

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR RIVER QUEST SUBDIVISION**

THIS DECLARATION is made on _____, by Declarant Denco, INC., an Alaska corporation, doing business as RIVER QUEST, 110 So. Willow St., Ste. 101, Kenai, Alaska 99611.

RECITALS:

A. Declarant is the Owner of real property located in the Kenai Peninsula Borough, Alaska, described as:

Government Lots 5 and 6, Section 19, T5N, R10W, S.M., Kenai Recording District, Third Judicial District, State of Alaska;

B. Declarant has established a general plan, set forth in this Declaration, for the subdivision, improvement, and development of a portion of the property described above, as a planned community named River Quest Subdivision (“the Property”), which includes the real property described as:

River Quest Subdivision, Phase 1, according to Plat No. KN-2004-39, recorded on July 16, 2004 at Serial No. 2004-006959, Kenai Recording District, Third Judicial District, State of Alaska;

including each and every subdivision lot, tract and parcel within the Property, and any additional property that may be annexed to this Declaration;

C. Declarant desires to secure the development of the Property in accordance with this plan.

DECLARATION:

Declarant declares that the Property, and each and Lot, Tract and Parcel within it, is, and shall be, held, conveyed, encumbered, leased, rented, used and occupied subject to the following conditions, restrictions, reservations, covenants, servitudes (including easements), liens and charges; all of which are declared and agreed to be in furtherance of and pursuant to a general plan for the development of the Property as the planned community named River Quest Subdivision, and for the purpose of enhancing, maintaining and protecting the value and attractiveness of the Property. These provisions are imposed upon Declarant, the Owners and the Association, and are for the benefit of all Lots, Parcels, Tracts and the Common Area, and shall bind the Owners and the Association. These provisions shall be a burden upon and a benefit to not only the original Owner of each Lot, Tract, Parcel and the Association, but also to their

successors and assigns. All covenants are intended as and are declared to be covenants running with the land as well as equitable servitudes upon the land.

ARTICLE I - DEFINITIONS

Section 1. Act. The "Act" refers to AS 34.08.010-995, the Alaska Uniform Common Interest Ownership Act, as amended, or successor legislation.

Section 2. Architectural Control Committee. "Architectural Committee" means the committee of persons appointed and acting pursuant to Article X of this Declaration.

Section 3. Articles. "Articles" means the Association's Articles of Incorporation and any amendments.

Section 4. Association. "Association" means the River Quest Subdivision Lot Owners Association, Inc., an Alaska nonprofit corporation, and its successors and assigns.

Section 5. Board. "Board" or "Board of Directors" means the Board of Directors of the Association.

Section 6. Bylaws. "Bylaws" means the Association's Bylaws and any amendments.

Section 7. Canal. "Canal" means the waterway included in a portion of the area of lots 39-42, 49, 51-52, 54-80, as shown on the River Quest Subdivision Plat.

Section 8. Common Area. "Common Area" (also known as "Common Elements") means all real property, including all improvements thereon, owned by the Association, and all servitudes granted for the benefit of the Association, for the common use and enjoyment of some or all of the Owners, and any other plot of land conveyed to the Association, or servitude granted to the Association, and designated as "Common Area," in any Amendment to the Declaration.

Section 9. Conditional Use Permit. "Conditional Use Permit" or "CUP" means any Conditional Use Permit obtained by Declarant, its successors or assigns, from the Kenai Peninsula Borough, affecting development of Lots with frontage on the Canal, Kenai River or Slough.

Section 10. Declarant. "Declarant" means DENCO, Inc. (d.b.a. River Quest), and its successor and assigns, if such successor and assigns acquire or are assigned the rights of Declarant pursuant to this Declaration.

Section 11. Declaration. "Declaration" or "CCRs" means this Declaration of Covenants, Conditions and Restrictions and its amendments.

Section 12. Family. "Family" means a married or co-habiting couple, and children, if any; and limited to two adult children in residence at a time.

Section 13. Kenai River. "Kenai River" means the waterway adjacent to Lots 32-38, 80-85, Tract B, and Guy Nash Street, River Quest Subdivision.

Section 14. Limited Common Area. "Limited Common Elements" (also

known as “Limited Common Area”) means that portion of the Common Area designated in this Declaration limited to the use of one or more, but fewer than all, of the Owners.

ARTICLE I - DEFINITIONS, cont.

Section 15. Lot. "Lot" means any plot of land as shown on the River Quest Subdivision Plat, including those plots denominated as a lot, tract, parcel or, those plots which are unnamed or untitled, unless such plot of land is specifically excepted from a provision of this Declaration.

Section 16. Member. "Member" means every person or entity holding a membership in the Association. Membership in the Association is restricted to Owners.

Section 17. Mortgage; Mortgagee. "Mortgage" means a mortgage or deed of trust encumbering a Lot or any other portion of the Project. "Mortgagee" means the person or entity with certain rights under a mortgage, and shall include the beneficiary under a deed of trust and any guarantor or insurer of a Mortgage.

Section 18. Owner. "Owner" means the record owner or owners of fee simple title to any Lot, which is part of the Property, including Declarant, but excluding the Association or any person or entity having an interest in the Property as security, lien or other charge on the Property.

Section 19. Parcel. "Parcel" means Guy Nash Street, as shown on the River Quest Subdivision Plat.

Section 20. Phase 2. "Phase 2" or "River Quest Subdivision Phase 2" means all lots, tracts and parcels, as shown on Plat No. _____, recorded on _____ at Serial No. _____, Kenai Recording District, Third Judicial District, State of Alaska.

Section 21. Plat. "Plat" or "River Quest Subdivision Plat" means Plat No. KN-2004-39, recorded on 7/16/04, at Serial No. 2004-006959, Kenai Recording District, Third Judicial District, State of Alaska.

Section 22. Project. "Project" or "Development" means the Property and any other additional real property that may be annexed under this Declaration, and the improvements on the Property.

Section 23. Property. "Property" means that certain real property contained within River Quest Subdivision, Phase 1, Plat No. KN-2004-39, recorded on 7/16/04, at Serial No. 2004-006959, Kenai Recording District, Third Judicial District, State of Alaska; and any additional real property as may later be annexed to the Property pursuant to this Declaration.

Section 24. River Quest Subdivision Easements. "River Quest Subdivision Easements" or "Easements" means that instrument, recorded on _____, at Serial No. _____, Kenai Recording District, Third Judicial District, State of Alaska.

Section 25. Rules. "Rules" or "Association Rules" means the rules and regulations regulating the use and enjoyment of the Common Area, and other areas, adopted by the Board from time to time.

ARTICLE I - DEFINITIONS, cont.

Section 26. Slough. "Slough" or "Kenai River Slough" means the waterway adjacent to lots 31, 32-38, 39, 42-49, 80, Tract B and Tract C, River Quest Subdivision.

Section 27. Subdivision. "Subdivision" means River Quest Subdivision, Phase 1, as shown on Plat No. KN-2004-39, recorded on 7/16/04, at Serial No. 2004-006959, Kenai Recording District, Third Judicial District, State of Alaska.

Section 28. Tract. "Tract" means Tracts A, B and C, River Quest Subdivision, and Tract D, River Quest Subdivision Phase 2.

Section 29. Waterway Traffic Plan. "Waterway Traffic Plan" means that plan, established by the Declarant, showing boat moorage assignments and pedestrian access for the Canal, Kenai River and Slough, a copy of which is attached as Exhibit C to this Declaration.

ARTICLE II - ESTABLISHMENT, COMMON INTERESTS

Section 1. Name and Type. This Declaration establishes and governs River Quest Subdivision, a planned community, consisting of the Property described in this Declaration.

Section 2. Association. River Quest Subdivision, the planned community, is managed by the River Quest Subdivision Lot Owners Association, Inc., an Alaska not for profit corporation, or its successors and assigns, pursuant to this Declaration and the Association's Articles, Bylaws and Rules.

Section 3. Governing Documents. The documents which govern the River Quest Subdivision planned community are: this Declaration, the River Quest Subdivision Plat, the River Quest Subdivision Easements, the Association Articles of Incorporation, the Association Bylaws, the Association Rules, the River Quest Subdivision Conditional Use Permit, for its term, and the Act, where applicable.

Section 4. Common Area. At the time this Declaration is executed, the Common Area consists of the following:

A. Property Owned By the Association:

1. Guy Nash Street, River Quest Subdivision, which is dedicated on the River Quest Subdivision Plat as a public right of way.
2. Tract C, River Quest Subdivision, which is dedicated on the River Quest Subdivision Plat as a private right of way, for the use and

benefit of the Owners.

3. Tract D, River Quest Subdivision Phase 2, intended to be used for the River Quest Subdivision community septic system and for parking of boat trailers, if available and permitted.

B. Easements Granted To the Association for the Benefit of All Members: as described in the River Quest Subdivision Easements. See summary, Exhibit A.
ARTICLE II - ESTABLISHMENT, COMMON INTERESTS, Sec. 4, cont.

