

RETURN ADDRESS:

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Document Title:

PARTICIPATION AGREEMENT (NORTHWOOD AND SANDY RIDGE FIRST)

Grantor(s):

- (1) NORTHWOOD HOMEOWNERS ASSOCIATION
- (2) SANDY RIDGE FIRST HOMEOWNERS ASSOCIATION

Grantee (s):

- (1) NORTHWOOD HOMEOWNERS ASSOCIATION
- (2) SANDY RIDGE FIRST HOMEOWNERS ASSOCIATION

Legal Description:

Parcel Numbers:

PARTICIPATION AGREEMENT

(NORTHWOOD AND SANDY RIDGE FIRST)

THIS PARTICIPATION AGREEMENT ("Agreement") is entered effective the 15th day of June 2009 (the "Effective Date") between NORTHWOOD HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation ("Northwood"), and SANDY RIDGE FIRST HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation ("Sandy Ridge First"). For mutual benefit, the receipt and sufficiency of which consideration is acknowledged by both parties, the parties agree as follows:

1. Northwood, as an association, represents the owners of 162 lots and dwellings in a residential community commonly known as Northwood. The real property comprising Northwood is legally described on Exhibit "A" attached hereto. Sandy Ridge First, as an association, represents the owners of 6 occupied dwellings out of a total of 70 lots in Sandy Ridge First Addition residential community, and is expected to represent the owners of 70 occupied dwellings and lots at full development. The real property comprising Sandy Ridge is legally described on Exhibit "B" attached hereto.

2. Northwood, on behalf of its members, operates and maintains a community park located on real property legally described on Exhibit "C" attached hereto, and depicted on Exhibit "D" attached hereto (the "Park"). As part of this Agreement, Northwood and Sandy Ridge First intend to provide for the right to use the Park, and the obligation to share in the operation and maintenance expenses for the Park, for the benefit of owners of lots and dwellings in both the Northwood and Sandy Ridge First communities.

3. In order to accomplish such sharing, from and after the Effective Date of this Agreement, all owners within both the Northwood community and the Sandy Ridge First community shall have the right to use and enjoy the Park and any related facilities. All owners of lots in Sandy Ridge First are granted an irrevocable license for the benefit of themselves, their families and their guests to use and enjoy the Park and any related facilities.

4. Northwood shall assume primary responsibility for operating and maintaining the Park, including payment of all costs for third party services associated with such operation and maintenance. At reasonable intervals, no more frequently than monthly and no less frequently than quarterly, Northwood shall provide complete invoices for all reasonable costs

expended by Northwood for operation and maintenance of the Park. Northwood shall maintain records of all reasonable costs expended by Northwood for operation and maintenance of the Park. For purposes of this provision, reasonable expenses will include actual amounts paid to third parties for customary and appropriate operation and maintenance charges, fees paid to third parties for professional management of association activities if a third party is so employed, and a reasonable amount for reserves for anticipated capital repairs and/or replacements. Upon request by Sandy Ridge First, Northwood shall supply appropriate documentation, including invoicing and copies of checks or other means utilized for making payments, related to such expenses, which documentation shall evidence that costs for operation and maintenance of the Park have been segregated from other activities and obligations of Northwood. No costs paid to directors, officers or members of Northwood associated with administering operation and maintenance of the Park shall be included as costs to be shared between Northwood and Sandy Ridge First.

5. Within 45 days of receipt of an invoice therefore, Sandy Ridge shall reimburse Northwood Sandy Ridge's equitable share thereof. For purposes of this provision, the equitable share of Sandy Ridge First shall be equal to the total billing amount, multiplied by the number of occupied dwellings in Sandy Ridge First as of the date of said billing, and divided by the sum of the number of dwellings in Northwood plus the number of then occupied dwellings in Sandy Ridge First. A dwelling will be considered occupied when it is occupied by residents then living in the same (anticipated to be purchasers of such dwellings from the builder constructing dwellings on said Lots). The parties agree the Northwood neighborhood is fully developed. As a new dwelling is occupied in the Sandy Ridge First neighborhood, Sandy Ridge First shall advise Northwood of the fact of an address for the newly occupied dwelling within 30 days of its occupancy. Based on the number of completed dwellings in Northwood and the number of occupied dwellings in Sandy Ridge First as of the Effective Date of this Agreement, as noted in Section 1, Northwood's equitable share of each billing for operation and maintenance of the Park will be 3.57% of the total billing amount (6 occupied dwellings in Sandy Ridge First, divided by 168) (representing the sum of 162 lots in Northwood and 6 lots in Sandy Ridge First, equals .0357). This percentage will change as additional dwellings in Sandy Ridge First are occupied.

