AFTER RECORDING RETURN TO:

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AMENDMENT TO DECLARATION AND COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS FOR LAKEMONT HIGHLANDS DIVISION II

Grantor: LAKEMONT HIGHLANDS DIVISION II HOMEOWNERS ASSOCIATION, a Washington non-profit corporation

Grantee: LAKEMONT HIGHLANDS DIVISION II HOMEOWNERS ASSOCIATION, a Washington non-profit corporation

Abbreviated Legal Description: LOTS 1-47, INCLUSIVE, PLAT OF LAKEMONT HIGHLANDS DIVISION 2, UNDER RECORDING NUMBER 9411090577.

Additional Legal Description is on Exhibit A.

Tax Parcel IDs:

4139660010	4139660130	4139660250	4139660370
4139660020	4139660140	4139660260	4139660380
4139660030	4139660150	4139660270	4139660390
4139660040	4139660160	4139660280	4139660400
4139660050	4139660170	4139660290	4139660410
4139660060	4139660180	4139660300	4139660420
4139660070	4139660190	4139660310	4139660430
4139660080	4139660200	4139660320	4139660440
4139660090	4139660210	4139660330	4139660450
4139660100	4139660220	4139660340	4139660460
4139660110	4139660230	4139660350	4139660470
4139660120	4139660240	4139660360	

Reference # (if applicable): 20050617001716, 199501111049.

AMENDMENT TO
DECLARATION AND COVENANTS,
CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS FOR
LAKEMONT HIGHLANDS DIVISION II

THIS AMENDMENT TO DECLARATION AND COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATIONS FOR LAKEMONT HIGHLANDS DIVISION II is made by the members of the Lakemont Highlands Division II Homeowners Association (the "Association").

The Declaration and Covenants, Conditions, Restrictions, Easements and Reservations for Lakemont Highlands Division II was recorded on January 11, 1995 under King County Recording No. 9501111049 and amended under King County Recording No. 20050617001716 (the "Covenants").

To satisfy requirements of Section 11.1.2 of the Covenants:

1. A majority of the Board of Directors of Lakemont Highlands Division II Homeowners Association (the "Association") voted to submit this Amendment to the Covenants ("the Amendment") to the Owners for their approval;

2. All Owners were duly notified of this proposed Amendment and were given a copy of it before the Owners approved it; and

3. Not less than sixty percent (60%) of the Owners, by voting at a meeting of the Owners have approved the Amendment.

NOW, THEREFORE, the President of the Association certifies the Covenants to have been amended in the following particulars:

Amendment

A. ***The original Declaration and Covenants, Conditions, Restrictions, Easements and Reservations were recorded under recording number 9501111049 in the records of King County (the "Original Covenants"). The Original Covenants were revised by an amendment dated February 9, 2005 and recorded under recording number 20050617001716 in the records of King County (the "Covenants"). The Covenants contain references to an Exhibit A and B, corresponding to the legal descriptions set out in Exhibits A and B to the Original Covenants, but the Exhibits themselves were inadvertently not attached to the copy of the Covenants that were recorded. The owners hereby ratify and affirm that the references to Exhibits A and B in the Covenants shall be read and understood to be references to the legal descriptions set out in Exhibits A and B to the Original Covenants.***

B. The following new sentence is hereby added to Section 4.1 of the Covenants:

The Association shall also be governed by the provisions of the Homeowners' Association Act, codified at RCW 64.38, as it may be amended (the "Act").

C. Additional Article 4 amendments: Section 4.4, 4.5 and 4.6 of the Covenants are hereby deleted and replaced with the following sections 4.4, 4.5 and 4.6 and new sections 4.7 and 4.8 are hereby added:

Section 4.4 Association Meetings. There shall be an annual meeting of the Owners. It shall be at a reasonable place and time. A special meeting of the Association may be called as provided in the Bylaws. Written notice of any meeting of the Association shall be sent to all Owners not less than fourteen (14) nor more than sixty (60) days before the meeting. The notice shall state:

(a) the time and place of the meeting;

(b) the business to be voted on;

(c) the general nature of any proposed adoption of, or amendment to, these Covenants, the Articles of Incorporation, the Bylaws, or the budget;

(d) the change, if any, in the Assessment obligation if the proposed action is approved; and

(e) if removal of a director(s) is proposed, the name(s) of the director(s) whose removal is sought.

