shall be executed by the president and secretary of the Association who shall certify that the requisite vote or consent has been obtained.

Section 2.4 Maintenance. The Association shall have the responsibility for the operation, maintenance, repair, replacement, improvement and insurance of the Common

Areas for their intended uses, including any common utilities located therein, to the extent they are not maintained by a public utility. The costs of maintenance, repair, replacement and improvement of the Common Areas shall be paid by Owners of the Lots pursuant to Article 6 hereof.

Section 2.5 Wildlife Corridor. The Property is located within the Sequim-Dungeness elk range. Declarant has dedicated a portion of the Property as a Wildlife Corridor, as shown on the Plat, which is intended to be used by elk for migration and other wildlife. In addition to any rules and regulations that may be adopted by the Association to protect the elk herd or other wildlife, the Declarant sets forth the following restrictions for the Property, which shall be observed by all Owners, their tenants, families, and guests:

2.5.1 No fences shall be constructed on the Property that would obstruct the migration of elk.

2.5.2 Residents shall not intentionally feed elk or other wildlife on the Property.

2.5.3 Residents shall not harass or otherwise interfere with the migration, feeding, or calving of elk on the Property.

Section 2.6 Declarant Inspection and Repairs. The Declarant shall have the right, but not the obligation, to conduct inspections and tests from time to time of all or any parts of the Property in order to ascertain the physical condition of the improvements on the Common Areas and to determine whether maintenance, repairs or replacements of any such improvements are indicated. The Declarant shall pay all costs of such inspections and tests made pursuant to this Section and shall have the right to make such repairs at it deems appropriate. The Declarant shall have such rights of entry on, over, under, across and through the Common Areas as may be reasonably necessary to exercise the rights described in this Section. The Declarant shall provide reasonable advance notice to the Association of the inspections and repairs.

Article 3 EASEMENTS

Section 3.1 Entry Road and Signage. Declarant hereby declares and grants, for the perpetual benefit of all Lots, and as an encumbrance on Tract F, a nonexclusive easement for ingress, egress, utilities and signage over, across and under the portion of Solana Parkway shown as Tract F on the plat for Solana Estate Lots Phase 1.

Section 3.2 Clubhouse Property. Declarant hereby declares and grants, for the perpetual benefit of all Lots, and as an encumbrance upon Tracts A and B, a nonexclusive easement to use the Clubhouse Property, including but not limited to an easement to use the

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clubhouse, swimming pool, tennis court, parking and other improvements on the tracts, subject to such rules and regulations as the Association may from time to time establish.

Section 3.3 Storm Drainage System. Declarant hereby declares and grants, for the perpetual benefit of all Lots a nonexclusive easement to use the Storm Drainage System for Solana, including the Detention Pond on Tract C, as shown on the plat for Solana Estate Lots Phase I.

Section 3.4 City Water Tank. Declarant hereby grants, to the City a nonexclusive easement for ingress and egress over and across the Entry Road and the private roads shown on the Solana Estate Plats for the purpose of accessing, maintaining and repairing the public water tank located on Tract D of the plat for Solana Estate Lots Phase I for so long as access over the Entry Road and private roads of Solana Estate Lots are the City's only access to the water tank.

Section 3.5 Entry by Security Patrol. If the Board contracts for security patrol service, said service, and its employees, shall have the right to enter onto any of the Lots and Common Areas in order to carry out their duties under such security patrol agreement; provided, however, that, said patrol service can enter a Lot only if it is either (i) doing so with reasonable cause, or (ii) acting with the consent of the Owner or tenant of such Lot.

Section 3.6 Association Functions. There is hereby reserved to the Association or their duly authorized agents and representatives such easements as are necessary to perform the duties and obligations of the Association as are set forth in this Declaration, or in the Bylaws or rules and regulations adopted by the Association.

Section 3.7 Use of Easements. The use of the easements by the residents of the Lots shall be subject to rules and regulations adopted from time to time by the Association. Declarant, as long as it owns a Lot or an interest therein, reserves the right to use the Entry Road, Clubhouse Property, or any other Common Area for the purpose of selling or leasing the Lots or the residential properties constructed thereon.