C. Easements Granted to the Association for the Benefit of Less Than All Members (Limited Common Elements): as described in the River Quest Subdivision Easements. See summary, Exhibit B.

D. Common Facilities owned by the Association:

1. The bridge over the Kenai River Slough, attached to Tract C and Lot 32.
2. Roads providing access to Lots 1-49, 51, 52, 54-89, and to Tracts A, B, C, D; and any future roads, planned or installed as part of the development of the Project.
3. Utilities, including sewer, water, electric, telephone, gas (if provided), located within River Quest Subdivision, in the rights of way and utility easements; and any related facilities, including, but not limited to, well house, lift stations, control panels, valve boxes; and any future utilities, planned or installed as part of the development of the Project.

ARTICLE III - PROPERTY RIGHTS

Section 1. Non-exclusive Common Area Easement.

A. Every Owner has a non-exclusive, nonpossessory easement of use, enjoyment, ingress and egress in, to and throughout the Common Area, and any improvements or facilities on those areas, except as otherwise provided in this Declaration. Such Common Area easements shall be subordinate to, subject to, and shall not interfere with, easements specifically described in the River Quest Subdivision Easements.

B. Each such Common Area easement shall be appurtenant to the respective Lot, and shall pass with the title to the Lot.

Section 2. Association Rights. Each such Common Area easement shall be subject to the following Association rights and restrictions:

A. The right of the Association to limit the number of non-Owners using the Common Area easement(s), and to adopt and enforce other reasonable Association Rules governing such easement(s).

B. The right of the Association to expend and borrow money to alter, improve, repair, or maintain the Common Area.

C. The right of the Association to assign, rent, license or otherwise designate and control use of any unassigned parking and storage space within, and any facility situated upon, the Common Area, and to charge reasonable fees for admission and use.

ARTICLE III - PROPERTY RIGHTS, Sec. 2, cont.

D. The right of the Association to suspend the right of an Owner to use any facility in the Common Area as provided in this Declaration.

E. The right of the Association to adopt and enforce Association Rules governing the control and use of any private streets, roadways, bridges, and paving areas located upon or across the Common Area.

Section 3. Entry and Use Rights. Each Lot or the Common Area, as the case may be, shall be subject to the following rights of entry and use:

A. The right of Declarant or its designees, or the Association, to enter upon any portion of the Project to maintain, repair and construct improvements to the Property, or to remedy construction defects of such improvements, provided that such entry shall not substantially interfere with the use and occupancy of any occupied Lot, unless authorized by its Owner, which authorization shall not be unreasonably withheld.

B. The right of the Association, or its agents, to enter any Lot, to cure any violation or breach of this Declaration or the Bylaws or the Association Rules, provided that at least thirty (30) days prior written notice of such violation or breach has been given to the Owner, except in case of emergency; and provided that, within the thirty (30) day period such Owner has not acted to cure such violation or breach. The rights of entry and cure shall be immediate in case of an emergency originating upon or threatening any Lot, whether or not its Owner is present.

C. The right of the Association, or its agents, to enter any Lot to perform its obligations and duties under this Declaration. The rights of entry and performance shall be immediate in case of an emergency originating upon or threatening any Lot, whether or not its Owner is present.

Section 4. Subdivision Easements. Each Lot is subject to all easements, dedications and rights of way granted or reserved in, on, over or under the Property and each Lot as shown on the River Quest Subdivision Plat, and River Quest Easements, and the public record on the date of conveyance to the Owner.

Section 5. Power to Grant Easements. Declarant or the Association shall have the power to grant and convey in the name of all the Owners easements and rights of way in, on or over the Common Area, to Owners or other parties, for the purpose of constructing, maintaining, repairing, operating or re-locating utilities and roads, for emergency service vehicle access, or for other similar related improvements, facilities or services. Each purchaser, in accepting a deed to a Lot, consents to such easements or rights of way. However, no such easement shall be granted if it would permanently interfere with the use, occupancy or enjoyment by any Owner of that Owner's Lot.

ARTICLE IV - USE, OCCUPANCY AND ALIENATION RESTRICTIONS

Section 1. Residential Use. All Lots shall be used for single family residential purposes only; except that, for Lots which were developed by the Declarant for two separate families, there may be two-family residential use. No Lot shall be used for business or commercial purposes, unless otherwise provided in this Declaration.

Section 2. Owner Occupancy. No Owner may lease or rent a Lot, except as otherwise provided in this Declaration. Guest stays are limited to 90 days per guest, no more than six (6) guests at a time, unless otherwise approved by the Association.

Section 3. Seasonal Use. Residential use of all Lots is seasonal; the “season” being defined as May 1 to September 30 of each year. However, the Declarant or Association may set the seasonal opening or closing date after May 1 or before September 30, if the common roads or utilities are not fully operational, because of weather conditions.

Section 4. Vehicles. No boat, trailer, van or other auto, camper, recreational vehicle, mobile home, motor home or tent shall be used as a living area while located within the Project; except that guests of Owners may use vehicles or a tent as a living area on a Lot for a period of 90 days or less, during the season. No more than two boats, two boat trailers, and one recreational vehicle may be placed on any Lot at any time; except that two-family Lots may have two boats, two boat trailers, and one recreational vehicle per family.

Section 5. Delegation of Use. An Owner may not assign, delegate, sever or separately convey, lease or rent, Owner’s rights of use and enjoyment in the Common Area, including (but not limited to) boat moorage, except on transfer of title to a Lot, and then only to the transferee.

Section 6. Community Septic System. Human waste disposal facilities for the Project are provided, owned and operated by the Association; no other such sewage disposal facilities shall be located on any Lot. Tract D, and the access easement for ingress and egress to Tract D, shall be used for, and is restricted to use as, a community septic system, subject to the terms of any necessary permit, and for boat trailer parking, if permitted, and space is available, until such time as this Tract is no longer needed for those purposes, at which time the Association may re-allocate its property rights in this Tract for other purposes as needed for, and consistent with, the Project.

Section 7. Kenai River Boat Launch. The Association’s Lot 85 easement, as described in the River Quest Subdivision Easements, is restricted to use as a boat launch and for related activities, including (but not limited to) loading and unloading boats and vehicles, temporary vehicle parking and temporary boat tie-up, in order to put boats into and take boats out of, the Kenai River.

ARTICLE IV - USE RESTRICTIONS, cont.

Section 8. Canal Boat Launch. The Association's Lot 56-57 easement, as described in the River Quest Subdivision Easements, is restricted to use as a boat launch and for related activities, including (but not limited to) loading and unloading boats and vehicles, temporary vehicle parking and temporary boat tie-up, in order to put boats into and take boats out of, the Canal.

Section 9. Parking.

A. Vehicle parking is allowed on all Lots, Tracts, and Parcels, except as otherwise provided in this Declaration.

B. No vehicle parking is allowed in the Common Area, except as follows:

- 1.** Construction equipment, for the purposes of construction, maintenance and repair by Declarant or approved by the Association, as long as the flow of traffic is not impeded;
- 2.** If a vehicle breaks down in the Common Area, in which case the vehicle may remain overnight, but must be moved the next day, as long as it does not block traffic, in which case it must be moved immediately.
- 3.** Temporary parking: (a) for emergency vehicles; (b) for boat launching and taking out, loading and unloading vehicles, on Guy Nash Street, Lots 56-57 (only within the easement), Lot 85, and the Access Easement (outside the Non Vehicle Buffer area, as shown on the Plat).

Section 10. Resource Extraction. No mining, oil drilling or other natural resource extraction or related activities shall be permitted on or in the Project.

Section 11. Signs. No signs of any kind shall be displayed to the public view on or from any Lot, Tract or Parcel without the approval of the Association; except that signs may be used by Declarant for the purpose of developing, selling or improving Lots owned by the Declarant; and except that Owners may post "For Sale" signs on Lots, Tracts or Parcels for sale by the Owner.

Section 12. Fences and Screens. No fences, awnings, ornamental screens, or walls of any kind shall be erected or maintained on or around any portion of such structure or elsewhere in the Project except those that are authorized and approved by the Association (or the Architectural Committee, if any).

Section 13. Gas or Liquid Storage. No tank for the storage of gas or liquid shall be installed in the Project unless such installation is done by Declarant or has been

approved by the Association (or the Architectural Committee, if any).

ARTICLE IV - USE RESTRICTIONS, cont.

Section 14. Vegetation. No plants or seeds harboring noxious insects or infected with plant diseases shall be brought upon, grown, or maintained within the Project. Vegetation or re-vegetation within setback areas described in a CUP must be in compliance with the CUP. No Owner shall cut, trim, prune, remove or replace any living tree, plant or other vegetation located in any portion of the Common Area without the prior written consent of the Association; and, if any Owner should fail to comply with this restriction, the Association may recover from such Owner the cost of restoring or replacing any such vegetation.