Section 4.5 Bylaws. Bylaws supplement these Covenants and provide for the administration of the Association and the Property in a manner consistent with these Covenants. The Bylaws may be amended by a majority vote of a quorum of those Owners present and voting, in person or by proxy, at a regular or special meeting of the membership, or by casting of written ballots in any vote conducted by mail as provided in the Bylaws.

Section 4.6 Association Financial Statements. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association. If the annual assessments total fifty thousand dollars ($50,000) or more, the financial statements shall be audited at least annually by an independent certified public accountant, but the audit may be waived if sixty-seven percent (67%) of the Lots vote, in person or by proxy, at a meeting of the Association at which a quorum is present, or cast by mail in compliance with the procedure set forth in the Bylaws, each year to waive the audit.

Section 4.7 Association Records and Funds.

4.7.1 The Association or its managing agent shall keep financial and other records sufficiently detailed to enable the Association to fully declare to each Owner the true statement of its financial status. All financial and other records of the Association, including but not limited to checks, bank records, and invoices, in whatever form they are kept, are the property of the Association.

4.7.2 Each Association managing agent shall turn over all original books and records to the Association immediately upon termination of the management relationship with the Association, or upon such other demand as is made by the Board. An Association managing agent is entitled to keep copies of Association records. All records which the managing agent has turned over to the Association shall be made reasonably available for the examination and copying by the managing agent.

4.7.3 The funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other Association, nor with the funds of any managing agent of the Association or any other person responsible for the custody of such funds.

Section 4.8 Inspection of Association Documents, Books and Records. All records of the Association, including the names and addresses of Owners and other occupants of the Lots, shall be available for examination by all Owners, Mortgagees, and their respective authorized agents on reasonable advance notice during normal working hours at the offices of the Association or its managing agent. The Association shall not release the unlisted telephone number of any Owner. The Association may impose and collect a reasonable charge for copies and any reasonable costs incurred by the Association in providing access to records.

D. The following new definition is hereby added to Section 1.1 of the Covenants:

> **"Governing Documents"** means the Articles of Incorporation, Bylaws, Plat, Covenants, all properly adopted rules, policies, resolutions, and decisions, or other written instrument by which the Association has the authority to exercise any of the powers provided for in the Act or to manage, maintain, or otherwise affect the property under its jurisdiction, and all future amendments to any of these documents.

E. Article 5 amendments: Sections 5.1, 5.2, 5.3, 5.4, 5.5, 5.6, and 5.8.3 – 5.8.8 of the Covenants are hereby deleted and replaced with the following new sections 5.1, 5.2, 5.3, 5.4, 5.5 and 5.6:

Section 5.1 Selection of the Board and Officers. The Owners shall elect a Board, and the Board shall elect Officers, in accordance with the requirements and procedures the Bylaws establish.

Section 5.2 Powers of the Association. The Association acts through (a) the Board and (b) any other person(s) or entity to whom the Board has delegated authority to act. In addition to those actions authorized elsewhere in these Covenants, the Board shall have authority to:

(a) Adopt and amend Bylaws, in accordance with procedures the Bylaws establish;

(b) Adopt and amend Rules and Regulations, in accordance with procedures set out in Section 5.8 of these Covenants;

(c) Adopt and amend budgets for revenues, expenditures, and reserves, and impose and collect Assessments from Owners;

(d) Hire and discharge or contract with managing agents and other employees, agents, and independent contractors, including, for example, accountants, real estate firms, consultants, specialists, or such other persons as may be reasonably necessary or convenient to assist the Association and the Board in the management and administration of the Association;

(e) Subject to, and in compliance with, these Covenants, enforce provisions of the Governing Documents and enforce Board Decisions;

(f) Levy, impose and collect reasonable fines for violation of the Governing Documents, provided that the action is (a) taken in accordance with procedures adopted by the Board, (b) taken only after Notice and an Opportunity to be Heard by the Board or the person(s) designated by the Board, and (c) taken pursuant to a schedule of fines which the Board previously established, adopted and furnished to Owners;