6. In addition to the existing Park and in further consideration of the right granted to Sandy Ridge First and its owners to utilize the Park, Sandy Ridge First shall convey to Northwood by quit claim deed a common area tract designated as Tract "D" on the face of the Plat adjacent to the northwest

portion of the Park and at the end of Diamond Lane, which area is to be utilized for parking ("Parking Area"). The Parking Area is generally described and depicted on Exhibit "D" attached hereto. The parties recognize that minor modifications in the size and configuration of the parking area may occur while final approval and construction of the plat of Sandy Ridge occur. Prior to conveying the Parking Area to Northwood, Sandy Ridge shall, at its sole cost and expense, cause the Parking Area to be graded and graveled in a manner customary for graveled vehicular parking areas and suitable for Park users' automobiles and other customary vehicles thereon. As part of grading and graveled the Parking Area, Sandy Ridge shall, at its sole cost and expense, also grade and gravel a walking path from the Parking Area to the remainder of the Park area with a reasonable grade to facilitate pedestrian travel between the Parking Area and Park. After construction and upon conveyance of the Parking Area to Northwood, the Parking Area shall be considered part of the Park for all purposes, including payment and sharing of costs and charges for operation and maintenance. Appropriate maintenance obligations associated with the Parking Area shall consist of grading, graveled, and abating dust. Absent agreement of both Northwood and Sandy Ridge, the Parking Area will not be improved with pavement or other surface other than gravel. Northwood acknowledges that, in the event the Parking Area is improved with pavement or otherwise rendered impervious, it will be the responsibility of Northwood to provide drainage facilities, equipment, apparatus and area (probably to be located within the remainder of the Park) as may be required by applicable governmental authorities in order to approve pavement of the Parking Area. As part of agreeing to make any such improvement to the Parking Area and as a condition thereto, Northwood and Sandy Ridge shall also make appropriate agreement regarding allocation of the cost for such improvement work.

7. In further consideration of the rights granted to Sandy Ridge First under this Agreement, Sandy Ridge First has completed or shall complete, at the sole expense of Sandy Ridge First:

- (a.) Sandy Ridge First has built a fence at a location and according to plans approved by both Northwood and Sandy Ridge First running from the east edge of the turnaround area adjacent to proposed Lot 1 within Sandy Ridge First and continuing around and along the southern border of the Park. The parties acknowledge the fence will serve as a shared amenity providing separation between the Park and Sandy Ridge. Accordingly, maintenance and repair obligations associated with this fence from and after the

Effective Date of this Agreement shall be paid one-half as an maintenance and repair cost associated with the Park pursuant to Sections 4 and 5 above, and one-half by Sandy Ridge First. Such maintenance and repair cost shall be administered and initially paid by Northwood, and Sandy Ridge First's share shall be invoiced and paid, in like fashion as operation and maintenance costs associated with the Park pursuant to Sections 4 and 5 above.

- (b.) As soon as weather makes it reasonably practicable to so following the Effective Date of this Agreement, Sandy Ridge First shall build a gazebo according to plans approved by both Northwood and Sandy Ridge First in the area within the Park depicted on Exhibit "D." Unless otherwise agreed, the gazebo shall be constructed of wood, be painted, and shall be placed on a concrete pad. After completion, operation and maintenance of the gazebo shall be administered and paid for in like fashion as those for the Park itself pursuant to Sections 4 and 5.
- (c.) As soon as weather makes it reasonably practicable to so following the Effective Date of this Agreement, Sandy Ridge First shall install agreed upon playground equipment, consisting of equipment and being installed and placed, according to plans approved by both Northwood and Sandy Ridge First in the locations within the Park depicted on Exhibit "D." After completion, operation and maintenance of this equipment and the areas around it shall be administered and paid for in like fashion as those for the Park itself pursuant to Sections 4 and 5.