Section 15. Trash Disposal. Each lot shall be kept neat and clean. No Owner shall allow trash or debris to accumulate on a Lot. Trash, garbage and other waste shall be kept only in sanitary containers. Owners shall deposit trash or refuse in customary receptacles, located in places specifically designated for such purpose by the Association. Hazardous waste shall not be placed in any trash receptacle, but shall be disposed according to Kenai Peninsula Borough hazardous waste disposal program.

Section 16. Animals.

A. No living animal, reptile, rodent, bird, fish, livestock or poultry shall be kept on a Lot or elsewhere in the Project, except that no more than two (2) domestic cats or dogs, fish (no number limit) in an indoor tank, birds (no more than two) in an indoor cage, may be kept as household pets within a Lot, if such animals are not kept, bred or raised for sale or other commercial purpose. The Association may adopt other animal control rules.

B. Each person bringing or keeping a pet upon the Project shall be liable to other Owners, their family members, guests, invitees, lessees, tenants and contract purchasers (and their respective family members, guests and invitees) for any damage to persons or property caused by any pet brought upon or kept upon the Project that person or members of that person's family, guests or invitees.

Section 17. Outside Storage. No more than two outbuildings, such as a shed, are allowed on a Lot; except that two-family lots may have two outbuildings per family. Such buildings shall be constructed to the size, location and other design standards established by the Association or Architectural Control Committee. Only green or white tarpaulins may be used for outdoor coverage on a Lot; blue or other colored tarps are prohibited. Personal property (other than vehicles) must be stored inside the Owner's residence or outbuilding during the off-season. The Association may adopt other outside storage rules.

Section 18. Antennae and External Fixtures. No television and radio poles, or satellite dishes, or other such external fixtures other than those originally installed by the Declarant or approved by the Association, shall be constructed, erected or maintained on or within a Lot. Such fixtures may only be constructed or approved by

the Association if they are not blocking the Kenai River view of any Lot owner, and are as unobtrusive as possible.

ARTICLE IV - USE RESTRICTIONS, cont.

Section 19. Nuisance. No noxious or offensive activities shall be carried on within the Project. Nothing shall be done on or within the Project that may be or may become an annoyance or nuisance to the residents of the Project, or that in any way interferes with the quiet enjoyment of occupants of Lots.

ARTICLE V - THE ASSOCIATION

Section 1. Establishment; Powers and Duties. The Association was incorporated on 7/3/03, as an Alaska nonprofit corporation, pursuant to AS 10.20. The Association is vested with the following powers and duties:

A. All the powers of a nonprofit corporation set forth in AS 10.20.011, and all the powers delineated in the Act, AS 34.08; subject only to limitations on the exercise of those powers as set forth in the Articles and Bylaws, and this Declaration.

B. The power to do any lawful thing that may be authorized, required or permitted to be done by the Association under the Act, this Declaration, the Articles, Bylaws and Rules; and to do and perform any act that may be necessary or proper for, or incidental to, the exercise of any of the powers of the Association.

C. Duties as described in, or as limited by, this Declaration, the Articles, Bylaws, Rules, and the Act.

Section 2. Right to Establish Rules. The Association may adopt, amend and repeal Association Rules as it considers necessary and proper to carry out the purposes of this Declaration, including (but not limited to) rules regulating the use and enjoyment of the Common Area. A copy of the Association Rules, and any amendments, shall be mailed to each Owner at the Owner's last known address, and shall be posted in a conspicuous place within the Project. If any Association Rule is inconsistent with this Declaration, the Articles or Bylaws, the Declaration, Articles or Bylaws shall control to the extent of such inconsistency.

Section 3. Board of Directors; Managers. Except as to matters requiring the approval of Owners as set forth in this Declaration, the Articles, Bylaws, or the Act, the affairs of the Association, including the exercise of its powers and duties, shall be managed by the Board of Directors. The Board may delegate management authority to a person or company qualified by training and experience to manage a Project such as the River Quest Subdivision planned community. Any management agreement for the Project may be terminated by the Board, with or without cause, and with or without payment of any fee, upon thirty days' written notice thereof. The term of any such agreement may not exceed one year, although such agreement may be renewed from year to year by the Association.

Section 4. Effective Date. The Association's power to perform any act

authorized, required or permitted to be done by the Association under this Declaration goes into effect at the recording of the first Lot sale to an Owner. Before the election of the first Board, as provided for in the Bylaws, the Declarant, or the Declarant's successors or assigns, shall have all the rights, powers and obligations of the Association provided in this Declaration, the Articles, or the Bylaws.

ARTICLE VI - MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Each Owner, including Declarant, shall be a member of the Association; Association membership is restricted to Owners. Membership is appurtenant to each Lot. No Owner shall hold more than one membership, even if the Owner has an interest in more than one Lot. Membership shall terminate automatically when the Owner no longer holds any ownership interest in a Lot. Membership may not be assigned, transferred, or alienated in any way, except on transfer of title to a Lot, and then only to the transferee, in which case membership shall transfer automatically to the transferee. Any party that holds an interest in a Lot merely as security for performance of an obligation shall not be a member of the Association. Each Member shall have the rights, duties and obligations set forth in this Declaration, the Articles, Bylaws and Association Rules.

Section 2. Voting Rights. Owners shall be entitled to one vote for each Lot owned, except that the Association is not entitled to a vote for a Lot owned by the Association as part of the Common Area. When more than one person holds an interest in any Lot, only one vote may be cast with respect to that Lot.

Section 3. Voting by Proxy. A vote may be cast under a proxy duly executed by an Owner. An Owner may revoke a proxy given under this section by written notice of revocation delivered to the person presiding over a meeting of the Association, and the revocation is effective upon delivery. A proxy is void if it is not dated, or purports to be revocable without the notice required in this section. A proxy terminates after one year of its date, unless it specifies a shorter term.

Section 4. Majority Approval Required. Except as otherwise provided in this Declaration, the Articles or Bylaws, all matters requiring the approval of Owners shall be deemed approved if a majority of the total voting power of all Owners assents by written consent; or, if a majority of votes are cast, either in person or by proxy, to approve the matter, at any duly called regular or special meeting of Association members, at which a quorum is present, either in person or by proxy.

Section 5. Multiple Ownership Lots. If a Lot has more than one Owner, and if only one of the Owners is present at a meeting of the Association, the vote of that Owner shall bind all the Owners of that Lot. If more than one Owner is present at a meeting of the Association, in person or by proxy, and the Owners do not all agree on how the vote should be cast, the vote for that Lot shall be forfeited on the matter in question.

ARTICLE VII - ASSESSMENTS

Section 1. Assessment Rights. The Association shall establish, fix and levy common expense and special assessments against the Owners; and shall levy such assessments, collect and enforce payment of such assessments, in accordance with the provisions of this Declaration.

ARTICLE VII - ASSESSMENTS, cont.

Section 2. Agreement to Pay. The Declarant covenants and agrees, for each Lot owned by it in the Project that is expressly made subject to assessments as set forth in this Declaration, and each Owner of any Lot by acceptance of a deed, covenants and agrees for each Lot owned, to pay the Association the common expense and special assessments levied in accordance with the provisions of this Declaration, and to allow the Association to enforce any assessment lien established in accordance with the provisions of this Declaration by non judicial proceedings under a power of sale or by any other means authorized by law.

Section 3. Effective Date. Declarant shall pay all common expense and special assessments for all property owned by Declarant. The personal obligation of each Owner to pay common expense and special assessments shall commence upon acceptance of a deed conveying a Lot to such Owner.

Section 4. Lien for Assessments. Common expense and special assessments, together with interest, late fees, and costs of collection (including reasonable attorneys' fees), shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made, until paid in full. Each such assessment, together with interest, late fees, costs of collection (including reasonable attorneys' fees), shall also be the personal obligation of each person who is an Owner of such property at the time that the assessment became due and payable. For lots with more than one Owner, each Owner shall be jointly and severally liable for such assessments, interest, late fees and costs of collection.

Section 5. Scope of Assessment Authority.

A. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the members of the Association; to operate, maintain, repair, improve or replace the Common Area and its improvements and personal property, Common Facilities, and other real or personal property owned by the Association (or for which the Association has a grant, license or permit to use); to pay the costs of utilities, insurance, taxes, landscaping, permitting or other services billed to the Association or otherwise payable by it; to provide funds necessary for the performance of the duties of the Association as set forth in this Declaration; and for any other purpose that is for the common benefit of the Owners in this use and enjoyment

of the Property.

B. The responsibility of the Association for common utility service lines shall be up to the junction of the common lines with the lines providing individual household service to the individual Lots, Tracts or Parcels. Maintenance and repair of the individual household service lines are the responsibility of each Lot Owner. Provided, however, that the Association shall charge back to the Owners of lots served by a particular common line, pro rata, costs incurred to repair plug-ups or freeze-ups along that particular common line.