Article 4
OWNERS ASSOCIATION

Section 4.1 Establishment. There is hereby created an association called the Solana Community Association (the "Association").

Section 4.2 Form of Association. The Association shall be a nonprofit corporation formed and operated under the laws of the State of Washington.

Section 4.3 Articles and Bylaws. Declarant will adopt Articles of Incorporation and will propose to the initial Board the adoption of Bylaws to supplement this Declaration and to provide for the administration of the Association and the Property and for other purposes not inconsistent with this Declaration. In the event of any conflict between this Declaration and the Articles or the Bylaws, the provisions of this Declaration shall prevail.

Section 4.4 Board of Directors. The Association shall be managed by a Board of Directors who are members of the Association. Until the Declarant has recorded Plats with respect to all of the Property and the Declarant's Class B membership has ceased, Declarant shall appoint the members of the Board. Thereafter, they shall be elected by the members of the Association, as set forth in the Bylaws.

Section 4.5 Membership and Voting Rights. The Association shall have two classes of voting membership:

4.5.1 Class A Members shall be all Owners except the Declarant, and each Class A Member shall be entitled to one vote for each Lot owned, whether improved or not. When more than one Person holds an interest in any Lot, all such Persons shall be members. The vote for such Lot shall be exercised as the joint owners may decide among themselves, but in no event shall more than one vote be cast with respect to any Lot.

4.5.2 The Class B member shall be the Declarant who shall be entitled to ten votes for each Lot owned by it. The Class B class of membership shall cease and be converted to Class A membership upon the occurrence of the earlier of the following events: (i) the votes of the Class A members equal the votes of the Class B member after the Declarant has recorded Plats with respect to all of the Property or (ii) the tenth anniversary of the date on which this Declaration is recorded.

Section 4.6 Transfer of Membership. Membership in the Association of each Member (including Declarant) shall not be transferred in any way except pursuant to a transfer of title to such Lot. Any attempt to make a prohibited transfer shall be void.

Section 4.7 Inspection of Association Documents, Books, and Records. The Association shall make available to Owners, Mortgagees, prospective purchasers and their prospective mortgagees, and the agents or attorneys of any of them, current copies of this Declaration, the Articles, the Bylaws, and other rules, books, records, and financial statements of the Association. "Available" shall mean available for inspection upon request, during normal business hours or under other reasonable circumstances. The Association may require the requesting party to pay a reasonable charge to pay the cost of making the copies.

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Article 5
MANAGEMENT OF THE ASSOCIATION

Section 5.1 Administration of the Property. The Owners and Members covenant and agree that the administration of the Property shall be in accordance with the provisions of this Declaration and the Bylaws of the Association which are made a part hereof. Administrative power and authority shall be vested in the Board.

Section 5.2 Authority and Duties of the Board. On behalf of and acting for the Association, the Board, for the benefit of the Property, the Members and the Owners, shall have all powers and authority permitted to the Board under this Declaration including, but not limited to, the following:

5.2.1 Levy, collect, and enforce the collection of, Assessments, as more particularly set forth in Article 6 hereof, to defray expenses attributable to carrying out the duties and functions of the Association hereunder.

5.2.2 Require any officer or employee of the Association handling or responsible for Association funds to furnish adequate fidelity insurance, the premiums for which shall be paid by the Association.

5.2.3 Impose and collect charges for late payment of Assessments as further provided in Article 6, and, after Notice and Opportunity to be Heard by the Board or by such representative designated by the Board and in accordance with such procedures as provided in this Declaration, the Bylaws, or rules and regulations adopted by the Board, levy reasonable fines in accordance with a previously established schedule thereof adopted by the Board and furnished to the Owners for violations of this Declaration, the Bylaws, and rules and regulations of the Association.

5.2.4 Enter into agreements with one or more qualified persons to provide for the management, maintenance and repair of the Common Areas, the collection of Assessments, the sending of all required notices to Members, the operation of Association meetings, and other regular activities of the Association.

5.2.5 Contract and pay for any materials, supplies, labor or services which the Board should determine are necessary or proper for carrying out its powers and duties under this Declaration, including legal, accounting, management, security patrol or other services.