(g) Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or the Owners of two (2) or more Lots on matters affecting the Association and to incur legal fees and costs to so participate or defend, where the Board first determines such participation or defense to be in the best interests of the Association;

(h) Make contracts and incur liabilities;

(i) Regulate the use of the Common Areas and provide for the maintenance, repair, replacement, and modification of the Common Areas;

(j) Impose and collect any payments, fees, or charges for the use, rental, or operation of the Common Area(s);

(k) Borrow funds on behalf of the Association, provided, however, that the Board shall not exercise such authority to borrow funds without first obtaining the affirmative vote of a majority of Owners at a meeting called for such purpose, or if no such meeting is held, then the affirmative written consent of a majority of Owners. In order to secure repayment of such funds, the Board may assign its right to future income, including the right to receive common expense assessments, to a lender, and offer any of the Association's real or personal property as security for the loan;

(l) Subject to the limitations imposed in Section 6.3 below, cause additional improvements to be made to the Common Areas;

(m)Purchase, acquire, hold, encumber, and convey in its own name any right, title, or interest in real or personal property;

(n) Acquire and pay for all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the Association;

(o) Impose and collect charges for late payment of Assessments;

(p) Grant easements, leases, licenses, and concessions through or over any Common Area and to petition for or consent to the vacation of streets and alleys;

(q) To authorize the installation of utility or service lines that the Board deems to be in the best interest of the Association;

(r) Open a bank account(s) on behalf of the Association and designate the signatories required;

(s) Provide for the indemnification of (a) the members of the Board, (b) the Officers and (c) any other person or entity to whom the Board has delegated authority to act for the Association;

(t) Obtain and maintain appropriate insurance, including directors' and officers' liability insurance;

(u) Exercise any other powers, and perform all other rights and duties which are conferred or authorized by the Governing Documents or required by law which are necessary and proper for the governance and operation of the Association; and

(v) Exercise all other powers that may be exercised in this state by the same type of corporation.

Section 5.3 Powers of the Board. The Board shall at all times act on behalf of the Association. The Board may exercise all powers of the Association (including those set forth in Section 5.2 of these Covenants) except as otherwise provided in these Covenants or the Bylaws.

Section 5.4 Limitations on Board Authority. The Board shall not act on behalf of the Association (a) to amend these Covenants in any manner that requires the vote or approval of the Lot Owners, (b) to elect members of the Board, (c) to terminate the Association, or (d) to determine the qualifications, powers, and duties, or terms of office of Board members. Article 3 of the Bylaws sets forth the qualification, powers, duties and terms of office of Board members. The Board may, however, fill a Board vacancy for the unexpired portion of the vacant position's term in accordance with the Bylaws.

Section 5.5 Open Meetings. Except as provided in Section 5.6 below, all meetings of the Board shall be open for observation by all Owners and their authorized agents. The Board shall keep minutes of all actions taken by the Board, which shall be available to all Owners.

Section 5.6 Closed Executive Sessions. Upon the affirmative vote in open meeting to assemble in closed session, the Board may convene in closed executive session to consider personnel matters; consult with legal counsel or consider communications with legal counsel; and discuss likely or pending litigation, matters involving possible violations of the Governing Documents of the Association, and matters involving the possible liability of an Owner to the Association. The motion shall state specifically the purpose for the closed session. Reference to the motion and the stated purpose for the closed session shall be included in the minutes. The Board shall restrict the consideration of matters during the closed portions of meetings only to those purposes specifically exempted and stated in the motion. No motion, or other action adopted, passed, or agreed to in closed session may become effective unless the Board, following the closed session, reconvenes in open meeting and votes in the open meeting on such motion, or other action which is reasonably identified. The requirements of this subsection shall not require the disclosure of information in violation of law or which is otherwise exempt from disclosure.

F. Section 5.8.1 is hereby deleted in its entirety and replaced with the following:

Section 5.8.1 Board authority to adopt Operating Rules

5.8.1.1 Operating Rules. "Operating Rule" means a rule relating to any of the following subjects: (a) Use of the Common Area; (b) Use of a Lot, including any Guidelines; (c) Owner discipline, including any fine schedule for violation of the Governing Documents or Board Decision and any procedure for the imposition of a fine or penalty; or (d) Assessment collection procedures. "Operating Rule" does not include any of the following Board actions: (a) A decision in a specific case that is not intended to apply generally; (b) A decision setting the amount of a regular or special Assessment; (c) A rule change that is required by law, if the Board has no discretion as to the substantive effect of the rule change; or (d) Issuance of a document that merely repeats existing law or the Governing Documents.