ARTICLE VII - ASSESSMENTS, cont.

Section 6. Common Expense Assessments. The Board shall adopt a budget for common expenses, and levy an assessment for common expenses, no less than annually, as follows.

A. Amount. The amount of the annual common expense assessment shall be based upon the anticipated costs of operation, maintenance and repair of the Common Area, costs of common utilities, insurance, taxes, landscaping and other services, or any other annual or recurring cost of the type described in Section 5, above; plus an amount sufficient to maintain an adequate reserve.

B. Budget; Levy. The Board shall adopt the annual common expense budget and levy the annual common expense assessment, no later than 60 days before the beginning of each fiscal year of the Association.

Section 7. Special Assessments.

A. The Board may levy a special assessment if the Board determines that the Association's available funds are or will become inadequate to meet the estimated expenses of the Association, including the maintenance of appropriate reserves, for a particular fiscal year for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repair or replacement of capital improvements or otherwise. The Board shall determine the amount necessary to meet the estimated expenses and, if the amount is approved by a majority vote of the Board, it shall become a special assessment. The Board may levy the entire assessment immediately or levy it in installments over a period it considers appropriate.

B. The Board may levy a special assessment against a particular Lot to reimburse the Association for costs incurred in repairing damage to the Common Area or any improvements or personal property located thereon, for which the Owner was allegedly responsible, or in bringing the Owner or Owner's Lot into compliance with this Declaration, the Articles, Bylaws or Rules.

C. The Board may levy a special assessment for new capital improvements upon the Common Area, including fixtures and personal property related thereto, and general landscaping, with the approval of no less than 67 percent (67%) of the voting rights of all the Owners.

D. The Board may not levy any special assessment that either by itself or in the aggregate with other special assessments levied for that fiscal year would be in excess of five percent (5%) of the budgeted gross expenses of the Association for the fiscal year without the approval by vote or written consent of the Owners holding 51 percent (51%) of the voting rights of all the Owners, and the Owners, other than Declarant, holding 51 percent (51%) of the voting rights of all the Owners other than Declarant. This sub-section does not apply to a special assessment levied against an Owner to reimburse the Association for the cost of bringing the Owner into compliance

with this Declaration, the Articles, Bylaws or Rules.

ARTICLE VII - ASSESSMENTS, cont.

Section 8. Allocation of Assessments.

A. A common expense or special assessment shall be allocated among each Lot subject to the assessment by dividing the total amount of the assessment by the total number of Lots subject to the assessment, excluding Lot 85, Guy Nash Street, Tract C and Tract D, which shall be exempt from assessment; and except as otherwise provided in this Declaration.

B. A common expense associated with the maintenance, repair or replacement of a limited common element shall be assessed exclusively against each Lot, Tract or Parcel to which that limited common element is assigned, equally.

C. Common expenses for water and sewer shall be assessed by the number of water or sewer hookups per Lot, or per family, for Lots which were developed by the Declarant for two separate families.

D. Costs of common utilities other than water or sewer shall be assessed in proportion to usage, if usage for each Lot can be determined.

E. Costs of individually metered utilities, including, but not limited to, electric, telephone, and gas (if provided), are the sole and exclusive responsibility of the Owner, and no liability for such costs shall accrue to the Association.

F. Costs associated with the Common Area, not including the Limited Common Elements, shall be shared uniformly as a common expense.

G. Costs incurred to bring an Owner into compliance with this Declaration, the Articles, Bylaws and Rules, shall be assessed exclusively against that Owner.

H. If a common expense is caused by the misconduct of an Owner, the association may assess that expense exclusively against that Owner's Lot.

I. This section applies to all property annexed or added to the Project.

Section 9. Assessment Period; Due Date.

A. Common Expense. The annual common expense assessment shall commence as to all Lots on the first day of the month following the first sale by Declarant of a Lot. The first annual common expense assessment shall begin with fiscal year 2005, and shall be pre-paid as part of closing the sale of a Lot. Written notice of each subsequent annual common expense assessment shall be sent to every Owner or co-Owner, not less than 30 days before the beginning of the fiscal year of the Association. The annual common expense assessment is due and payable by the 15th

day of the Association's fiscal year (January 15), and shall be paid in equal monthly installments, payable in advance on the first day of each month.

ARTICLE VII - ASSESSMENTS, Sec. 9, cont.

B. Special Expense. At least thirty (30) days prior to the commencement of any special assessment, the Board shall give each Owner or co-Owner written notice of the amount of the special assessment, the due date, or due dates if paid in installments, and the amount of the installment. The notice need only be given once for any assessment paid in installments. All special assessments shall be adjusted according to the number of days remaining in the fiscal year, and shall be payable in equal monthly installments, payable in advance on the first day of each month, unless the Board adopts some other payment method.

Section 10. Late Charges; Interest. An assessment payment, including any installment payment, shall become delinquent if not received by the Association within 30 days after its due date. There shall be a late charge of \$10 imposed for each delinquent payment. The Board may impose a higher late charge provided it does not exceed one and one-half percent of the first \$1000 of the delinquent payment and one percent of any amount in excess of \$1000. Interest shall accrue on any delinquent payment at the rate of 10% per annum or at such rate as the Board may impose. Late charges and interest shall accrue from the first day following the due date of the assessment through and including the date full payment is received by the Association. All assessments are due without demand.

Section 11. Association Remedies. The Association may, in addition to other legal remedies available to it, bring an action at law against the Owner personally obligated to pay the assessment, or foreclose the lien described in Section 4, above, against the property. The lien is subordinate to the lien of any first mortgage or first deed of trust recorded before the due date of the assessment sought to be enforced. Sale or transfer of any lot shall not affect the assessment lien or the Owner's personal liability for the assessment; except that the sale or transfer of any Lot pursuant to a mortgage or deed of trust foreclosure shall extinguish the lien of an assessment which became due after the recording of such mortgage or deed of trust.

Section 12. Waiver of Homestead Exemption. Each Owner, to the extent permitted by law, waives the protection of any declared homestead or homestead exemption under the laws of Alaska as applied to any action to enforce the assessments levied by the Association.

Section 13. Certificate. The Association shall, upon demand by an Owner, furnish a certificate signed by an Association officer, to the Owner, stating the amount of annual and monthly common expense assessments, and any unpaid common expense or special assessment on the Owner's Lot. Such certificates are conclusive evidence of assessment data for that Lot. The Association may charge a reasonable fee for preparation of this certificate.

Section 14. Procedures. The Board may adopt other specific procedures for

budgeting, assessment, payment and collection of common expense or special assessments, as necessary; and, if adopted, shall incorporate such procedures into the Bylaws or Rules.

ARTICLE VIII - INSURANCE AND TAXES

Section 1. Association Insurance. The Association shall maintain, to the extent reasonably available, insurance as follows: property insurance on the Common Area, the improvements and personal property located on the Common Area; liability insurance for the use of the Common Area; and any other insurance required by applicable law. Property and liability insurance policies must provide the coverage required by the Act. The Association shall maintain directors and officers insurance covering directors and officers of the Association. The Association may carry other types of insurance necessary for performance of the Association's duties, or for the business operations of the Association, or otherwise necessary to protect the Association or Owners.

Section 2. Owner's Insurance. An Owner may carry personal liability and property damage insurance with respect to a Lot, at the Owner's discretion; provided, however, that any such policy shall include a waiver of subrogation clause acceptable to the Association.

Section 3. Indemnification. Directors and officers and former directors and officers of the Association are indemnified to the fullest extent of the law as provided in the Alaska Statutes 10.20.011(14), or any successor provision or amendment thereto, against expenses actually and reasonably incurred by such person in connection with the defense of any action, suit or proceeding, civil or criminal, in which that person is made a party by reason of being or having been a director or officer, except in relation to matters in which that person was adjudged, in the action, suit or proceeding, to be liable for negligence or misconduct in the performance of his/her corporate duties.

Section 4. Taxes. The Association shall pay all real and personal property taxes and assessments, and all other taxes levied against the Association, the Common Area, or the personal property owned by the Association.

ARTICLE IX - MAINTENANCE AND UTILITIES

Section 1. Common Area. The Association shall manage and maintain in good condition and repair the Common Area, including the facilities and other improvements, and personal property, located on or within the Common Area and any other real property or personal property owned by, acquired by, or subject to the control of the Association.

Section 2. Utilities. The Association may provide any utility it deems necessary or desirable, to the Common Area, or to separate Lots. The Association has the right to construct improvements necessary to provide any utility service to the

Common Area, or to separate Lots. The Association shall maintain and repair utility facilities or services provided in or to the Common Area. Lot Owners shall comply with any usage restrictions on utilities, imposed by the terms of any applicable permit, by this Declaration, or by the Association.