5.2.6 Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself on matters affecting the Association; provided, however, that the approval of Owners holding at least 67% of the votes in the Association shall be required before the Association may institute, commence or intervene in any

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litigation or administrative proceeding, including arbitration, other than litigation or other proceedings against Owners for collection of delinquent Assessments or for enforcement of the Declaration or rules and regulations of the Association; but Owner approval shall not be required for settlement of such litigation or administrative proceedings.

5.2.7 Grant easements, leases, licenses, and concessions through or over the Common Areas.

5.2.8 Impose and collect any payments, fees, or charges for the use, rental, or operation of the Common Areas and for services provided to Owners.

5.2.9 Acquire, hold, encumber, convey, and dispose of, in the Association's name, right, title, or interest to real or tangible and intangible personal property; provided that the encumbrance, conveyance or other disposition of any portion of the Association's real property shall require the approval of the Owners holding a majority of the votes in the Association.

5.2.10 Arrange for and supervise any addition or improvement to the Common Areas, provided that if the estimated cost of any separate property acquisition, addition, or improvement to the Common Areas exceeds \$25,000, the approval of the Owners holding a majority of the votes in the Association shall be required.

5.2.11 All checks, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such manner as is from time to time determined by the Board

Section 5.3 Adoption of Rules and Regulations. When and to the extent it deems advisable, the Board may adopt reasonable rules and regulations governing the maintenance and use of the Common Areas, including without limitation rules for the use and operation of the Clubhouse Property, Wildlife Corridor, Entry Road, Storm Drainage System, and other Common Areas or other matters of mutual concern to the Owners, which rules and regulations are not inconsistent with this Declaration and the Bylaws and which treat all Owners fairly and in a non-discriminatory manner and consistent with all applicable state and federal laws.

Section 5.4 Additional Powers of the Association. In addition to the duties and powers of the Association, as specified herein and elsewhere in this Declaration, but subject to the provisions of this Declaration, the Association, acting through its Board, shall have the power to do all other things which may be deemed reasonably necessary to carry out its duties and the purpose of this Declaration.

Article 6
ASSESSMENTS

Section 6.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot by acceptance of a deed therefor whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association any Assessment duly levied by the Association as provided herein. The Association has a lien on each Lot for any unpaid Assessment levied against the Lot from the time the Assessment is due. A lien under this Article shall be prior to all other liens and encumbrances on a Lot except: (a) liens and encumbrances recorded before the recording of this Declaration; (b) a mortgage on the Unit recorded before the date on which the Assessment sought to be enforced became delinquent. The Assessment shall also be the personal obligation of the person who was the Owner of such Lot at the time when the Assessment fell due. The personal obligation for delinquent Assessments shall not pass to his successor title unless expressly assumed by that party. When ownership of a Lot changes, Assessments which have been established for the current fiscal year shall be prorated between the buyer and seller based on a 365 day year.

Section 6.2 Liability for Assessments. Any Assessments which may be levied from time to time pursuant to the authority of the Board shall be established in accordance with this Article 6. No Owner may exempt himself or herself from liability for his Assessments by abandoning his or her Lot. In the case of multiple Owners of a Lot, such Owners shall be jointly and severally liable for the Assessment.

Section 6.3 Association Budgets. The initial budget for the Association shall be adopted by Declarant, which shall be based on a total development consisting of 215 Lots and projected improvements on Common Areas in all phases of Solana Cluster Lots and Solana Estate Lots according to Declarant's current plans, which plans are subject to change by the Declarant and will ultimately be determined by the total number of Lots in the Plats after Plats have been recorded with respect to all of the Property. Subsequent budgets shall be prepared by the Board, subject to ratification by the members of the Association as provided below. The budgets shall set forth sums required by the Association for the completed development at Solana, as estimated by the Board, to meet its projected annual costs for expenses of the Association, including a reasonable sum for reserves for future major repairs and replacements for which the Association is responsible. Assessments shall be allocated equally among the total number of projected Lots.

