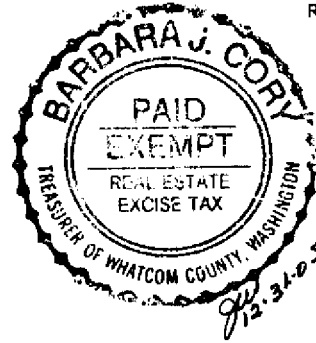




Request of: PACIFIC SURVEYING



WHEN RECORDED RETURN TO:
CHESTER T. LACKEY
900 DUPONT STREET
BELLINGHAM, WA 98225

Document Title: Declaration of Covenants, Conditions, Restrictions, Easements and Reservations
for Gardiner Terrace Phase 2, Division 1
Declarant: Kramer & Rusnak Dev., L.L.C.
Legal: Plat of Gardiner Terrace, Phase 2, Division 1
Parcel #: 396219 340343

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS,
EASEMENTS AND RESERVATIONS
FOR GARDINER TERRACE PHASE 2, DIVISION 1

THIS Declaration of Covenants, Conditions, Restrictions, Easements and Reservations for Gardiner Terrace Phase 2, Division 1, hereinafter "Declaration" is made this 24th day of December, 2003, by the undersigned who is the owner of the Plat of Gardiner Terrace Phase 2, Division 1, and additional adjacent real property known as Future Divisions 2 and 3, which properties are more particularly described in Exhibits "A" and "B" of this Declaration.

RECITALS:

A. The Amended Declaration of Covenants, Conditions, Restrictions, Easements and Reservations for Gardiner Terrace, was recorded under Whatcom County Auditor's File No. 950725003, hereinafter "Phase 1 Covenants".

B. The Phase 1 Covenants created certain common areas that are for the benefit of Gardiner Terrace Phase 1 and the Plat.

C. The Phase 1 Covenants were intended to also apply to the Plat upon recording of the final plat map.

D. This Declaration is for the purpose of applying the Phase 1 Covenants to the Plat creating certain easements and satisfying the common area maintenance requirements imposed by the City of Ferndale.

NOW, THEREFORE, the undersigned hereby covenants, agrees and declares that all of the Property as defined in this Declaration and the buildings and structures

constructed thereon, are, and will be held, sold and conveyed subject to and burdened by the following covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Plat and all for the benefit of the Owners thereof, their heirs, successors, grantees, and assigns. All provisions of this Declaration and the Phase 1 Covenants shall be binding upon all parties having or acquiring any right, title or interest in the Plat or any part thereof, and shall inure to the benefit of the Owners thereof and to the benefit of the Association and are intended to be and shall in all respects be regarded as covenants running with the land.

ARTICLE 1 DEFINITIONS

Section 1.1 For the purpose of this Declaration and any amendments hereto, the following terms shall have the following meanings.

Section 1.1.1 "Declarant" shall mean Kramer & Rusnak Dev., L.L.C.

Section 1.1.2 "Lot" shall mean any legally segmented and alienable portion of the Plat created through legal process for dividing land, including Lots created by Lot line adjustment, with the exception of streets and other public areas and Common Areas.

Section 1.1.3 "Plat" shall mean the recorded Plat of Gardiner Terrace Phase 2, Division 1, recorded under Whatcom County Auditor's File No. 2031205426, and subsequent divisions of Gardiner Terrace Phase 2, when those divisions have received final plat approval.

Section 1.1.4 "Property" shall mean the real property described in Exhibit "A".

Section 1.1.5 "Association" shall mean the Garden Terrace Home Owner's Association, a Washington non-profit corporation.

Section 1.1.6 "Common Area" shall include all common areas described in the Phase 1 Covenants, together with the open space tract containing 108,823 square feet and shown on the plat map for Gardiner Terrace Phase 2, Division 1 ("Open Space Tract"); the open space tract containing 4,080 square feet, lying east of Artist Drive; that certain easement for water and pedestrian access adjacent to Lot 22 of the Plat; that certain fifteen foot (15') wide easement for stormwater and access over Lot 13 of the Plat; that certain twenty foot (20') wide easement for stormwater, sanitary sewer and access over Lot 5 of the Plat

All definitions in the Phase 1 Covenants, except to the extent they are inconsistent with the above definitions, are incorporated herein.

ARTICLE II
APPLICATION OF PHASE 1 COVENANTS

Section 2.1 Division 1. All of the covenants, conditions, restrictions, easements and reservations described in the Phase 1 Covenants shall apply to the Property. The grantee of any Lot subject to this Declaration shall, by acceptance of a deed conveying title thereto, or by execution of any contract for the purpose thereof, whether from Declarant or any subsequent owner of such Lot, accept such deed or contract upon and subject to each and every provision of this Declaration and the Phase 1 Covenants and the provisions contained therein, and agrees to observe, comply with and perform all obligations set forth therein.

Section 2.2 Gardiner Terrace Phase 2, Divisions 2 and 3. The Declarant reserves the right to impose the Phase 1 Covenants on subsequent divisions of Gardiner Terrace Phase 2, which is more particularly described in Exhibit "B" to this Declaration.