ARTICLE X - ARCHITECTURAL CONTROL

Section 1. Building Restrictions. No building shall be erected, altered, placed or permitted to remain on any Lot, other than single-family residences, which shall not exceed two stories in height, or have less than a six hundred (600) square feet footprint (Lots 1-26), or three hundred (300) square feet footprint (all other Lots), except as otherwise provided in this Declaration, or unless otherwise approved by the Association. Lots which were developed by the Declarant for two separate families may contain two separate single-family residences.

Section 2. Architectural Control. No building, structure or other improvement shall be erected, altered, placed or permitted to remain on the Property, nor shall any exterior addition to or change or alteration therein be made, until plans with specifications showing the nature, kind, shape, height, materials and location of the structure have been submitted to, and approved in writing by, the Association or Architectural Committee, if any, as to the harmony of external design and location with respect to topography and finished grade elevation, and the quality of workmanship and materials, and compliance with the Governing Documents. In the event the Association or Committee fails to act on such plans within sixty (60) days after said plans have been submitted to it, approval will not be required, and this section will be deemed to have been fully complied with.

Section 3. Building Setbacks. No building, structure or other improvement shall be erected, altered, placed or permitted to remain on or within the following building setbacks: 3 feet from side and back Lot lines, 3 feet from front (adjacent to right of way) Lot lines, and any other building setback shown or described in the Governing Documents, or otherwise provided in this Declaration.

Section 4. Permits. Buildings, structures, improvements, roads, utilities, or any other activities on or uses of any Lot, shall be subject to, and comply with, permits obtained from any government agency by Declarant, its successors and assigns, relating to that Lot.

Section 5. Architectural Committee. Whenever in this Declaration the prior consent or approval of the Association is required as a condition to any action by an Owner relating to construction of structures or improvements, the Association through the Board may delegate to an Architectural Committee the right and duty to grant or withhold such consent or approval. The Architectural Committee is a committee of the Board, and the Board shall make provisions for this Committee, including its powers

and duties, in the Bylaws.

Section 6. Habitat Protection Area Lots. Lots, and improvements on the Lots, that are within the 50 foot Anadromous Stream Protection Area, shall be in compliance with KPB 21.18. The permanent setbacks for structures on such Lots are as established in the CUP approved by the Borough Planning Commission on 5/24/04, or permit issued by the Borough Planning Director pursuant to that approval, or any amendments to that CUP or permit.

ARTICLE X - ARCHITECTURAL CONTROL, cont.

Section 7. Flood Plain and Floodway. Lots, and improvements on the Lots, in the Project that are within the 100-year (Zone A) flood hazard area Kenai River Floodplain or Floodway shall be in compliance with KPB 21.06.

Section 8. Bank Restoration and Stabilization. Each Owner of a Lot with frontage along the Canal, River or Slough shall provide for stabilization of the bank along that frontage, in compliance with all existing state laws or regulations, or Kenai Peninsula Borough ordinances. The Association may establish other standards for bank restoration and stabilization in the Project; and each Lot shall be in compliance with such standards.

Section 9. Application to Declarant. Sections 1, 2 and 3 do not apply to improvements owned or constructed by Declarant prior to the date this Declaration is recorded. Sections 1 and 2 do not apply to improvements constructed by Declarant after the date this Declaration is recorded, in any phase of the Project.

ARTICLE XI - ANNEXATION OF ADDITIONAL PROPERTY

Section 1. Annexation. The Declarant may, at any time, annex or add real property to the Property or Project or Development described herein, and so add membership to the Association, during the period of Declarant control, as defined in the Act. The Association may, at any time, annex or add real property to the Property or Project or Development described herein, and so add membership to the Association; provided that any such annexation or addition must be approved before annexation or addition by the affirmative vote of 75% of the total number of votes eligible to be cast, according to Article VI, Section 2, above.

Section 2. Procedure. Annexation or addition to the Property shall be by a written Supplement to this Declaration, which shall describe the real property to be annexed or added, shall state that the real property to be annexed or added is subject to all terms and conditions of this Declaration, and any amendments, and shall be recorded in the Kenai Recording District. Upon recording the Supplement as provided in this Declaration, the real property described in the Supplement shall be part of the Project and subject to the provisions of this Declaration, and any amendments, and to the rights and powers of the Association, pursuant to the terms of the Governing

Documents, and any amendments. Upon recording the Supplement as provided in this Declaration, all Owners of any portion of the annexed property shall automatically be members of the Association, with voting rights commencing on the date common expense assessments commence, as provided in Article VII, Section 9; or upon acceptance of a deed conveying a Lot to such Owner, whichever is earlier.

Section 3. Assessments. Common expense and special assessments commence with respect to the annexed or added real property at the time and to the extent described in Article VII, Section 9. The assessment ratios described in Article VII, Section 8 shall be modified to take into account the greater number of Lots in the Project, using the same method of calculating such ratios as in that Section.

ARTICLE XII - MORTGAGE RIGHTS

Section 1. Mortgage Permitted. An Owner may encumber a Lot with a mortgage or deed of trust. The Association may encumber the Common Area with a mortgage or deed of trust; provided, however, that any such mortgage or deed of trust must be approved before execution by the affirmative vote of 67% of the total number of votes eligible to be cast, according to Article VI, Section 2, above.

Section 2. Protection of Mortgagees. A lien created or claimed under Article VII, Section 4, for assessments, is expressly made subject to and subordinate to the rights of any first mortgage or deed of trust that encumbers all or a portion of the Project, or any Lot, made in good faith and for value, without notice of the levy of an assessment, and recorded prior to the due date of the assessment.

ARTICLE XIII - DEVELOPMENT RIGHTS

Section 1. Development Rights. The Declarant reserves the right to further develop the River Quest Subdivision project. It is contemplated that further development shall occur in two or more phases; however, no assurances are made or given that all phases will be undertaken or completed. The two other contemplated phases of River Quest Subdivision project are defined below.

A. Phase 2. The portion (approximately 27 acres) of Government Lot 5, Section 19, T5N, R10W, S.M, Kenai Recording District, north of Porter Road. Declarant reserves the right to create a maximum of 100 Lots, and provide access to the Kenai River (including boat launching and moorage) by easement.

B. Phase 3. Further subdivision of Tract A, River Quest Subdivision. Declarant reserves the right to create a maximum of 20 Lots, and provide access to the Kenai River (including boat launching and moorage) by easement.

C. If neither Phase 2 or Phase 3 is in fact completed, Phase 1 (Lots 1-89, Tracts A, B, C, D) shall constitute a complete, fully operational common interest community, and the land described for Phase 2 or Phase 3 may be used for any other lawful purpose in Declarant's discretion.

Section 2. Special Declarant Rights. Declarant reserves the following rights, as they may apply to any phase of the Project.

A. Right to Use for Development. Declarant may use any Lot or Tract owned by Declarant for sales, management, models, and construction related to developing, improving and selling lots, tracts or parcels in the Project.

B. Right of Access. Access over and across Phase 1 and any other phase subsequently established is reserved to Declarant or Declarant's successors or assigns over existing and planned easements, roadways, travel ways and utility lines established in and for Phase 1, and subsequent phases (described in Section 1), and the right to connect thereto is reserved, such reservations being for the purpose either of completing the subsequent phases, or developing portions of the land, if not completed as a common interest community, for other purposes.

ARTICLE XIII - DEVELOPMENT RIGHTS, Sec. 2, cont.

C. Right to Appoint or Remove. The Declarant, or persons designated by the Declarant, may appoint and remove the officers and members of the Board, during the "period of declarant control of the association," as described in the Act, until the termination of that period, as described in the Act, or until the Declarant voluntarily surrenders these rights, in a writing delivered to the Board. The voluntary surrender of such rights is effective upon delivery.

D. Right to Continue Prior Existing Activities. The Declarant may use Lots owned by Declarant for seasonal recreational business purposes; and the restrictions in Article IV, Sections 1, 2, 4, 5, 11, 13, 17 and 19 do not apply to these uses. These seasonal business rights include (but are not limited to) the following: (1) rental/leasing of campsites, recreational vehicle spaces, cabins, boat launch; (2) guide services and booking services; (3) lodging, restaurant; (4) boat moorage along the Canal, River or Slough frontage of Lots owned by Declarant. Declarant's seasonal business use rights as stated in this sub-section terminate upon transfer of title from Declarant to a transferee, unless Declarant expressly assigns such use rights to the transferee in the conveyance; in which case the rights described in this sub-section (D) shall accrue to the assignee.

E. Right to Develop Year-Round Residential Property. Declarant, for itself or the Association, reserves the right to develop or upgrade Lots in the Project or any subsequent phase for year-round residential use. The use restrictions of Article IV, Section 3 shall not apply to such year-round residential lots.

G. Other Rights. Other special Declarant rights are as described in this Declaration. Declarant reserves any other "special declarant right" described in the Act, not otherwise described in this Declaration.

