

**SCHLEGEL RANCH CO.
COVENANTS, CONDITIONS AND RESTRICTIONS**

WHEREAS, Schlegel Ranch Co. is the owner of certain property in the unincorporated territory of _____ County, Washington, which is more particularly described as:

Please see Exhibit "A" attached hereto and by this reference made a part hereof as though fully set out herein.

THE FOLLOWING COVENANTS ARE PART OF THIS DEDICATION:

I. ROAD MAINTENANCE

There shall be established a road maintenance fund maintained by either the homeowner's association (hereinafter "association") or a road maintenance committee (hereinafter "committee"). This fund shall be established and regulated by the following covenants:

1. Each lot shall be responsible for a payment of \$300.00 on an annual basis to be deposited in an interest bearing trust account. This amount is determined by an approximate amount required each year for snow and ice removal and/or road maintenance. It shall be subject to change as determined by the homeowner's association or the road maintenance committee. Payment shall be made by each lot owner upon purchase of said lot. Payment shall be pro-rated until July 1 of each year.
2. Road Maintenance includes removal of snow and ice, maintenance and the purchase of materials for the same if required and any other reasons as determined by the association or committee.
3. Lot owners shall be allowed to be hired as the independent contractor for the removal of snow and ice or to otherwise maintain the roads within the development.

4. In the event that it is determined that an inordinate amount of dollars is being paid for the road maintenance of any road that benefits a few or a minority of lot owners, it shall be within the discretion of the association or committee to charge extraordinary fees to those certain lot owners. Extraordinary fees shall be based upon linear footage of road or acres owned.
5. In any event the developer shall only be responsible for their share of payments related to the numbers of lots that they maintain a residence upon. As an example, if the developer lives on one lot, he shall only be responsible for a payment equal to that of another lot owner.

Notwithstanding the above, as long as Schlegel Ranch Co. is the owner of at least 70% of the lots in this development, there shall be no homeowner's association or road maintenance committee. However, once Schlegel Ranch Co. is no longer the owner of at least 70% of the lots in this development, then the owners of the lots in this development shall form either a homeowner's association or a road maintenance committee in compliance with Section I hereof.

II. EASEMENTS

Certain perpetual easements are reserved as shown on the recorded plat. The owner or occupant of a lot shall, at their own expense, keep and preserve that portion of the easement within their property in good repair and condition, and shall neither erect nor permit erection of any building, structure, or fences of any kind within the easement which might interfere in any way with the use of such easement. Roads included in the road maintenance easements shall be maintained by homeowners association.

III. TYPES OF HOMES PROHIBITED

There shall not be allowed the construction, delivery, transfer, parking (for permanent use) of any modular homes, manufactured homes, or trailers to any lot for permanent use as a residence. A camping type trailer will be allowed for no more than 4 months during construction of a residential residence. A lot owner shall be allowed to camp on his lot, but under no circumstances will this be used as a permanent residence.

IV. LIVESTOCK AND POULTRY

Horses, cattle, poultry, and animals consistent with 4-H activities and rural living are allowed. No animals or poultry may be bred for business purposes nor may a kennel of any kind be operated for business purposes on any lot. No hog confinement or other livestock facilities shall be allowed within the development. No exotic animals will be allowed without permission of homeowners association.

These lots are large by standard. However, the spirit of this covenant demands that all animals and poultry be kept in a manner consistent with the best animal husbandry practice. Shelters, corrals and barns shall be of substantial construction. Animal waste will not be allowed to accumulate. Each owner must consider his neighbor while caring for and enjoying his animals. All animals and poultry are to be kept in owner's own yard.

V. COMMERCIAL BUSINESS

No commercial business, including agricultural related business shall be allowed on any lot, except as follows:

1. Individual owners of a lot or family members of an owner may work out of their home.
2. Any business that does not require employees being on the premises or regular traffic of consumers or customers is allowed. Regular traffic is defined as repeated trips to the lot by non-owners who disrupt the spirit of quiet enjoyment of rural single-family lifestyle. No commercial equipment or equipment used in construction that damages the homeowners association's roads within recorded easements shall be allowed. This does not include equipment used for road maintenance, home construction and tree maintenance.
3. No manufacturing of any type shall be allowed within the development.

VI. UTILITIES

All utilities, including trunk and service lines for telephone, electricity and cable television, shall be constructed and maintained underground except for that portion which utility companies customarily require to be above ground in the immediate proximity of any exterior utility meter.

No nuisance, offensive, noisy or illegal trade, selling or transaction shall be permitted on the above property, and no part of the said premises shall be used or occupied injuriously to affect the use and occupancy or value of the adjoining or adjacent premises for residence and vacation purposes.

VII. GARBAGE AND REFUSE DISPOSAL

All garbage cans shall be kept covered at all times and no littering will be permitted on the property. All rubbish, trash and garbage shall be regularly removed from the property and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. Trash containers shall be consistent with rural living, which means they shall not be easily accessible to wildlife.

VIII. SPECIAL USE RESTRICTIONS

In addition to the general use restrictions and building specifications set forth above, the following specific use restrictions and building specifications shall apply:

One-story dwellings must not have less than 1,250 square feet of main floor finished area in the floor above the basement or concrete slab construction.