8. In further consideration of the rights and obligations of the parties, Northwood shall have the right to require that Sandy Ridge First, at its sole cost and expense, construct vehicle parking spaces along Emerald Lane and encroaching into the existing Park, as depicted on Exhibit "A." In connection with this right, Sandy Ridge First shall provide to Northwood, no later than 30 days from the Effective Date of this Agreement, an updated bid for performing this work from a qualified general contractor. Northwood shall have 30 days from the date of receipt of such bid (with receipt being the date of receipt by Frank J. Cheyney as agent and representative in this matter on behalf of Northwood) to elect whether to have Sandy Ridge First perform the work or to pay the amount of the bid, including applicable sales tax, to Northwood. In the event Northwood fails to deliver written notice to Sandy Ridge First within said 30 days, Northwood shall be deemed to have elected to receive the payment. Should Northwood elect to have Sandy Ridge pay the amount of the bid plus excise tax, any future construction of any parking spaces

shall become Northwood's sole responsibility, recognizing that Northwood may elect not to construct said spaces. Provided, should Northwood receive such funds and elect not to construct said parking spaces, no portion of said transferred funds will be returned by Northwood to Sandy Ridge First, but all of such funds shall be used exclusively for Park purposes.

9. Notwithstanding anything above to the contrary, the parties agree that the gate entry into Sandy Ridge First near the beginning of Emerald Lane, parking spaces adjacent to the Park along Emerald Lane and within the Park and/or Sandy Ridge First (if constructed), and maintenance of Emerald Lane will not constitute shared amenities that are part of the Park, and operation and maintenance of those items will be and remain the sole obligation of Sandy Ridge First and/or applicable governmental authorities who may assume ownership and responsibility for the same. Northwood hereby grants an irrevocable license for purposes of entering onto the applicable portions of the Park in favor of the party or parties responsible for such maintenance, which license extends for the benefit of their contractors and agents so that any reasonable inspection or maintenance can be performed. If reasonably necessary to permit governmental authorities to assume maintenance responsibilities for portions of the parking stalls located in the Park, Northwood will cooperate to dedicate or convey ownership of the same. In order to utilize the Park, including the Parking Area intended to become part of the Park, owners within Northwood shall be provided with appropriate pass codes and/or openers in order to permit Northwood owners to pass through the gate on Emerald to gain access to the Parking Area.

10. This Agreement shall be governed by the laws of the State of Washington.

11. Dispute Resolution. Any dispute the parties are unable to resolve by agreement shall be resolved in binding arbitration conducted before a single arbitrator pursuant to the provisions of Washington's Arbitration Act or its substantial equivalent as then in effect (currently RCW, Chapter 7.04A). The arbitrator shall have the authority, in the arbitrator's discretion, to award fees and costs, including actual attorneys' fees, to the substantially prevailing party in connection with any such proceeding, and in addition to any other remedy the arbitrator deems appropriate.

12. Any notice or other contact required or permitted to be given under this Agreement (except for communications on behalf of Northwood to be conducted through Frank J. Cheyney as provided in Section 8 above) shall be provided in writing and sent by first class mail to the other as follows:

Northwood:

Northwood Homeowners Association
P.O. Box 11244
Spokane, WA 99211

Sandy Ridge First:

Attn: Bryan A. Walker
721 N. Pines Road
Spokane Valley, WA 99206

Either party may change the name of any contact person to which communications or notices are to be directed by written notice delivered to the other party.

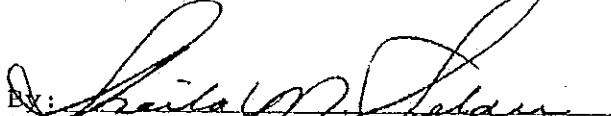
13. This Agreement is made and entered effective as of the date first written above.

14. The persons executing this Agreement represent they have the authority to execute this document on behalf of the parties to be bound hereby.

15. This Agreement is intended to be perpetual in nature, shall run with and inure to the benefit of both Northwood and Sandy Ridge First, including the owners of lots and dwellings in each such community, and shall only be subject to modification by written agreement signed by the authorized representatives of both Northwood and Sandy Ridge First. Rights to use and enjoy the Park and related facilities, and obligations associated with the Park and related facilities, as provided above in this Agreement are appurtenant to each of the lots in Northwood and Sandy Ridge First and, upon sale of any such lot to a new owner, the rights and obligations associated with such lot shall automatically pass to and become binding on such new owner.

