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SKYLINE DIVISION 22

DECLARATION OF CONDOMINIUM

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REQUEST OF _____
LAND TITLE COMPANY OF SKAGIT COUNTY

This Declaration of Condominium (the "Declaration") is made this 27th day of October, 1983 by Skyline Associates, a Washington limited partnership (the "Partnership") as owner of all of the real property described on Appendix A hereto which includes the harbor area in Flounder Bay, adjacent to Burrows Bay (the "Harbor") and the uplands area known as Lot 6, Division 19 (the "Land") all of which is located in Skagit County, Washington.

RECITALS

A. Partnership owns the Land, the Harbor, and the improvements constructed thereon (collectively, the "Project"). In accordance with the requirements of RCW 64.32.100, simultaneously with the recording of this Declaration, Partnership is filing in the official records of Skagit County, Washington, a survey map and plans (the "Survey Map") which show proposed dimensions of the Project. An amendment to the Plans will be filed upon completion of the Project.

B. Partnership wishes the Project to be dealt with as condominium property in accordance with the Horizontal Property Regimes Act, RCW Chapter 64.32 (the "Act") and in accordance with the terms of this Declaration.

ARTICLE I
DECLARATION AND INTERPRETATION

1.1 Declaration. Partnership hereby declares the Project to be condominium property subject to all the terms of this Declaration. The Project shall hereafter be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved only in accordance with the requirements of this Declaration and the requirements of the Act.

1.2 Covenants Running With Land. The foregoing declaration by the Partnership and all the terms of this Declaration shall be construed to be covenants running with the land and shall be burdens and benefits to the Partnership as current owner and to all persons who may hereafter acquire any ownership interest in the Project.

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1.3 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of this Project under the provisions of the Act and other relevant Washington statutes. It is also intended that, insofar as it affects this Declaration and the Project, the provisions of the Act referenced herein shall be liberally construed to effect the intent of this Declaration.

ARTICLE II DEFINITIONS

The terms used in this Declaration, unless otherwise specified in this Article II, shall have the meanings assigned to them in the Act.

2.1 Apartment: A place of storage or moorage for a boat.

2.2 Apartment Owner: Any individual, firm, partnership or corporation owning an Apartment in fee simple, absolute or qualified, by way of leasehold or by way of periodic estate, or in any other manner in which real property may be owned, leased or possessed under the laws of the state of Washington, together with an undivided interest in a like estate of the common areas and facilities as defined below in the percentage specified and established herein. "Apartment Owner" shall also include any individual, firm, partnership or corporation which owns a vendee's interest under a real estate contract, but shall not include any interest held or represented solely by an earnest money receipt and agreement.

2.3 Association: The unincorporated or incorporated Association of Apartment Owners acting as a group in accordance with the Bylaws thereof, this Declaration and the Act, as it may be amended from time to time. The Association shall be called the Skyline Division 22 Association of Condominium Owners.

2.4 Board of Directors: Those individuals elected by the Association, who shall manage and administer the Project in accordance with the Bylaws of the Association, this Declaration and the Act.

2.5 Common Areas and Facilities: Shall have the same meaning specified in Section 64.32.010(6) of the Act and shall include, but not be limited to, the following:

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2.5.1 The Land and Harbor, including the bed of Flounder Bay within the area legally described on Appendix A (under Skyline Division 22);

2.5.2 All Piers, including finger piers;

2.5.3 All landscaped areas, gates and signs;

2.5.4 Foundations, columns, pilings, navigational aids, breakwaters, buoys, beams, supports, pile guides and all components of the main walkways of the moorages; including the water, electrical and float connection systems;

2.5.5 All central installations of electrical facilities and all lighting, all central installations of plumbing, garbage and trash facilities and other utilities, including sewers, and those portions of the telephone service systems not furnished and owned by the telephone company or owned individually by the Apartment Owners;

2.5.6 The parking area;

2.5.7 To the extent permitted by law or judicial decision, any and all rights, titles and interest in the waters which ebb and flow within the confines of the Project; and

2.5.8 All other physical structures necessary or incidental to the access, support and enjoyment of an Apartment, unless otherwise specified.