5.8.1.2 Validity of Operating Rules. An Operating Rule is valid and enforceable only if all of the following requirements are satisfied:

(a) The rule is in writing;

(b) The rule is within the authority of the Board conferred by law or by these Covenants;

(c) The rule is consistent with the Governing Documents;

(d) The rule is adopted, amended, or repealed in good faith and in substantial compliance with the requirements of this article; and

(e) The rule applies prospectively only (i.e. is not retroactive).

5.8.1.3 Changing Operating Rules. The Board shall provide Owners with notice and an opportunity to submit comment before making a Rule Change. "Rule Change" means the adoption, amendment, or repeal of an Operating Rule by the Board.

5.8.1.4 Optional Rulemaking Process.

(a) The Board is not required to use this Optional Rulemaking Process. Use of this process does, however, establish compliance with the requirements of Section 5.8.2 above.

(b) The Board shall deliver notice of a proposed rule change to every Owner. The notice shall include all of the following information: (a) The text of the proposed rule change; (b) A description of the purpose and effect of the proposed rule change; and (c) The deadline for submission of a comment on the proposed rule change.

(c) For a period of not less than fifteen (15) days following delivery of a notice of a proposed rule change, the Board shall accept written comments from Owners on the proposed rule change.

(d) The Board shall consider any comments it receives and shall make a decision on a proposed rule change at a Board meeting. A decision shall not be made until after the comment submission deadline.

(e) The Board shall deliver notice of a rule change to every Owner. The notice shall set out the text of the rule change and state the date the rule change takes effect. The date the rule change takes effect shall be not less than fifteen (15) days after notice of the rule change is delivered.

5.8.1.5 Rule Change Reversal. Not more than thirty (30) days after Board delivery of notice of a rule change, Owners may request a Special Meeting, in accordance with the Bylaws, to reverse a rule change. The rule change may be reversed by the affirmative vote of fifty-one percent (51%) of the Owners. A rule change reversed under this section may not be readopted for one (1) year after the date of the meeting reversing the rule change.

5.8.1.6 Distribution of Rules and Regulations and Guidelines. The Rules and Regulations and any Guidelines established under these Covenants shall be stated in writing and shall be made available to each Lot Owner, tenant, resident, lender or other party having a legitimate interest in the Rules and Regulations and/or in any Guidelines, upon request to the Secretary of the Association.

G. The sentence "LHDII HOA fiscal year is from February to January" is hereby deleted from Section 6.2 in order to remove a conflict. *(The fiscal year is the calendar year as currently stated in the second sentence of Section 6.2.)*

H. Section 6.3 is hereby deleted and replaced with the following:

Section 6.3 Budget. Prior to the beginning of each fiscal year, the Board shall adopt an Association budget for the following fiscal year. The budget shall set forth the amounts reasonably estimated for Common Expenses and makes suitable provisions for accumulation of reserves. Within thirty (30) days after adopting the budget, the Board shall provide each Owner with a budget summary and set a date for a ratification meeting of the Association. The date for the ratification meeting shall be not less than fourteen (14) nor more than sixty (60) days after the budget summary is provided. Unless at that meeting at least fifty-one percent (51%) of the total voting power of the Association reject the budget, the budget shall be ratified, whether or not a quorum is present.

I. Sections 3.1 is hereby deleted in its entirety and replaced with the following new section 3.1:

Section 3.1 Design Standards.

3.1.1 Design Review Required. All Exterior Improvement Projects require prior written approval from the ACC before any work associated with the project begins. "Exterior Improvement Project" means any alteration of exterior appearance, and it includes, without limitation, construction or alteration of a fence, wall, building, carport, lamp post, swimming pool, out-building, masonry, landscaping, sign, grading, storm drainage, patios, sidewalks, sports courts, children's play structures, retaining walls, decks, painting, and staining. All Exterior Improvement Projects must comply with these Covenants, the Guidelines, if any, and the ACC's submission and approval process. No construction or alteration of an Exterior Improvement Project may commence until the Owner has received prior written approval of the ACC as required and provided in this Article 3 of the Covenants.