One and one-half story dwellings must not have less than 1,500 square feet of finished area in the floors above the basement or concrete slab construction.

Two story dwellings must not have less than 1,600 square feet of finished floor area in the floors above the basement or concrete slab construction.

IX. MEASUREMENT OF SETBACKS

1. No structure shall be erected within 25' of property line.
2. Exterior construction of any building shall be completed within two years of start of construction, including but not limited to, paint, stain, or sealer. The interior may be completed over a longer period of time provided the construction materials of any kind are stored inside.
3. Any building used as a dwelling will have wood siding, wood composite siding, vinyl siding, or metal siding (provided it emulates wood siding) or any material commonly used on site built homes, including log and rough sawn board and batt siding, provided it is properly installed and finished. The purposes of this covenant is to ensure no metal siding of the type used on utility buildings is used on any home or building in this subdivision.
4. Each owner is responsible to keep grass and brush trimmed in such a manner as to reduce fire hazard.

X. SINGLE FAMILY RESIDENCE

The use of lots shall be limited to single family residential use only.

XI. SIGNS

During the development of the lots and building of homes thereon, Schlegel Ranch Co. and any other owners shall not interfere with the placement of any signs advertising lots or homes for sale or the development of the lots which are placed on the lot being sold.

XII. ENFORCEMENT OF COVENANTS

1. Legal Action

These Covenants, Conditions and Restrictions shall be deemed to run with the land to which they apply and all improvements thereon. Schlegel Ranch Co. or the owner of any lot or portion thereof to which these Covenants, Conditions and Restrictions apply may bring an action in any court of competent jurisdiction to enforce these

Covenants, Conditions and Restrictions and enjoin their violation, mandate their compliance or to recover damages for the breach thereof, or for any other remedy or combination of remedies recognized at law or in equity. A two-thirds vote of the homeowners association is required to modify, amend, alter, omit or change covenants.

2. Delays in Enforcement

No delay or omission on the part of Schlegel Ranch Co. or any owner of land to which this Declaration of Covenant, Conditions and Restrictions apply in exercising any rights, power or remedy herein allowed shall be construed as a waiver or acquiescence therein. No right, claim or action shall accrue to and no action or claim shall be brought or maintained by anyone against Schlegel Ranch Co. or any officer, employee or agent thereof on account of any action or inaction under this Declaration.

3. Conflict with Governmental Regulations

The property subject to this Declaration shall also be subject to any and all applicable regulations of Pend Oreille County, Washington and any other governmental entities having jurisdiction including, but not limited to, zoning ordinances, subdivision ordinances, life safety and building codes as well as other such regulations.

Whenever there is a conflict between the provisions of this Declaration of Covenants, Conditions and Restrictions, and the ordinances, statutes or regulations of the City, County, State, or other applicable governmental entity having jurisdiction over the property, that provision or requirement which is the most restrictive shall be binding unless otherwise prohibited or preempted by law.

development issues not contemplated at the date hereof. All lot owners hereby agree to execute any and all necessary documents to satisfy this covenant. Whereas it is the

intent of Schlegel Ranch Co. to provide for an aesthetically pleasing, safe, clean and quiet residential development while still maintaining a rural setting while still maintaining a residential setting. Whereas it is the intent of Schlegel Ranch Co. to provide for this development while still having certain declarations and/or covenants that run with the land to ensure compliance with its intent.

5. Erosion Control

The owner and/or person in possession of each lot, whether vacant or improved, their agents, assigns, heirs, and/or building contractors shall take all necessary precautions to prevent, stabilize, and/or building contractors shall take all necessary precautions to prevent, stabilize, and/or control erosion on their lot and the property, to prevent sediment migration and soil erosion on their lot and the property, to prevent sediment migration and soil erosion from extending beyond the boundaries of their lot and the property, and, in the event it occurs, to promptly clean up all eroded sediment and to restore all affected areas to their original condition.

The owner and/or person in possession of each lot, whether vacant or improved, shall, at closing of any sale or conveyance of a lot execute an agreement complying with all applicable federal, state and local erosion control regulations, laws and ordinances and permits which pertain to the property.

If Schlegel Ranch Co. or any lot or lot owner is cited for an alleged violation of any erosion control regulations, laws or ordinance provision, which occurs after the closing of any sale or conveyance of a lot by any jurisdictional authority for a condition on or from the property, the owner shall indemnify and hold Schlegel Ranch Co. harmless from any and all claims, damages, fines, attorney fees, court costs, verdicts, orders, assessments, levies, and/or costs incurred by Schlegel Ranch Co. related to the citation.

In witness whereof the grantor does hereby set their hand and seal this _____ day of _____, 2006.

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

On this _____ day of _____, 2006, before me the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn personally appeared _____, to me known to be the individual described in and who executed the foregoing instrument, and acknowledged to me that he or she signed and sealed the said instrument as his or her free and voluntary act and deed for the uses and purposes therein mentioned.

Witness my hand and official seal hereto affixed the day and year in this certificate above written.

Notary Public in and for the State of Washington,
residing at _____.