Section 6.4 Ratification of Budgets. Within 30 days after adoption of any proposed budget for the Association after the initial budget adopted by Declarant, the Board shall provide a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than 14 nor more than 60 days after mailing of the summary. Unless at that meeting the Owners to which a majority of the votes in the Association are allocated reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not

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given, the prior budget shall continue until such time as the Owners ratify a subsequent budget proposed by the Board.

Section 6.5 Supplemental Budget. If during the year the budget proves to be inadequate for any reason, including nonpayment of any Owner's Assessments, the Board may prepare a supplemental budget for the remainder of the year. A supplemental budget shall be subject to ratification by the Owners pursuant to Section 6.4.

Section 6.6 Commencement of Assessments. Assessments on each Lot shall commence upon the closing of the sale by Declarant of the Lot with a Completed Home or upon the occupancy of the Completed Home, whichever is earlier. Until Assessments have commenced on all Lots, Declarant shall pay to the Association an amount equal to the excess, if any, of actual expenses of the Association over the amount of Assessments levied by the Association for operating expenses (excluding amounts levied for reserves). The Declarant shall establish the initial Assessment against the Lots based on the annualized budget adopted by it under Section 6.3; thereafter the Board shall fix the amount of the annual Assessment against each Lot based on the budget adopted by the Board and ratified by the Owners. Written notice of the annual Assessment shall be sent to each Owner. The Assessment may be divided into equal installments to be paid every month or quarter over the period of time covered by the budget.

Section 6.7 Levy of General Assessment. In order to meet the costs and expenses projected in its operating budget, the Board shall determine and levy a general Assessment against each Owner, allocated as provided in Section 6.3.

Section 6.8 Amount of General Assessment. The Board shall make reasonable efforts to determine the amount of the general Assessment payable by each Owner for an Assessment period at least 30 days in advance of beginning of such period. Notice of the general Assessment shall thereupon be sent to each Owner subject to Assessment; provided, however, that failure to notify an Owner of the amount of an Assessment shall not render such Assessment void or invalid. Any failure by the Board, before the expiration of any Assessment period, to fix the amount of the general Assessment hereunder for the next period, shall not be deemed a waiver or modification in any respect of the provisions of this Article or a release of any Owner from the obligation to pay the general Assessment, or any installment thereof, for that or any subsequent Assessment period.

Section 6.9 Assessment Period. The general Assessment fixed for the preceding period shall continue until a new Assessment is fixed. Upon any revision by the Association of the operating budget during the Assessment period for which each budget was prepared, the Board shall, if necessary, revise the general Assessment levied against the Owners and give notice of the same in the same manner as the initial levy of a general Assessment for the Assessment period.

Section 6.10 Special Assessments. In addition to the general Assessments authorized by this Article, the Association may levy an Assessment or Assessments at any time against the Owners for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, inordinate repair, replacement or improvement of the Common Areas. The special Assessment shall be levied pursuant to a budget which shall be subject to ratification by the Owners pursuant to Section 6.4. The amount of each Owner's special Assessment be calculated in the same manner as the general Assessment.

Section 6.11 Initial Contribution to Working Capital. In connection with the closing of the sale of each Lot with a completed Home, the first purchaser thereof shall pay to the Association, as a nonrefundable contribution to an initial working capital fund, an amount equal to two times the initial monthly Assessment (including reserves) against the Lot, which amount shall not be considered as an advance payment of regular Assessments. The Declarant shall not use any of the working capital fund to defray any of its expenses, reserve contributions or construction costs.

Section 6.12 Manner and Time of Payment. Assessments shall be payable in monthly or quarterly installments, as determined by the Board. Any Assessment or installment thereof which remains unpaid for at least ten days after the due date shall bear interest at the rate of 12% per annum, and the Board may also assess a late charge in an amount not exceeding 25% of any unpaid Assessment which has been delinquent for more than ten days.

Section 6.13 Suspension of Voting Privileges and Right to Use Clubhouse Property. The Association may, upon ten days' notice, suspend the voting privileges and right to use the Clubhouse Property and any other recreational facility located on the Common Areas of any member who is delinquent in paying Assessments, which suspension shall last until the member is current in paying Assessments.