3.1.2 Purpose. The Association desires to (a) enhance and preserve the value of the Property and the Lots, and (b) establish and preserve the aesthetic elements of Lakemont Highlands Division II, including the architectural harmony of its residences. To advance these purposes, the Committee shall, in reviewing applications for proposed Exterior Improvements Projects, follow any procedures and apply any Guidelines adopted under Section 3.1.3 below.

3.1.3 Guidelines.

(a) The Board is authorized to adopt rules and regulations on behalf of the Association and may develop policy guidelines ("the Guidelines") which Guidelines shall be applied by the ACC in reviewing proposals for Exterior Improvement Projects. The Guidelines are meant to advance the purposes stated in Section 3.1.2 above. The Guidelines shall not be inconsistent with these Covenants or the Bylaws. The Guidelines may include standards and criteria by which a proposed Exterior Improvement Project's conformance with the purposes stated in

Section 3.1.2 above might be measured or quantified. The Guidelines shall establish the submittal and approval process and may provide for a reasonable design review fee.

(b) In addition to the Guidelines, in evaluating development proposals, the Committee shall determine whether the external design, color, building materials, appearance, height, and configuration of the proposed Exterior Improvement harmonize with (a) the various features of the natural and built environment, and (b) the aesthetic character of the other residences in Lakemont Highlands. The Committee may, in evaluating development proposals, also consider any other factors that affect the desirability or suitability of a proposed Exterior Improvement, including but not limited to, the location of the Exterior Improvement on the Lot, anticipated tree cutting required, aesthetic design, exterior color scheme, finish, architecture, height, appropriateness of the proposed Exterior Improvement, and materials proposed to be used on the Exterior Improvement. Where the ACC determines that the design of a proposed Exterior Improvement fails to meet the standards recited above, the Committee shall (a) decline to approve the design, or, in its sole discretion, (b) approve the design with conditions intended to bring the design into compliance with the above recited standards.

J. Sections 3.2 is hereby deleted in its entirety and replaced with the following new section 3.2:

Section 3.2 Procedure.

3.2.1 Submission. An application for approval of an Exterior Improvement shall be submitted to the ACC at least thirty (30) days prior to the proposed date for commencement of the Exterior Improvement.

3.2.2 Design Review Fee. A Design Review Fee, if any, may be assessed if the Board deems that an outside review is required. If needed, this shall accompany each submission of an application for approval of an Exterior Improvement.

3.2.3 Content of Application. The application shall be submitted and shall include the name and address of the Owner submitting the application, the name and phone number of the contractors, the identity of the Lot involved, and a complete set of schematic plans, working drawings, specifications, and site and grading plans for the proposed work. The application shall also identify any other information that may be required by the Guidelines and any other information that the ACC may require to provide itself with information it determines may be helpful to it in performing the tasks entrusted to it.

3.2.4 Timing. Within fourteen (14) days after the receipt of an application the Owner shall receive a written response from the ACC. The written response shall either (a) state that the application is not complete and identify what information must be received by the ACC to complete the application, (b) state that more time, up to, but not to exceed fourteen (14) additional days, is required to evaluate the application, or (c) state that the application is complete and identify whether the application has been (i) approved, (ii) conditionally approved, or (iii) denied.

3.2.5 Disapproval or Conditional Approval. The ACC may disapprove a proposed Exterior Improvement which, in its opinion, does not conform to the requirements of these Covenants or to the Guidelines. The ACC may, in approving a proposal, impose upon it conditions which will, in its opinion, adequately mitigate those potential impacts which, if not mitigated, would result in an ACC decision to disapprove the proposed Exterior Improvement. The ACC should (a) indicate its approval, conditional approval, or disapproval on both copies of the plans and specifications provided by the applicant, (b) return one such copy to the Owner at the address shown on the plans and specifications, and (c) retain the other copy for the Association's records.

3.2.6 Owner Conferences.

(a) An Owner may request an opportunity to meet with the ACC to explain and discuss the Owner's proposed Exterior Improvement. Such a meeting may take place at the time the application is submitted, or at such other time as the ACC may set.