16. Either party to this Agreement may cause it to be recorded with the Spokane County, Washington Auditor.

NORTHWOOD HOMEOWNERS ASSOCIATION

By: 
Printed Name: Sheila M. Selder
Title: President

By: _____
Printed Name: _____
Title: _____

SANDY RIDGE FIRST HOMEOWNERS ASSOCIATION

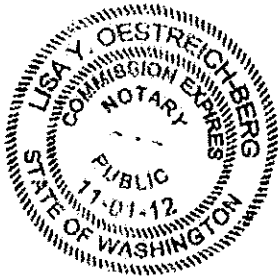
By: [Signature]
Printed Name: Bryan Walker
Title: Auth. Agent

By: _____
Printed Name: _____
Title: _____

STATE OF WASHINGTON)
) ss.
COUNTY OF SPOKANE)

On this 3rd day of April 2009 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Sheila M. Selder to me known to be the President of NORTHWOOD HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation, the corporation that executed the foregoing instrument, and acknowledged the instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned, and on oath stated that she is authorized to execute the instrument.

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



[Signature]
NOTARY PUBLIC in and for the State of
Washington, residing at Spokane.
My commission expires: 11-1-12
LISA Y. OESTREICH-BERG
Print Name

STATE OF WASHINGTON)
)ss.
COUNTY OF SPOKANE)

On this _____ day of _____ 2009 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared _____ to me known to be the _____ of NORTHWOOD HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation, the corporation that executed the foregoing instrument, and acknowledged the instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the instrument.

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

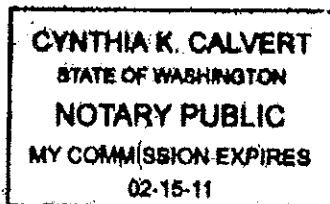
NOTARY PUBLIC in and for the State of
Washington, residing at Spokane.
My commission expires: _____.

Print Name

STATE OF WASHINGTON)
)ss.
COUNTY OF SPOKANE)

On this 15 day of June 2009 before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Bryan Waller and _____ to me known to be the Auth Agent and _____ of SANDY RIDGE FIRST HOMEOWNERS ASSOCIATION, a Washington nonprofit corporation, the corporation that executed the foregoing instrument, and acknowledged the instrument to be the free and voluntary act and deed of the corporation, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the instrument.

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



Cynthia K. Calvert
NOTARY PUBLIC in and for the State of
Washington, residing at Spokane.
My commission expires: 2-15-11.
Cynthia K. Calvert
Print Name

Exhibit "A"

NORTHWOOD Legals

Lots 1 thru 16, inclusive, in Block 1, Lots 1 thru 15 inclusive, in Block 2 and Lots 1 thru 20 inclusive, in Block 3 of **Northwood Addition**, according to Plat recorded in Volume 12 of Plats, Page 38

Lots 1 and 2 in Block 1, Lots 1 thru 7 inclusive, in Block 2, Lots 1 thru 7 inclusive, in Block 3, Lots 1 thru 7 inclusive, in Block 4, Lots 1 thru 9 inclusive, in Block 5 of **Northwood 1st Addition**, according to Plat recorded in Volume 13 of Plats, Page 33

Lots 1 thru 13 inclusive, in Block 1, Lots 1 thru 11 inclusive, in Block 2, Lots 1 thru 44 inclusive, in Block 3, Lots 1 thru 8 inclusive, in Block 4, Lots 1 thru 7 inclusive and Lot 9, in Block 5, Lots 1 thru 11 inclusive and Lots 14 and 15, in Block 6, Lots 1 thru 11 inclusive, in Block 7, Lots 1 thru 5 inclusive, in Block 8 of **Northwood 2nd Addition**, according to Plat recorded in Volume 15 of Plats, Page 41

Lots 1 thru 6 inclusive and Tract C, in Block 1 of **Amended Northwood 2nd Addition**, according to the Plat recorded in Volume 16 of Plats, Page 73

Lots 1 thru 4 inclusive, in Block 1 of **Northwood 3rd Addition**, according to Plat recorded in Volume 16 of Plats, Page 84b

Lots 1, 2 and 8 in Block 1, Lots 9 thru 13 inclusive, in Block 2, Lots 1 thru 12 inclusive, in Block 3, Lots 1 thru 17 inclusive and Lots 24 and 25, in Block 4 of **Northview 4th Addition**, according to Plat recorded in Volume 16 of Plats, Page 81

Lots 1 thru 4 inclusive and Lot 8, in Block 1, Lots 1 thru 6 inclusive, in Block 2, Lots 1 thru 5 inclusive, in Block 3 of **Amended Northwood 4th Addition**, according to Plat recorded in Volume 16 of Plats, Page 82a