Section 6.14 Accounts. Any Assessments collected by the Association shall be deposited in one or more federally insured institutional depository accounts established by the Board. The Board or its designated shall have exclusive control of such accounts and shall maintain accurate records thereof. No withdrawal shall be made from said accounts except to pay for charges and expenses authorized by this Declaration.

Section 6.15 Waiver of Homestead. Each Owner hereby waives, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law in effect at the time any Assessment or installment thereof become delinquent or any lien is imposed pursuant to the terms hereof.

Section 6.16 Financial Statement and Records. The Board shall prepare or cause to be prepared for any fiscal year in which the Association levies or collects any Assessments, a balance sheet and an operating (income/expense) statement for the Association which shall include a schedule of delinquent Assessments identified by Lot; provided, however, such

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documents need not be prepared by a certified public accountant unless requested by the Board or a majority of the Owners. The Board shall cause detailed and accurate records of the receipts and expenditures of the Association to be kept specifying and itemizing the maintenance, operating, and any other expense incurred. Such records, copies of this Declaration, the Articles and the Bylaws, and any resolutions authorizing expenditures of Association funds shall be available for examination by any Owner at convenient weekday hours.

Section 6.17 Certificate of Assessment. A certificate executed and acknowledged by the treasurer or the president of the Board or the managing agent for the Association stating the indebtedness for Assessments and charges or lack thereof secured by the Assessments upon any Lot shall be conclusive upon the Association as to the amount of such indebtedness on the date of the certificate, in favor of all persons who rely thereon in good faith. Such a certificate shall be furnished to any Owner or any Mortgagee of a Lot within a reasonable time after request, in recordable form, at a reasonable fee. Unless otherwise prohibited by law, any Mortgagee holding a lien on a Lot may pay any unpaid Assessments or charges with respect to such Lot, and, upon such payment, shall have a lien on such Lot for the amounts paid of the same priority as its lien.

Section 6.18 Foreclosure of Assessment Lien; Attorneys' Fees and Costs. The Board (or authorized agent), on behalf the Association, may initiate an action to foreclose the lien of, or collect any Assessment. In any action to foreclose the lien of, or otherwise collect delinquent Assessments or charges, any judgment rendered in favor of the Association shall include a reasonable sum for attorneys' fees and all costs and expenses reasonably incurred in preparation for or in the prosecution of said action, in addition to all costs permitted by law. Said liens may be foreclosed as a mortgage.

Section 6.19 Curing of Default. The Board shall prepare and record a satisfaction and release of the lien for which a notice of Assessment has been filed and recorded in accordance with this Article upon timely payment or other satisfaction of all delinquent Assessments set forth in the notice and all other Assessments which have become due and payable following the date of such recordation with respect to the Lot to which such notice of Assessment was recorded, together with all costs, late charges and interest which have accrued thereon. A fee of \$25.00 or such other amount as may from time to time be set by the Board covering the cost of preparation and recordation shall be paid to the Association prior to such action. The satisfaction and release of the lien created by the notice of Assessment shall be executed by the president or treasurer of the Association or the managing agent of the Association. For the purpose of this paragraph, the term "costs" shall include costs and expenses actually incurred or expended by the Association in connection with the cost of preparation and recordation of the notice of Assessment and any efforts to collect the delinquent Assessments, including a reasonable sum for attorneys' fees and costs.

Article 7
COMPLIANCE AND ENFORCEMENT

Section 7.1 Enforcement.

7.1.1 Each Owner, Member, Board member and the Association shall comply with the provisions of this Declaration and with the Bylaws and administrative rules and regulations adopted by the Association (as the same may be lawfully amended from time to time). Failure to comply shall result in a claim for damages or injunctive relief, or both, by the Board (acting through its officers on behalf of the Association and the Owners) or by the aggrieved Owner on his own, against the party (including an Owner or the Association) failing to comply.

7.1.2 In any action or arbitration to enforce the provisions of this Section 7.1 or any other provision of this Declaration, the Articles or the Bylaws, the prevailing party in such action or arbitration shall be entitled to an award for reasonable attorneys' fees and all costs and expenses reasonably incurred in preparation for prosecution of said action or arbitration, in addition to all costs permitted by law.