(b) In the event that the ACC conditionally approves, or disapproves, a proposed Exterior Improvement, the Owner may, within fourteen (14) days of the date of that decision, request an opportunity to meet with the ACC to discuss that decision, to explore possible modifications to the proposal and/or to ask that the ACC reconsider its decision.

(c) The ACC may request to meet with the Owner, to meet with other Owners, to receive written submissions from interested Owners and/or to enter onto a Lot(s) for the purpose of gathering information relating to a pending application, which information may be helpful to the ACC in performing the tasks entrusted to it.

3.2.7 Failure To Act. In the event the ACC fails to approve, conditionally approve or disapprove in writing an application within fourteen (14) days after a complete set of plans and specifications have been submitted, the approval will be deemed to have been granted. As information needed for the ACC to make a fully informed decision is partly a function of specific Exterior Improvement(s) an Owner wants to make, the ACC may require an Owner to supplement an application with additional information. An application is not "complete" for purposes of computing the fourteen (14) days described in this Section 3.2.7 until all information requested by the ACC has been received by the ACC. Notwithstanding the operation of this Section 3.2.7, any such ACC failure to act shall not relieve an Owner from the duty to comply with restrictions or requirement imposed by these Covenants and/or the Rules and Regulations and/or the Guidelines.

3.2.8 Review Required for Changes to Approved Plans. Notwithstanding the prior written approval or acquiescence of the ACC in any proposal submitted by an Owner, any proposed change in the location, design, materials, or construction of any Exterior Improvement shall also be submitted to the ACC for approval pursuant to these Covenants and the Guidelines.

K. Section 3.3 is hereby amended to add the following new Sections 3.3.6 and 3.3.7 to the Declaration as follows:

3.3.6 Residential Structure. No structure other than one single-family dwelling shall be erected, altered, placed or permitted to remain on any Lot. Accessory structures including carports and storage buildings are prohibited, except as otherwise allowed by the provisions of this Article 3.

3.3.7 Variance. The ACC is authorized to grant a variance with respect to restrictions regarding setbacks, lot coverage, height and bulk restrictions, minimum floor size and floor area restrictions and any other of the use restrictions set forth in Section 3.3 and 3.4. Any exercise of this authority must be based upon special circumstances applicable to the particular Lot, such as shape, topography, geologic conditions, location or surroundings, trees or other physical conditions or circumstances, provided that such variances shall not violate local zoning or land use regulations, shall not be granted on an arbitrary basis, shall not unfairly discriminate between Owners and shall further the common purposes of the Covenants. In all cases where applicable governmental laws or codes or ordinances would impose stricter standards than set forth in these Covenants, those laws, codes or ordinances shall govern.

L. Section 3.5 is hereby deleted in its entirety and replaced with the following new section 3.5:

Section 3.5 Architectural Control Committee

3.5.1 Composition. The Architectural Control Committee ("ACC") shall consist of all of the members of the Board. The Board may also appoint an additional member to the ACC which member (a) may be a non-Owner qualified to serve based on training or experience in the types of tasks entrusted to the ACC to perform, and (b) may advise the ACC on, but may not vote upon, matters which come before the ACC for action.

3.5.2 Compliance with Local Codes. In all cases, ultimate responsibility for satisfying all local building codes and local jurisdiction requirements rests with the Owner and contractor employed by the Owner. The ACC has no responsibility for ensuring that the plans and specifications that it reviews comply with building and zoning codes and requirements and shall have no liability if Exterior Improvements or alterations that it authorizes fail to comply with relevant building and zoning codes and requirements. No person on the ACC acting on behalf of the ACC shall be held responsible for any defect in any plans or specifications that are approved by the

ACC, nor shall any member of the ACC or any person acting on behalf of the ACC be held responsible for any defect in any Exterior Improvement or alteration that was built pursuant to plans and specifications approved by the ACC. Any Exterior Improvement shall comply with (a) the terms and conditions of this Declaration, and (b) the laws, ordinances and regulations of all governmental entities having jurisdiction over the Property, provided however, that the most restrictive of any duplicative or inconsistent provisions shall prevail.