2.5.9 All access and utility easements of record;

2.6 Condominium Unit: The entire estate in the Project which is owned by any Apartment Owner. It shall consist of an undivided interest in the Common Areas and Facilities, ownership of an Apartment and the exclusive use and enjoyment of the Limited Common Areas and Facilities appurtenant thereto.

2.7 Declaration: This instrument and all the appendices hereto which are so designated, as well as any properly recorded amendments hereto.

2.8 Gas Dock: A service station facility located on the far end of the main pier, owned, operated and maintained by Skyline Marina, Inc., located on Tract "D" of Short Plat #AN-83-004.

2.9 Harbormaster: The harbormaster of Skyline Marina.

2.10 Initial Board of Directors: The 3 persons appointed by the Partnership to manage and administer the Project pursuant to this Declaration for the Association until such time as the Apartment Owners elect a Board of Directors as provided herein.

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2.11 Limited Common Areas and Facilities: Those portions of the Common Areas and Facilities which are for the use and enjoyment of particular Apartment Owners to the exclusion of other Apartment Owners. Limited Common Areas and Facilities consist of the finger piers and storage lockers adjacent to each Apartment. Each finger pier and storage locker is limited to use by the Apartment Owners adjacent thereto.

2.12 Mortgage: A mortgage or deed of trust.

2.13 Mortgagee: The holder of a mortgage or the beneficiary under a deed of trust.

2.14 Partnership: Skyline Associates, a Washington limited partnership, of which Harry Davidson is general partner.

2.15 Project: The Land, the Harbor, the improvements and all rights with respect to the Land, the Harbor and the improvements, including without limitation, easements and other restrictions. The Project shall be known as Skyline Division 22, and referred to herein as Skyline Division 22.

2.16 Record: To file of record with the Auditor of Skagit County, Washington.

ARTICLE III THE PROJECT

3.1 Number of Apartments in Project. The Project consists of 91 Apartments. The Apartments are sometimes referred to herein as "moorage slips". Each Apartment is located as shown on the Survey Map. The number of each Apartment and its approximate area is also indicated on the Survey Map. Each Apartment is accessible by water and by foot over the adjacent piers, finger piers, access ramps and walkway easements.

3.2 Rights and Obligations. Each Apartment Owner (including the Partnership, if the Partnership is an Apartment Owner) shall be entitled to all benefits of an Apartment Owner which are set forth in the Bylaws of the Association, the Declaration and the Act, including but not limited to the right to exercise the voting rights described herein. In addition, each Apartment Owner (including the Partnership, if the Partnership is an Apartment Owner) shall be bound by all the obligations which are set forth in the Bylaws of the Association, the Declaration, the Rules and Regulations of the Marina and the Act, including but not limited to the obligation to pay assessments which are described herein as the obligation of Apartment Owners.

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3.3 Common Areas and Facilities. The Common Areas and Facilities are described in paragraph 2.5 above and are shown on the Survey Map, and on the face of Short Plat #AN-83-004.

3.4 Limited Common Areas and Facilities. The Limited Common Areas and Facilities are described in paragraph 2.11 above and are shown on the Survey Map, and on the face of said Short Plat #AN-83-004.

3.5 Easements. The Project is subject to the following easements:

3.5.1 (a) An easement of access is granted to the public during daylight hours along the piers for the sole purpose of visual access to the water.

(b) The Association shall have a perpetual easement on, through, over and under each Apartment and the Limited Common Areas and Facilities for that Apartment, for the purpose of repairing, maintaining, or servicing any of the Common Areas and Facilities or to exercise any other right or perform any other function authorized by this Declaration or the Act.