Section 7.2 No Waiver of Strict Performance. The failure of the Board or Declarant, as applicable, in any one or more instances to insist upon or enforce the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration, or of any Bylaws or administrative rules or regulations, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition or restriction, but such term, covenant, condition or restriction shall remain in full force and effect. No waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board.

Section 7.3 Remedies Cumulative. The remedies provided herein are cumulative, and the Board may pursue them concurrently, as well as any other remedies which may be available under law although not expressed herein.

Article 8
LIMITATION OF LIABILITY

Section 8.1 No Personal Liability. So long as a Board member, Association committee member, Association officer, or authorized agent(s) has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, no such person shall be personally liable to any Member, or other party including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, negligence (except gross negligence), any discretionary decision or failure to make a discretionary decision, by such person in such person's official

capacity; provided, however, that this Section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance or bond obtained by the Board pursuant to Article 5 or Article 12 hereof.

Section 8.2 Indemnification. Each Board member or Association committee member, or Association officer, and their respective heirs and successors, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may be party, or in which he or she may become involved, by reason of being or having held such position at the time such expenses or liabilities are incurred, except in such cases wherein such person is adjudged guilty of intentional misconduct, or gross negligence or a knowing violation of law in the performance of his or her duties, and except in such cases where such person has participated in a transaction from which said person will personally receive a benefit in money, property, or services to which said person is not legally entitled; provided, however, that in the event of a settlement, indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interests of the Association. Nothing contained in this Section 8.2 shall, however, be deemed to obligate the Association to indemnify any Member who is or has been a Board member or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by him or her under and by virtue of the Declaration as a Member or Owner of a Lot.

Article 9
MORTGAGEE PROTECTION

Section 9.1 Priority of Mortgages. Notwithstanding all other provisions hereof, the liens created under this Declaration upon any Lot for Assessments shall be subordinate to tax liens on the Lot in favor of any assessing and/or special district and be subject to the rights of the secured party in the case of any indebtedness secured by a mortgage or deed of trust which were made in good faith and for value upon the Lot. A mortgagee of a Lot or other purchaser of a Lot who obtains possession of a Lot as a result of foreclosure or deed in lieu thereof will be liable for any Assessment accruing after such possession. Such unpaid share of common expenses or Assessments shall be deemed to be common expenses collectible from all of the Owners including such possessor, his successor and assigns. For the purpose of this Article, the terms "mortgage" and "mortgagee" shall not mean a real estate contract (or the vendor thereunder), or a mortgage or deed of trust (or mortgagee or beneficiary thereunder) securing a deferred purchase price balance owed with respect to a sale by an individual Owner other than a Declarant.

Section 9.2 Effect of Declaration Amendments. No amendment of this Declaration shall be effective to modify, change or limit or alter the rights expressly conferred upon mortgagees in this instrument with respect to any unsatisfied mortgage duly recorded unless the amendment shall be consented to in writing by the holder of such mortgage. Any

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provision of this Article conferring rights upon mortgagees which is inconsistent with any other provision of this Declaration shall control over such other inconsistent provisions.

Section 9.3 Rights of Lien Holders. A breach of any of the provisions, conditions, restrictions, covenants, easements or reservations herein contained shall not affect or impair the lien or charge of any bona fide mortgage made in good faith for value on any Lots; provided, however, that any subsequent Owner of the Lot shall be bound by these provisions whether such Owner's title was acquired by foreclosure or trustee's sale or otherwise.

Section 9.4 Copies of Notices. If the first mortgagee of any Lot has so requested of the Association in writing, the Association shall give written notice to such first mortgagee that an Owner/mortgagor of a Lot has for more than 60 days failed to meet any obligation under this Declaration. Any first mortgagee shall, upon written request, also be entitled to receive written notice of all meetings of the Association and be permitted to designate a representative to attend such meetings.

Section 9.5 Furnishing of Documents. The Association shall make available to prospective purchasers, mortgagees, insurers, and guarantors, at their request and cost, current copies of the Declaration, Bylaws, and other rules governing the Property, and the most recent balance sheet and income/expense statement for the Association, if any has been prepared.