M. The following new definition is hereby added to Section 1.1 of the Covenants:

> **"Assessment"** means all sums chargeable by the Association against a Lot and its Owner, including, without limitation (a) general and special Assessments for Common Expenses, charges, and fines imposed by the Association, (b) interest and late charges on any delinquent account, (c) costs of collection, including reasonable attorney's fees, incurred by the Association in connection with the collection of a delinquent Owner's account, (d) costs and attorney's fees incurred by the Association in connection with the enforcement of the Governing Documents, and (e) all other sums payable by an Owner to the Association as provided in the Governing Documents, unless the context clearly indicates otherwise.

N. Section 5.8.2 is hereby deleted in its entirety and the following new Article 20 is hereby added to the Covenants:

ARTICLE 20 Compliance.

Section 20.1 Strict Compliance. The Board is authorized to enforce provisions of the Governing Documents and enforce Board Decisions subject to, and in compliance with, Section 20 of these Covenants. Each person who occupies a Lot within the Plat as an Owner, a tenant, or a resident, shall strictly comply with the provisions of the Governing Documents and with all decisions Declarant or the Board makes under an exercise of authority granted to it by the Governing Documents. The acceptance of a deed, conveyance, or lease, or the entering into occupancy of any Lot shall constitute an agreement that the provisions of the Governing Documents, as they may be amended from time to time, are accepted and ratified by such Owner, tenant or resident. Where the Board has, after Notice and an Opportunity to be Heard, determined that an Owner is not in compliance with an obligation arising from the Governing Documents, the Board may suspend the Owner's exercise of rights arising from the Governing Documents until the Owner has fulfilled such reasonable conditions as the Board may have imposed upon the restoration of such rights.

Section 20.2 Failure to Insist on Strict Performance No Waiver. The failure of the Board, or of any Owner(s), in any one or more instances to insist upon the strict performance of any of the terms, covenants, conditions or restrictions of the Governing Documents, or to exercise any right

or option contained in the Governing Documents, or to serve any notice or to institute any action, shall not be construed as a waiver or 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. The receipt by the Board of any Assessment from an Owner, with knowledge of any such breach shall not be deemed a waiver of such breach, and no waiver by the Board of any provision of the Governing Documents shall be deemed to have been made unless expressed in writing and signed by the appropriate Officers on behalf of the Board.

Section 20.3 Variance. In cases where an Owner has made a factual showing that strict application of provisions contained in Article 3 above, or in any rule or regulation would work a severe hardship upon the Owner, the Board may, in its sole discretion, grant the Owner relief from any of such provisions by granting a variance to the particular provision causing hardship. A variance shall be limited by its scope or conditions so that it relieves only provisions causing hardship. The decision of the Board in granting or denying such relief shall be final and conclusive.

Section 20.4 Board Hearings.

20.4.1 The Board is authorized to investigate, hear and determine all complaints concerning violations of any Board Decision or of any provision of the Governing Documents by any Owner, Tenant, or other Occupant, and to order that compliance be restored.

20.4.2 The Board shall establish a fine schedule. The fine schedule shall be furnished to Owners. The Board is authorized, after Notice and Opportunity to be Heard according to Section 20.5 below, to levy fines against any person found to be in violation of any Board Decision or of any provision of the Governing Documents. Fines shall be imposed based on the fine schedule most recently established and furnished to Owners. The Board may require the non-prevailing party in a Board hearing to reimburse the Association for its costs, including reasonable attorney's fees, in connection with the matter. Fines and costs shall constitute Assessments secured by a lien upon any Lot belonging to or occupied by the person against whom they were assessed and shall be collectable in the manner provided in Article 7 for the collection of Assessments.

20.4.3 The authority set forth in Sections 20.4.1 and 20.4.2 above may be delegated by the Board, in its sole discretion, to another body or person in a specific matter or in any category of matters, and the actions and decisions of such other body or person shall have the same force and effect as though the Board itself had taken the action or made the decision.

Section 20.5 Right to Notice and Opportunity to Be Heard. Whenever this Declaration requires that an action be taken after "Notice and an Opportunity to be Heard," the following procedure applies:

20.5.1 The person against whom the action is being taken shall be given written notice
(a) of the action being taken,

(b) of the person's right to request in writing that the person be given an opportunity to be heard on the matter,

(c) that the action will be taken unless the person makes timely written request for an opportunity to be heard on the matter, and

(d) of the deadline by which a written request for an opportunity to be heard must be received, which deadline shall not be less than ten (10) calendar days from the date the notice is delivered to the person.