(c) Pursuant to the Easement Agreement dated October 17 1983, and recorded under Recording No. 8310170064, Records of Skagit County, Washington:

(1) A nonexclusive easement of ingress to and egress from Tract "D" of Short Plat #AN-83-004 (gas dock) along the main pier.

(2) An easement for gasoline and diesel fuel lines, water lines, telephone lines, electrical cables and cable TV lines under the main pier.

(3) An easement for the use of thirty-one parking spaces on the Land, twenty-five of which are to be located along the northerly border of the Land and six of which are to be located along the westerly border at the north-west corner of the Land.

(d) Partnership reserves the airspace above Lot 6, Division 19, pursuant to paragraph 4.3.

3.5.2 In addition, the Apartment Owners are beneficiaries of the following nonexclusive easements pursuant to the Easement Agreement, Skyline Division 22 dated October 17 1983, and recorded under Recording No. 8310170065, Records of Skagit County, Washington burdening the real property described in such Easement Agreement ("Adjacent Property");

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(a) An easement of ingress to and egress from the Project along the open and covered piers and across the walkway, as described on such Easement Agreement.

(b) An easement to load and unload at TD Dock.

(c) An easement of access to and use of garbage dumpster located on TD Dock

(d) An easement of access to the marine pumpout station.

(e) An easement of access to and use of all restrooms and laundry facilities located on the Adjacent Property.

(f) An easement to lay, maintain and repair, operate, remodel or enlarge electrical cables, water mains, telephone lines and cable TV cables to serve the Project.

3.6 Value. The total value of the Project and the value of each Apartment and the respective percentage interest in the Common Areas and Facilities as pertaining to that Apartment and the Apartment Owner thereof for all purposes including voting are set forth in Appendix B hereto. The values assigned to the Project and to each Apartment are for the sole purpose of complying with provisions of the Act and shall not be deemed to establish or otherwise affect the price for which any Apartment may be sold by the Partnership or by any Apartment Owner from time to time.

ARTICLE IV REGULATION OF USES

4.1 Use. All Apartments shall be used solely for the purpose of mooring watercraft on an ownership, rental or lease basis; and for the common social, recreational and other reasonable uses normally incident to such purposes. Determination of whether or not a use is reasonable shall be made by the Board of Directors and shall be binding on all Owners. The Board of Directors may by rule or regulation specify the limits of this use in general and also in particular cases.

4.2 Limitations on Use of Apartments and Common Areas. Each Apartment shall be limited to the mooring of one boat, unless the Apartment Owner receives written permission from the Board of Directors to moor more than one boat.

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Each Apartment Owner shall keep the Apartment and the Limited Common Areas and Facilities appurtenant to the Apartment in neat, orderly condition. An Apartment Owner shall not cause or permit materials, tools or litter of any kind to be present in the Common Areas and Facilities.

No boat shall be moored by an Apartment Owner in the Apartment or permitted to be moored in his Apartment if such boat extends more than two (2) feet beyond the rear wall of the Apartment or if such boat extends beyond any of the other boundaries of said Apartment except, in the discretion of the Harbormaster, for Apartments 17-66. No extension shall be permitted for any other Apartments.

4.3 Parking. Parking spaces are restricted to use for parking of operative vehicles. Other items and equipment may be parked or kept therein only subject to the rules and regulations of the Association. The Board of Directors may require removal of any inoperative vehicle and any other equipment or item not stored in parking spaces in accordance with this provision. If the same is not removed, the Board of Directors may cause removal at the risk and expense of the owner thereof. The use of all parking areas is also subject to specific rules and regulations adopted for the Association.

Partnership has reserved the airspace above the parking area for potential future development which airspace reserved shall be 15 feet higher than the highest point on said tract. If such development does occur, structural columns shall be placed in the parking area and the Association agrees to grant an easement to the Partnership for the columns. There may be a temporary disruption of the area during construction. Partnership also reserves a non-exclusive easement for utilities and access to and from any improvements constructed in said reserved airspace. Such access, utilities and structural columns shall be designed for minimal lessening of the amount of available parking space.