ARTICLE XIV - AMENDMENT

Section 1. By Declarant. During the period of Declarant control, as defined in the Act, the Declarant may, without the joinder or consent of any persons having an interest in the existing Lots, amend this Declaration to create additional lots and common areas, change the boundaries of Lots, change the allocated interests of a Lot, create additional special declarant rights, and add, withdraw, realign and grant utility and right of way easements over, under, across and upon the Common Areas, or for any other purpose necessary for development of any phase of the Project, or take any other action allowed under the Act, provided that amendments do not materially impair the use of any Lot. Such amended Declaration may contain complementary additions and modifications of the provisions in this Declaration as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the scheme of this Declaration.

Section 2. By Owners. This Declaration may be amended by vote of, or an instrument signed by, no less than 67% of Owners, unless otherwise provided in this Declaration; except that Article XIII can only be amended by vote of, or an instrument signed by, 100% of Owners.

ARTICLE XIV - AMENDMENT, cont.

Section 3. Procedure. The amendments authorized under this Article shall be made effective by executing and recording a written instrument signed either by the Declarant, or Owners or Association, as applicable. Amendments are effective as of the last date of execution of the amendment, and additional property shall be subject to this Declaration, as of the last date of execution of the amendment.

ARTICLE XV - GENERAL PROVISIONS

Section 1. Term. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of thirty years from the date this Declaration is recorded, after which time they shall be extended automatically for successive periods of ten years.

Section 2. Binding Effect. By accepting title to any Lot, a Lot Owner is bound by, charged with knowledge of, and agrees to comply with, the Governing Documents, and their terms, any existing statutes, regulations, ordinances, or other legal rules governing the use or development of the Owner's Lot, or any existing permits affecting any use or development of the Owner's Lot.

Section 3. Performance. The Declarant reserves the right to perform any acts required to be performed, or permitted to be performed, by the Declarant, in this Declaration. The Association reserves the right to perform acts required to be performed, or permitted to be performed, by the Association, in this Declaration. No Owner may perform any act so reserved, or bind the Declarant or the Association for

another's performance of such act, without prior approval of the Declarant, or Association.

Section 4. Enforcement. The failure of any Owner to comply with any provision of this Declaration, the Articles, Bylaws or Rules, shall give rise to a cause of action in the Association and any aggrieved Owner, for the recovery of damages or for injunctive relief, or both. In addition, the Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all provisions of this Declaration. Failure by the Association or by any Owner to take any action to enforce any provision of this Declaration shall in no event be deemed a waiver of the provision or the right to enforce the provision thereafter.

Section 5. Interpretation. The provisions of this Declaration shall be liberally construed to effectuate the purpose of creating a uniform plan for the development and operation of a subdivision project. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provisions or any other provisions hereof.

Section 6. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no wise affect any other provisions which shall remain in full force and effect.

ARTICLE XV - GENERAL PROVISIONS, cont.

Section 7. Proof of Ownership. Except for Owners who initially purchase a Lot from Declarant, any person or entity on becoming an Owner shall furnish to the Secretary of the Association and Project manager, if any, a conformed or a certified copy of the recorded instrument vesting that person or entity with an interest of ownership in the Lot, which copy shall remain in the files of the Association.

Section 8. Access to Books and Records. An Owner may, at any reasonable time during business hours, and upon reasonable notice to the Board or Project manager, if any, inspect and copy Association books and records. The Association may charge a reasonable fee for copying such records.

Section 9. Mailing Address. The Owner or Owners of an individual Lot shall have one official mailing address to be used by the Association for mailing of statements, notices, demands and all other communications; except that two-family Lots may have one official mailing address per family. This official address shall be furnished by the Owner(s) to the Secretary of the Association and Project manager, if any, within fifteen (15) days after transfer of title, or after a change of mailing address, in writing, and signed by all of the Owners of the Lot (or each family's Owners, for two-family Lots), or by such person(s) authorized by law or power of attorney to represent all Owners of a Lot.

Section 10. Notification of Sale. Concurrently with the consummation of the

sale of any Lot, under circumstances where the transferee becomes an Owner of the Lot, or within fifteen (15) business days thereafter, the transferee shall notify the Association in writing of such sale. Such notification shall set forth the name and mailing address of the transferee and any mortgagee or deed of trust beneficiary, the legal description or street address of the Lot purchased by the transferee, and the date of sale. Prior to receipt of such notification, any and all communications required or permitted to be given by the Association, the Board or the Project manager, shall be deemed to be duly and timely made if given to the transferee's transferor. For purposes of this section, "sale" includes a contract of sale.

Section 11. Partial Damage or Destruction. In the event that any lot, building, structure or other improvement within the project is damaged or destroyed by any casualty loss, partially or completely, the Owner and/or the Association shall promptly repair or replace such property. Failure of a Lot Owner to promptly repair or replace any property damaged or destroyed within a Lot, shall give rise to a right in the Association to undertake such repair or replacement and to charge the Owner of such Lot therefore. In the event that any such damage or partial destruction shall affect more than 25% of the Lots in the Project, or shall cause a diminution in the market value of Lots within the Project equal to or greater than 25% of the market value of all such Lots immediately prior to the casualty loss, the Association shall determine by majority vote, whether or not to undertake the repair or replacement of such property. The Association shall promptly notify all holders of first mortgages or first deeds of trust of any loss, damage or destruction of Common Areas and facilities which exceeds ten thousand dollars (\$10,000).

ARTICLE XV - GENERAL PROVISIONS, cont.

Section 12. Minor Encroachments. Each lot and its Owner(s) shall have and is granted an easement over all adjoining Lots and the Common Area for the purpose of accommodating any minor encroachment caused by engineering errors, errors in original construction, settlement or shifting of structures. However, in no event shall a valid easement for such encroachment exist in favor of an Owner if the encroachment is more than minor, or was caused by the knowing or willful conduct of the Owner.

Section 13. Claims Against Declarant/Association. No Owner shall have or make any claim against the Declarant, related to Declarant's powers or duties under this Declaration. No Owner shall have or make any claim against the Association, except for negligence in connection with the Association's duties set forth in this Declaration. By accepting the conveyance of a Lot, each Owner agrees to indemnify and hold harmless the Declarant or Association from any liability, claim, demand or suit for any injury or damages to persons or property on the Owner's Lot, the Common Area, or on another Owner's Lot, or arising from any Owner's, family member's or guest's use of the Owner's Lot, the Common Area or another Owner's Lot. Each Lot Owner is strictly liable for any injury or damages to persons or property on that Owner's Lot, whatever the cause, and for injury or damages to persons or property

caused by that Lot Owner, and that Lot Owner's family member or guest in the Common Area or on another Owner's Lot.

Section 14. Right to Impose Sanctions for Violations. In addition to any other enforcement rights described in this Declaration or the Articles or Bylaws, or authorized by law and subject to any restrictions on the association's enforcement rights, including any due process requirements imposed by law, this Declaration, or the Bylaws, the Association may take any of the following actions against any person or entity whose act or failure to act violates or threatens to violate any provision of this Declaration, the Articles, Bylaws or Rules: impose monetary penalties, in an amount consistent with the infraction, or, if such an amount cannot be ascertained, in a reasonable amount, including late charges and interest; suspend voting rights in the Association; suspend use privileges for the Common Area; commence a legal action for damages, injunctive relief, or both.

Section 15. Mandatory Mediation. In the event of a dispute between the Declarant, Association or Lot Owner over the terms and conditions of any of the Governing Documents, the disputing parties shall first attempt to resolve the matter in dispute by mediation that shall be in accordance with the Mediation Rules of the American Arbitration Association currently in effect, or other rules agreed to by the disputing parties. A demand for mediation under this section shall be submitted in writing by any disputing party to the other disputing party. No lawsuit may be brought for a period of at least 60 days from the date of submission of the demand. The disputing parties shall share mediation fees equally. The mediation shall be held in the Kenai Venue District. Agreements reached in the mediation are enforceable as settlement agreements in any court having jurisdiction thereof.

ARTICLE XV - GENERAL PROVISIONS, cont.

Section 16. Incorporation of Exhibits. All exhibits referred to are attached to this Declaration and incorporated herein by reference.

ARTICLE XVI - TRANSITION PROVISIONS

Section 1. Application. The conditions, covenants and restrictions in this Article relate to the transition of the Project from a seasonal recreational resort to a subdivision with multiple owners, with common areas and facilities managed by the Association.

Section 2. Roads. At the time this Declaration is executed, there are existing vehicle road ways, for which the Association has been or will be granted an easement. Some of these road ways may not be located in the public or private rights of way shown on the Plat. Beginning in 2004, Declarant will relocate existing vehicle road ways to the public and private rights of way (including access easement) shown on the Plat. The Declarant (or the Association) shall notify Owners when this project is completed.

Existing vehicle road ways may be used until this project is completed, or until August 31, 2006, whichever is earlier; after which, vehicle road ways are restricted to the public and private rights of way shown on the Plat. Each Owner takes title subject to the road ways that exist at the time this Declaration is recorded, and the rights of way shown on the Plat.