20.5.2 If the person makes timely written request for an opportunity to be heard, then the person shall be given written notice of the date, time and place of the meeting at which the person will be heard ("the Hearing"). The Hearing shall occur not less than ten (10) days from the date the notice of the Hearing is delivered to the person.

20.5.3 At the Hearing, the person has the right to give testimony orally, in writing, or both, and to otherwise present evidence. The rules of procedure here described may be supplemented by duly adopted additional rules of procedure, established to promote a prompt and orderly resolution of the matter. If so adopted, and if provided to the person before the Hearing, such additional rules will apply to the Hearing. The evidence received will be considered in making a decision.

20.5.4 The person shall be notified of the decision in the same manner in which notice of the meeting was given.

Section 20.6 Appeal of Board Decision. An Owner aggrieved by a decision of the Board ("the Appellant") has a right to appeal the decision to the Membership. To exercise this right of appeal, the Appellant must give written notice of the appeal to the Board within thirty (30) days of the Board's final decision. The notice of appeal must include all written materials the Appellant wants the Owners to consider in acting on the appeal. The Board, upon receiving an Appellant's notice of appeal, shall give all Owners written notice of an Owners' meeting to consider the appeal. The Board shall give this notice within ten (10) days of its receipt of the Appellant's notice of appeal. The Board's meeting notice shall contain the materials submitted by the Appellant, as well as any additional materials which the Board chooses to include in support of its decision. The Owners' meeting to consider the appeal shall be held not less than fourteen (14) nor more than sixty (60) days after the Board's notice of the meeting. Unless at that meeting at least fifty-one percent (51%) of the total voting power of the Association reverse the Board's final decision, the decision shall be affirmed, whether or not a quorum is present.

Section 20.7 Judicial Enforcement. The Governing Documents and a Board Decision may be judicially enforced. Judicial enforcement includes action(s) for declaratory relief, injunctive relief, award of damages, and any other legal or equitable remedy available to enforce a right or to remedy a wrong. Injunctive relief shall be available without a showing of irreparable harm or of the absence of a remedy at law. An enforcement action may be brought by the Association. The Board may, in its sole discretion, exercise its business judgment to determine what actions,

if any, it will take to judicially enforce the Governing Documents and a Board Decision. An Owner may bring an enforcement action if, after demand by the Owner, the Board fails or declines to bring the action. The prevailing party in an enforcement action shall be awarded its costs including reasonable attorney's fees.

Section 20.8 Right of Restoration. If, after Notice and an Opportunity to be Heard, an Owner fails to restore such Owner's Lot to full compliance with any obligations arising under these Covenants, the Board may enter upon the Lot and perform or cause to be performed any maintenance on that Lot that it reasonably determines is necessary to restore the Lot to compliance with such obligations. All costs incurred in exercising this right shall be a Special Assessment against the Owner, and a lien against the Lot, as provided in Article 7 of these Covenants.

O. This Amendment to the Covenants shall take effect upon recording. The terms of this Amendment to the Covenants shall control over and implicitly amend any inconsistent provision of the Covenants or the Bylaws of the Association. Except as amended by this instrument, the Covenants shall remain in full force and effect.

Dated this 17 day of December, 2010.

LAKEMONT HIGHLANDS DIVISION II
HOMEOWNERS ASSOCIATION

By: Laurie J. Powazek
Print Name: Laurie J. Powazek
Its: President

STATE OF WASHINGTON)
)ss.
COUNTY OF KING)

I certify that I know or have satisfactory evidence that LAURIE POWAZEK is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that he/she was authorized to execute the instrument and acknowledged it as the President of Lakemont Highlands Division II Homeowners Association and as the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 17th day of DECEMBER, 2010.

Notary Public in and for the State of Washington.
My Appointment expires FEB 8 2014
Print/type name JACOB W. KEIL

Notary Public
State of Washington
JACOB W KEIL
My Appointment Expires Feb 8, 2014