Article 10 DURATION OF COVENANTS

The covenants contained herein shall run with and bind the land and be perpetual, unless modified by an instrument executed in accordance with Article 11.

Article 11 AMENDMENT OF DECLARATION OR PLAT

Section 11.1 Declaration Amendment. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Amendments must be approved by Members holding two-thirds of the votes in the Association. The approval of the Members may be obtained by a special vote of the Members at a special meeting for that purpose or the written consent of the requisite Members in lieu of a special meeting after notice has been given to all Members. The amendment shall be executed by the president and secretary of the Association who shall certify that the requisite vote or consent has been obtained.

Section 11.2 Plat. Except as provided in Section 11.3, amendments to the Plat require the same Owner approval as required for amendments to the Declaration in

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Section 11.1. Copies of any such proposed amendment to the Plat shall be made available for the examination of every Owner. Such an amendment to the Plat shall be effective, once properly adopted, upon having received any governmental approval required by law and recordation in the appropriate county offices.

Section 11.3 Declarant's Right to Amend Plat; Boundary Line Adjustments. Prior to conveyance of Lot with a Completed Homes by a Declarant, the Declarant may, upon its sole signature, and as an attorney-in-fact for all Owners with irrevocable power of attorney coupled with an interest, file an amendment or amendments to the Plat with respect to that Lot or any other portion of the Plat owned by that Declarant. In addition, the Declarant reserves the right to execute, on behalf of itself, the Owners and the Association, any boundary line adjustments necessary or appropriate to locate within a Lot any improvements intended for the use of the Owner or Owners of that Lot.

Article 12
INSURANCE

The Board shall cause the Association to purchase and maintain at all times as a common expense a policy or policies necessary to provide property insurance; comprehensive liability insurance; fidelity insurance; worker's compensation insurance to the extent required by applicable laws; insurance against loss of personal property of the Association by fire, theft, or other causes with such deductible provisions as the Board deems advisable; insurance, if available, for the protection of the Association's directors, officers, and representatives from personal liability in the management of the Association's affairs; and such other insurance as the Board deems advisable. The Board shall review at least annually the adequacy of the Association's insurance coverage. All insurance shall be obtained from insurance carriers that are generally acceptable for similar projects and licensed to do business in the state of Washington. All such insurance policies shall provide that coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least 30 days' prior written notice (10 days for cancellation for nonpayment of premium) to any and all insureds named therein, including Owners, holders of mortgages, and designated servicers of mortgagees.

Article 13
LATER PHASES

This Declaration shall apply to all phases of Solana Cluster Lots or Solana Estate Lots recorded with respect to the Property described in Exhibit A. The recording of the later Plats with respect to the Property shall not require the consent of any person other than Declarant or successor to Declarant. In connection with a later phase, Declarant may amend Exhibit B to list any additional Common Areas and may amend any of the provisions of this Declaration

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dealing with the Lots or Tracts in that phase. Until then, Declarant may transfer or assign this right to any person who is the developer of any portion of the Property described in Exhibit A. Any such transfer shall be memorialized in a written, recorded instrument executed by Declarant.

Article 14
MISCELLANEOUS

Section 14.1 Notices.

14.1.1 Any written notice or other documents as required by this Declaration, may be delivered personally or by certified mail. If by mail, such notice, unless expressly provided for herein to the contrary with regard to the type of notice being given, shall be deemed to have been delivered and received 48 hours after a copy thereof has been deposited in the United States mail, postage prepaid, addressed as follows:

14.1.1.1 If to a Member, other than a Declarant, to the mailing address of such Member maintained by the Association, pursuant to the Bylaws.

14.1.1.2 If to a Declarant, whether in its capacity as a Member, or in any other capacity, the following address (unless the Declarant shall have advised the Board in writing of some other address): 325 Washington Avenue South, Unit 83, Kent, Washington 98032.

14.1.1.3 Prior to the organization of the Association, notices to the Association shall be sent to the registered agent for the Association.

Section 14.2 Conveyance: Notice Required. The right of an Owner to sell, transfer, or otherwise convey his or her Lot shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. If a Lot is being sold, the Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid Assessments and charges outstanding against the Lot, whether or not such information is requested.