Section 3. Utilities. At the time this Declaration is executed, there are existing utilities, and related facilities, for which the Association has been or will be granted ownership or an easement, as follows: community water and septic system, electric, telephone, and natural gas (if approved, but not to Lots 32-38). Beginning in 2004, the Declarant will relocate, upgrade or complete installation of some existing utility lines and facilities. The Declarant (or the Association) shall notify Owners when this project is completed. The end result will be that all Project utility lines and facilities will be located in documented locations, the utility easements re-established in the documented locations, and the utilities and easements transferred to Association control on or before August 31, 2006. Each Owner takes title subject to the utility easements that exist at the time this Declaration is recorded, including those noted on the Plat, and as re-established in the documented location.

Section 4. Conditional Use Permit Setbacks. Each Owner of a Lot with structures existing on the date this Declaration is recorded has until August 31, 2006 to bring such structures into compliance with the applicable setbacks contained in the Conditional Use Permit approved by the Kenai Peninsula Borough Planning Commission on 5/24/04, or any subsequent permit, CUP amendment or amended permit. In the event that structure on any Lot is not in compliance by that deadline, the Declarant (or Association) may bring the structure into compliance, or remove the structure, without the requirement of any further notice or due process to the Owner, and assess the cost of doing so against the Owner per Article VII(7)(B).

ARTICLE XVI - TRANSITION PROVISIONS, cont.

Section 5. Bank Restoration and Stabilization. Each Owner of a Lot with frontage along the Canal, River or Slough has until August 31, 2006 to provide for stabilization of the bank along that frontage, according to standards set by Kenai Peninsula Borough ordinances or publications, and any standards set by the Association. The Association is responsible for compliance with this Section, for Slough frontage along the Access Easement on Lots 32-38 and Tract B. In the event that any Lot is not in compliance with this Section 5 by that deadline, the Declarant (or Association) may bring the Lot into compliance, without the requirement of any further notice or due process to the Owner, and assess the cost of doing so against the Owner pursuant to Article VII(7)(B).

Section 6. Flood Hazard Area. Each Owner of a Lot with structures existing on the date this Declaration is recorded has until August 31, 2006 to bring such

structures into compliance with the development requirements for structures contained in the KPB 21.06. In the event that any structure on any Lot is not in compliance by that deadline, the Declarant (or Association) may bring the structure into compliance, or remove the structure, without the requirement of any further notice or due process to the Owner, and assess the cost of doing so against the Owner pursuant to Article VII(7)(B). Structures on Lots 22, 23, 29, 52, 87 and 88, existing at the time of the execution of this Declaration, are not subject to this requirement.

Section 7. Waterway Traffic Plan. The Waterway Traffic Plan, attached hereto and incorporated by reference as Exhibit C, shall go into effect on May 1, 2005, and all Lots are subject to the terms and conditions of that Plan. The Waterway Traffic Plan is subject to the River Quest Subdivision Easements and other provisions of this Declaration; particularly, Article XIII, Section 2(D).

Section 8. Declarant's Duty to Pay Assessments. Notwithstanding the provisions of Article VII, Sections 2 and 3, Declarant has no duty to pay any common expense or special assessment for Lots 1-30, until such time as such Lot is conveyed by Declarant, or leased by Declarant or assigns for commercial purposes, pursuant to Article XIII, Section 2(D), above. At the time such Lot is so conveyed or leased, that year's common expense assessment is due in full from Declarant, or assigns, at the time of conveyance or execution of lease. No special assessment may be levied on Lots 1-30, until after such a Lot is conveyed by Declarant.

DECLARANT

DATED: _____

DENCO, INC.
BY: ROBERT R. NASH
ITS: President

STATE OF ALASKA)
)
THIRD JUDICIAL DISTRICT)

ss.

THE FOREGOING INSTRUMENT was acknowledged before me this _____ day of _____, 2004, by ROBERT R. NASH, President, DENCO, INC., an Alaska corporation, BUYER, on behalf of the corporation.

Notary Public for the State of Alaska
My Commission Expires: _____

RECORD IN: **Kenai** Recording District

AFTER RECORDING RETURN TO:

First American Title
105 Trading Bay Road, Suite 103
Kenai, Alaska 99611

EXHIBIT A

to River Quest Subdivision CCRs

Easements Granted To the Association

Easements granted to the Association, as described in the River Quest Subdivision Easements, are summarized below. All easements granted to the Association are non-exclusive and non-possessory. The full description of easement rights, including restrictions on use, is found in the Easement Document, and controls in the event of conflicts with the summary.

1. **Boat Launch**. The Association has an easement for ingress and egress, and to launch (put in and take out) boats, including temporary vehicle parking and temporary boat tie up, and to use the boat launch ramp, on and over Lot 85, River Quest Subdivision, to the Kenai River.

2. **Boat Launch**. The Association has an easement for ingress and egress, and to launch (put in and take out) boats, including temporary vehicle parking and temporary boat tie up, over Lots 56-57, River Quest Subdivision to the Canal. This easement is subject to water levels being high enough to allow for boat launching.

3. **Canal**. The Association has an easement for ingress and egress to and from the Kenai River, for boat moorage, and for maintenance and repair (including dredging) along and through the Canal, and through Lots 48, 49 and 80, for bringing equipment to conduct maintenance, repair and dredging operations.

4. **Kenai River Slough**. The Association has an easement for ingress and egress, and boat moorage, and for maintenance and repair (including dredging) along and through the Kenai River Slough.

5. **Bank Restoration and Stabilization**. The Association has an easement five (5) wide, from the ordinary high water line, around the perimeter of the Canal, Kenai River Slough, or Kenai River, for bank restoration and stabilization.

6. **Turnaround Areas**. The Association has turnaround and utility easements: (a) one from the end of Tract C, over Lots 47-49, 51, 52, 54-56, River Quest Subdivision; (b) one from the end of Meredith Circle over Lots 78, 79, 82, 83, 87, River Quest Subdivision, which is also a utility easement. These easements are shown on the River Quest Subdivision Plat.

7. **Access Easement**. The Association has a restricted use "Access Easement" for vehicular and pedestrian traffic, across Lots 32-38, and Tract B, River Quest Subdivision, subject to a ten (10) feet wide Non Vehicle Use Buffer along the Slough.

This easement is shown on the River Quest Subdivision Plat.

EXHIBIT A, cont.

8. Pedestrian Walkway to Kenai River. The Association has a pedestrian walkway easement across Lot 38, River Quest Subdivision, to access the Kenai River.

9. Tract B. The Association has a pedestrian walkway easement across Tract B.

10. Existing Roads and Utilities. The Association has right of way and utility easements for existing roads and utilities, including utility lines and facilities (pump house, lift stations, meter boards, etc.). The existing right of way easements will be relinquished and re-established on September 1, 2007, as the public (Guy Nash Street) and private (Tract C, Access Easement) rights of way shown on the River Quest Subdivision Plat. Existing utility easements will be relinquished and re-established in documented locations on or before September 1, 2007.

11. Tract D. The Association has an access easement over Government Lot 5, or through the section line easement on the west side of River Quest Subdivision, Phase 2, for ingress and egress to Tract D.

12. Borderline - Castaway Cove. The Association has a pedestrian walkway easement along the border between River Quest Subdivision and Castaway Cove Subdivision, over Tract A, Lots 27, 28, 30, 31.

EXHIBIT B
to River Quest Subdivision CCRs
The Limited Common Elements

Easements Granted to the Association for the Benefit of Less Than All Members (Limited Common Elements) are summarized below. All easements granted to the Association are non-exclusive and non-possessory. The full description of easement rights, including restrictions on use, is found in the Easement Document, and controls in the event of conflicts with the summary.

1. Boat Moorage. There is a limited common area easement for boat moorage, one space per Lot, along the Canal, Kenai River or Slough, as assigned in the Waterway Traffic Plan. Lots within or along the Canal, River or Slough are assigned the one space for boat moorage within that Lot, or along that Lot line. This boat moorage easement includes the right to put a launch pad adjacent to or on the boat moorage space, as long as the launch pad is in compliance with applicable federal, state and municipal laws governing Kenai River waterways. This easement may contain other conditions and restrictions, described in the Easement document. All boat moorage is subject to water levels.

2. Additional Boat Moorage.

a. Two Family Lots. Lots which were developed by the Declarant for two separate families, are assigned two boat moorage spaces per Lot, subject to the same conditions and restrictions as set forth in Section 1, above.

b. Waterway Owners. The Declarant may provide in the purchase and sale documents for an Owner with a Lot within or along the Canal, River or Slough to reserve other boat moorage space within that Lot, or along that Owner's Lot line, upon payment of a premium, to the Declarant at the time of sale of the Lot; subject to the condition that there is sufficient space for boat moorage along the Canal, Kenai River or Slough to accommodate boat moorage space for all other Owners. The Declarant reserves the right to assign additional boat moorage space within or along Lots owned by Declarant.