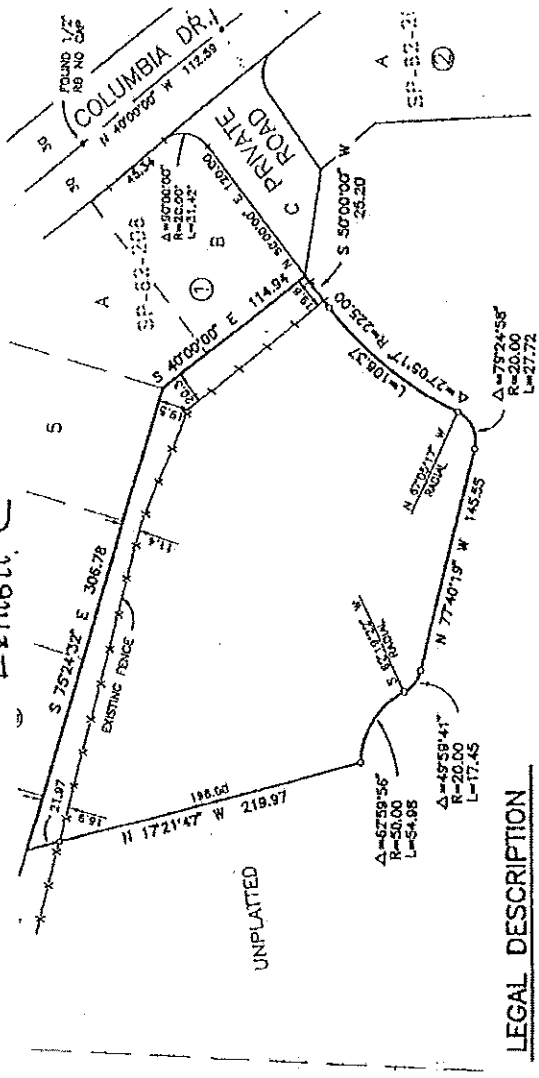
Lots 1 thru 5 inclusive, in Block 1, Lots 1 thru 5 inclusive in Block 2, Lots 6 thru 10 inclusive and Tract X, Lot 1 in Block 4 of **Northwood 5th Addition**, according to Plat recorded in Volume 20 of Plats, Page 13

Exhibit "B"

SANDY RIDGE 1ST ADDITION Legal

Lots 1 thru 39 inclusive, in Block 1, Lots 1 thru 25 inclusive, in Block 2, Lots 1 thru 6 inclusive, in Block 3, Tracts A thru E of Sandy Ridge 1st Addition, according to Plat recorded in Volume 32 of Plats, Page 68

Exhibit C



LEGAL DESCRIPTION

That portion of the W1/2 of the SW1/4 of Section 31, Township 26 North, Range 44 East, W.M., Spokane County, Washington, described as follows:

Beginning at the southwest corner of Tract A, Block 1 of Spokane County Short Plat No. SP 82-208, according to the plat recorded in Book 2, Page 68; thence $S40^{\circ}00'00'' E$, along the southwesterly line of said short plat, 114.94 feet to the southeast corner of Tract 8 of said short plat; thence $S50^{\circ}00'00'' W$, 25.20 feet to the point of curve of a 225.00 foot radius curve to the left; thence along the arc of said curve, through a central angle of $27^{\circ}05'17''$, 106.37 feet to the point of reverse curve of a 20.00 foot radius curve to the right, the center of circle of which bears $N67^{\circ}05'17'' W$; thence along the arc of said curve, through a central angle of $79^{\circ}24'58''$, 27.72 feet to the point of tangent; thence $N77^{\circ}40'19'' W$, 145.55 feet to the point of curve of a 20.00 foot radius curve to the right; thence along the arc of said curve, through a central angle of $49^{\circ}59'41''$, 17.45 feet to the point of reverse curve of a 50.00 foot radius curve to the left, the center of circle of which bears $S62^{\circ}59'56'' W$; thence along the arc of said curve, through a central angle of $62^{\circ}59'56''$, 54.98 feet; thence $N17^{\circ}21'47'' W$, 219.97 feet to the south line of Block 8 of Northwood 2nd Addition, according to the plat, recorded in Book 15, Page 41; thence $S75^{\circ}24'32'' E$, along the south line of said Block 8, a distance of 306.78 feet to the Point of Beginning; containing 1.38 acres.