Section 14.3 Successors and Assigns. This Declaration shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns of Declarant, and their heirs, personal representatives, grantees, lessees, sublessees and assignees.

Section 14.4 Joint and Several Liability. In the case of joint ownership of a Lot, the liability of each of the Owners thereof in connection with the liabilities and obligations of Owners set forth in or imposed by this Declaration, shall be joint and several.

Section 14.5 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof.

Section 14.6 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation and maintenance of the Property.

Section 14.7 Captions. Captions given to the various articles and sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof.

Section 14.8 Effective Date. The Declaration shall take effect upon recording.

IN WITNESS WHEREOF, Declarant has executed this Declaration on the day and year first herein above written.

SEQUIM HIGHLANDS LLC, a Washington
limited liability company

By: John Cannon
Its: Managing Member

SEQUIM HIGHLANDS ESTATE HOMES
LLC, a Washington limited liability company

By: John Cannon
Its: Managing Member

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STATE OF WASHINGTON

COUNTY OF KING

ss.

I certify that I know or have satisfactory evidence that JOHN C. CANNON and is the person who appeared before me, and said person acknowledged that he/she signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the MANAGING MEMBER of SEQUIM HIGHLANDS LLC, a limited liability company, to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument.

Dated this 1ST day of February, 2006.



Gary N. Ackerman
(Signature of Notary)

GARY N. ACKERMAN
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at SEATTLE

My appointment expires Aug 1, 2007

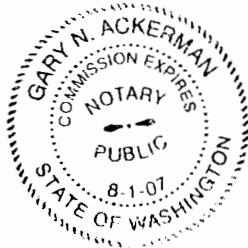
STATE OF WASHINGTON

COUNTY OF KING

ss.

I certify that I know or have satisfactory evidence that JOHN C. CANNON and is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the MANAGING MEMBER of SEQUIM HIGHLANDS ESTATE HOMES LLC, a limited liability company, to be the free and voluntary act of such limited liability company for the uses and purposes mentioned in the instrument.

Dated this 1ST day of February, 2006.



Gary N. Ackerman
(Signature of Notary)

GARY N. ACKERMAN
(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,
residing at SEATTLE

My appointment expires Aug 1, 2007

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EXHIBIT A

**Real Property Subject to Declaration
Solana Community Association**

LOTS 1 THROUGH 28, INCLUSIVE, OF SURVEY RECORDED JUNE 24, 1991 IN VOLUME 21 OF SURVEYS, PAGE 15 UNDER RECORDING NO. 652686, BEING A PORTION OF THE WEST HALF OF SECTION 28, TOWNSHIP 30 NORTH, RANGE 3 WEST, W.M., CLALLAM COUNTY, WASHINGTON; TOGETHER WITH THAT PORTION OF THE FORMER CHICAGO, MILWAUKEE, ST. PAUL AND PACIFIC RAILROAD COMPANY'S RIGHT OF WAY CONVEYED BY DEED RECORDED NOVEMBER 4, 1991 UNDER AUDITOR'S FILE NO. 659386; EXCEPT THOSE PORTIONS CONVEYED TO THE STATE OF WASHINGTON BY DEEDS RECORDED UNDER AUDITOR'S FILE NOS. 751678 AND 762643.

SITUATE IN THE COUNTY OF CLALLAM, STATE OF WASHINGTON.

ALSO INCLUDING,

THE WEST HALF OF THE WEST HALF OF THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 30 NORTH, RANGE 3 WEST, W.M. CLALLAM COUNTY, WASHINGTON. EXCEPT THE SOUTH 792 FEET THEREOF.

SITUATE IN THE COUNTY OF CLALLAM, STATE OF WASHINGTON.

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EXHIBIT B

**Common Areas
Solana Community Association**

The following tracts of Solana Estate Lots Phase I recorded under Auditor's File No. 2006-1177015, records of Clallam County, Washington:

Tract A	Clubhouse and swimming pool
Tract B	Tennis court
Tract C	Storm water detention pond
Tract E	Open space
Tract F	Entry road, signage and utilities
Tract G	Open space and utilities
Tract H	Open space

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