3. Walkway Easements (Boat Moorage).

a. Gap Areas. There is a restricted use, limited common area easement for a pedestrian walkway, the width of the Canal, from Tract C to the Canal, over Lots 39, 40, 62 and 63, for the purpose of ingress and egress to the Canal, in order to access boat moorage along the Canal, as assigned in the Waterway Traffic Plan.

b. Access to Boat Moorage. There is a restricted use, limited common area easement, for each Lot with boat moorage space assigned along the Canal, Kenai River or Slough, for a pedestrian walkway, five (5) feet wide, centered on a side lot line, and

five (5) feet wide, along the bank of the Canal, Kenai River or Slough, for the purpose of ingress and egress to the Canal, Kenai River or Slough, in order to access that Lot's boat moorage along the Canal, Kenai River or Slough, as assigned in the Waterway Traffic Plan.

EXHIBIT B, cont.

c. Walkway Easement. There is a restricted use, limited common area easement, for each Lot with boat moorage space assigned along the Canal frontage of Lot 39, for a pedestrian walkway, five (5) feet wide, for the purpose of ingress and egress to the Canal, in order to access that Lot's boat moorage along Lot 39, as assigned in the Waterway Traffic Plan.

4. Driveway Easements.

a. There is a restricted use, limited common area driveway easement, for Lots 79-82, fifteen (15) feet wide, centered along the lot line common to Lots 79, 81 and 82, as shown on the River Quest Subdivision Plat.

b. There is a restricted use, limited common area driveway easement, for Lots 41, 42, and 43, the width of the "flag" portion of Lots 42 and 43, along the lot line common to Lots 42 and 43, as shown on the River Quest Subdivision Plat.

c. There is a restricted use, limited common area driveway easement, for Lot 84, consisting of the north fifteen (15) feet of Lot 83, along the lot line common to Lots 83 and 87.

EXHIBIT C - River Quest Subdivision Phase 1 - Waterway Traffic Plan

Lot	CUP Setback	Boat Moorage Spaces		
		No.	Location	Assignment
31	20-feet from the Slough 30 feet from the Canal	4	Slough	Reserved by Declarant
32	15-feet from the River	5	River	1 - Lot 32 Owner 4 - Reserved by Declarant
	50-feet from the Slough	5	Slough	5 - Reserved by Declarant
33	35-feet from the River	3	River	1 - Lot 33 Owner 2 - Reserved by Declarant
	50-feet from the Slough	3	Slough	3 - Reserved by Declarant
34	20-feet from the River	3	River	1 - Lot 34 Owner 2 - Reserved by Declarant
	50-feet from the Slough	2	Slough	2 - Reserved by Declarant
35	35-feet from the River	3	River	1 - Lot 35 Owner 2 - Reserved by Declarant
	50-feet from the Slough	2	Slough	2 - Reserved by Declarant
36	5-feet from the River	3	River	1 - Lot 36 Owner 2 - Reserved by Declarant
	50-feet from the Slough	2	Slough	2 - Reserved by Declarant
37	10-feet from the River	3	River	1 - Lot 37 Owner 2 - Reserved by Declarant
	50-feet from the Slough	2	Slough	2 - Reserved by Declarant
38	15-feet from the River	4	River	1 - Lot 38 Owner 3 - Reserved by Declarant
	50-feet from the Slough	1	Slough	1 - Reserved by Declarant
39	10-feet from the Canal	R	Canal	Reserved by Declarant
	20-feet from the Slough	10	Slough	1 - Lot 39 Owner 9 - Reserved by Declarant
40	10-feet from the Canal	2	Canal	1 - Lot 40 Owner 1 - Reserved by Declarant
41	10-feet from the Canal	3	Canal	1 - Lot 41 Owner 2 - Reserved by Declarant
42	10-feet from the Canal	R	Canal	Reserved by Declarant
	10-feet from the Slough	3	Slough	1 - Lot 42 Owner 2 - Reserved by Declarant
43	10-feet from the Slough	3	Slough	1 - Lot 43 Owner 2 - Reserved by Declarant
44	10-feet from the Slough	3	Slough	1 - Lot 44 Owner 2 - Reserved by Declarant
45	8-feet from the Slough	4	Slough	1 - Lot 45 Owner 3 - Reserved by Declarant

46	8-feet from the Slough	5	Slough	1 - Lot 46 Owner 4 - Reserved by Declarant
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EXHIBIT C, cont.

Lot	CUP Setback	Boat Moorage Spaces		
		No.	Location	Assignment
47	8-feet from the Slough	3	Slough	1 - Lot 47 Owner 2 - Reserved by Declarant
48	5-feet from the Slough	3	Slough	1 - Lot 48 Owner 2 - Reserved by Declarant
49	10-feet from the Canal 5-feet from the Slough	3	Canal	1 - Lot 49 Owner 2 - Reserved by Declarant
50	DOES NOT EXIST			
51	10-feet from the Canal	3	Canal	1 - Lot 51 Owner 2 - Reserved by Declarant
52	10-feet from the Canal	4	Canal	1 - Lot 52 Owner 3 - Reserved by Declarant
53	DOES NOT EXIST			
54	15-feet from the Canal	2	Canal	1 - Lot 54 Owner 1 - Reserved by Declarant
55	10-feet from the Canal	2	Canal	1 - Lot 55 Owner 1 - Reserved by Declarant
56	15-feet from the Canal	3	Canal	1 - Lot 56 Owner 2 - Reserved by Declarant
57	10-feet from the Canal	3	Canal	1 - Lot 57 Owner 2 - Reserved by Declarant
58	20-feet from the Canal	2	Canal	1 - Lot 58 Owner 1 - Reserved by Declarant
59	20-feet from the Canal	2	Canal	1 - Lot 59 Owner 1 - Reserved by Declarant
60	15-feet from the Canal	2	Canal	1 - Lot 60 Owner 1 - Reserved by Declarant
61	10-feet from the Canal	2	Canal	1 - Lot 61 Owner 1 - Reserved by Declarant
62	10-feet from the Canal	3	Canal	1 - Lot 62 Owner 2 - Reserved by Declarant
63	50-feet from the Canal	2	Canal	1 - Lot 63 Owner 1 - Reserved by Declarant
64	50-feet from the Canal	2	Canal	1 - Lot 64 Owner 1 - Reserved by Declarant
65	50-feet from the Canal	2	Canal	1 - Lot 65 Owner 1 - Reserved by Declarant
66	50-feet from the Canal	2	Canal	1 - Lot 66 Owner 1 - Reserved by Declarant

67	50-feet from the Canal	2	Canal	1 - Lot 67 Owner 1 - Reserved by Declarant
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EXHIBIT C, cont.

Lot	CUP Setback	Boat Moorage Spaces		
		No.	Location	Assignment
68	50-feet from the Canal	2	Canal	1 - Lot 68 Owner 1 - Reserved by Declarant
69	50-feet from the Canal	2	Canal	1 - Lot 69 Owner 1 - Reserved by Declarant
70	50-feet from the Canal	2	Canal	1 - Lot 70 Owner 1 - Reserved by Declarant
71	50-feet from the Canal	2	Canal	1 - Lot 71 Owner 1 - Reserved by Declarant
72	50-feet from the Canal	2	Canal	1 - Lot 72 Owner 1 - Reserved by Declarant
73	50-feet from the Canal	2	Canal	1 - Lot 73 Owner 1 - Reserved by Declarant
74	50-feet from the Canal	2	Canal	1 - Lot 74 Owner 1 - Reserved by Declarant
75	50-feet from the Canal	2	Canal	1 - Lot 75 Owner 1 - Reserved by Declarant
76	50-feet from the Canal	2	Canal	1 - Lot 76 Owner 1 - Reserved by Declarant
77	50-feet from the Canal	2	Canal	1 - Lot 77 Owner 1 - Reserved by Declarant
78	50-feet from the Canal	2	Canal	1 - Lot 78 Owner 1 - Reserved by Declarant
79	10-feet from the Canal	R	Canal	Reserved by Declarant
80	10-feet from the Canal	R	Canal	Reserved by Declarant
	15-feet from the River	R	River	Reserved by Declarant
81	20-feet from the River	4	River	1 - Lot 81 Owner
				3 - Reserved by Declarant
82	20-feet from the River	4	River	1 - Lot 82 Owner
				3 - Reserved by Declarant
83	20-feet from the River	R	River	Reserved by Declarant
84	20-feet from the River	R	River	Reserved by Declarant
85				Association easement reserved for boat launch
B		R	River	Reserved by Declarant
		R	Slough	Reserved by Declarant

• R (as used in above chart) = total number of spaces reserved by Declarant.

- All boat moorage subject to water levels.
- No boat shall be parked such that it blocks any other Lot's assigned moorage space, ingress and egress to the Kenai River through the Canal or Slough, or pedestrian access easements. This may mean that the boat must be parked parallel to the Canal or Slough waterline. Association Rule 4.