ARTICLE III
EASEMENT

Section 3.1 Open Space Easement. The Declarant reserves an easement over and across the Open Space Tract for any purpose necessary for the development of Future Divisions 2 and 3 of the Plat. This easement reserves to the Declarant the right to go over the various easements created on the face of the Plat of Gardiner Terrace, Phase 2, Division 1, including all easements reserved for access, stormwater, sanitary sewer and water, as more particular described in the definition of Common Area contained in this Declaration.

Section 3.2 Reservation of Easements. Easements for drainage, sewers, water pipes and utilities, facilities and services (including, but not limited to, water supply, electricity, gas, telephone and television) are hereby reserved over, under, upon, in and through all roadways and walkways, and over, under, upon, in and through those certain portions of Lots or parcels as shown on the final plat maps of the Plat in which are and/or shall be installed, laid, constructed, repaired, renewed, operated, maintained and inspected underground pipes, sewers, conduits, cables, wires and any and all necessary facilities and equipment for the purpose of serving the Subdivision, together with the right to enter upon said easement areas, Lots, parcels, roads and walkways for or pertaining to the aforesaid. This reservation of easements is for the benefit of the Declarant and its successors in interest, as well as for the benefit of the City of Ferndale, Puget Sound Energy, Qwest, Comcast, and any other purveyors of such services as herein before described, as well as any of their successors in interest.

3.3 Conveyance of Common Areas. The Common Area is hereby conveyed to the Association, subject to the reservations of easements in favor of the Declarant contained herein.

ARTICLE IV
COMMON AREA MAINTENANCE

Section 4.1 Professional Certification. As a condition for approval of the Plat the City of Ferndale requires the Association to maintain the wetlands, open space areas, stormwater detention and treatment facilities and all private drainage, infrastructure and other common infrastructure or common space elements of the Plat. The Association shall be responsible for the required maintenance. The maintenance shall include an annual inspection and certification to the City of Ferndale by a licensed civil engineer of the adequacy of the stormwater treatment, detention and conveyance system, and shall include an inspection every three (3) years by a qualified biological professional and certification to the City of Ferndale that the requirements of the wetland mitigation plan are being fulfilled. Maintenance or repairs identified by the civil engineer or biological professional shall be made or performed by the Association.

ARTICLE V
GARDINER TERRACE HOME OWNERS' ASSOCIATION

Section 5.1 Amendment Reservation. The Declarant acknowledges that the members of the Association is in the process of amending the Phase 1 Covenants. The Declarant has begun preliminary discussions with the Association for the purpose of creating covenants, conditions and restrictions that will benefit the Plat and the owners covered by the Phase 1 Covenants. The Declarant therefore reserves the right to make amendments to this Declaration, and the Phase 1 Covenants, subject to compliance with the amendment requirements for the Phase 1 Covenants and approval by the City of Ferndale as to those provisions relating to those matters described in Article IV. The Declarant hereby reserves the right to execute an amended declaration amending this Declaration and the Phase 1 Covenants for all Lots within the Plat. This reservation shall be valid for a period of one (1) year from the date of recording of this Declaration.

Section 5.2 Special Assessment. If the members of the Association fail to amend the Phase 1 Covenants, then the Association shall have the right to create a special assessment for the purpose of paying for the cost of inspection and certification required in Article IV of this Declaration.

DATED this 30 day of December, 2003.

KRAMER & RUSNAK DEV., L.L.C.

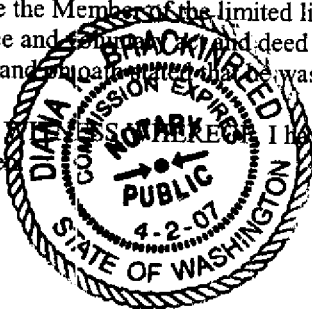
By William Kramer
WILLIAM KRAMER, Member

By Joe Rusnak
JOE RUSNAK, Member

STATE OF WASHINGTON)
)ss.
COUNTY OF WHATCOM)

On this 29th day of December, 2003, before me personally appeared William Kramer, to me known to be the Member of the limited liability company that executed the within and foregoing instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

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

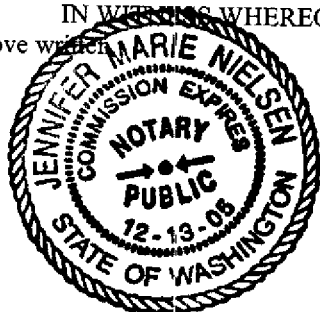


Diana K. Brackmeed
Notary Public in and for the State of Washington,
residing at Bellingham.
My Commission Expires: 4-2-07.

STATE OF WASHINGTON)
)ss.
COUNTY OF WHATCOM)

On this 30th day of December, 2003, before me personally appeared Joe Rusnak, to me known to be the Member of the limited liability company that executed the within and foregoing instrument to be the free and voluntary act and deed of said limited liability company for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument.

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



Jennifer M. Nielsen
Notary Public in and for the State of Washington,
residing at Bellingham.
My Commission Expires: 12/13/05.