4.4 Uses Affecting Insurance. Without the consent of the Board of Directors, the Apartment Owners shall not permit anything to be done or kept in the Apartments or in the Common Areas and Facilities which will increase the insurance premiums for the Project or result in the cancellation of insurance on any part of the Project.

4.5 Signs. No signs of any kind shall be displayed to the public view on or from any Apartment or from the Common Areas and Facilities without the consent of the Board of Directors except as permitted by the Association's rules and regulations.

4.6 Offensive Activity. No noxious or offensive activity shall be carried on in any Apartment or any of the Common Areas and Facilities, nor shall anything be done therein which may be or become an annoyance or nuisance to other Apartment Owners, or which would be in violation of any laws or local ordinances.

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ARTICLE V
ASSOCIATION OF APARTMENT OWNERS

5.1 Membership. Each Apartment Owner shall be a member of the Association.

5.2 Voting.

5.2.1 At any meeting of the Association each Apartment Owner (including the Partnership if the Partnership shall own any Apartment) shall be entitled to cast the number of votes equal to his percentage interest in the Common Areas and Facilities, provided however that during the term of the Initial Board of Directors, the provisions of paragraph 6.3.4 shall control.

5.2.2 If any Apartment be owned by more than one person, firm or corporation, then the owners thereof shall appoint one person to cast the vote pertaining to the Apartment, and shall file a written statement with the Board of Directors signed by all Apartment Owners, stating that the person has been appointed to cast the vote for that Apartment. The person appointed to cast such vote need not be an Apartment Owner. Any such designation once made may be revoked at any time by any one of the Apartment Owners who has signed the statement, by filing written notice of such revocation with the Board of Directors. In addition, any such appointment shall be deemed revoked when the Board shall receive notice of death or judicially declared incompetency of any Apartment Owner or upon the conveyance of any Apartment Owner of his interest in his Condominium Unit. Where no appointment is made, or where an appointment has been made but is revoked and no new appointment is made, the Apartment Owners in attendance at the meeting may cast the vote for such Apartment only if they unanimously agree.

5.3 Proxy. Voting at any meeting of the Association may be in person or by proxy, provided that such proxy be in writing and be signed by the Apartment Owner and filed with the Directors of the Association in advance of the meeting at which such vote is taken. Any proxy given by an Apartment Owner to or in favor of a holder of indebtedness secured by any recorded first Mortgage (meaning a Mortgage with first priority over other Mortgages or encumbrances) upon his Condominium Unit, shall upon presentment to the Board of Directors, be honored by the Association and may not be revoked by the Apartment Owner without written consent of the holder of such indebtedness.

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ARTICLE VI
BOARD OF DIRECTORS

6.1 Management and Administration of Skyline Division 22.
The Board of Directors shall manage and administer Skyline Div. 22 on behalf of the Association and shall serve without compensation. The 3 members of the Initial Board of Directors shall be appointed by the Partnership and all subsequent directors shall be elected by members of the Association in the manner provided in the Bylaws.

6.2 Powers. In managing and administering Skyline Div. 22, the Board of Directors shall have the following powers and duties:

6.2.1 To enforce the provisions of this Declaration, the Bylaws of the Association, and such other reasonable rules and regulations regarding the maintenance, administration and operation of Skyline Div. 22 as may be established by the Board from time to time.

6.2.2 To prepare and submit to the Association estimates of the common expenses of Skyline Div. 22 to be payable during each fiscal year of the Association, for administration, maintenance, repair or replacement of the Common Areas and Facilities and such other common expenses as may be imposed by law or by this Declaration.

6.2.3 To assess the Apartment Owners for the common expenses of Skyline Div. 22, and to enforce the same by any means provided by law, this Declaration or the Bylaws of the Association.

6.2.4 To determine the amount or amounts of reserves and working capital necessary for proper maintenance, replacement, repair, and operation of Skyline Div. 22 and to assess the Apartment Owners for such amounts.

6.2.5 To order work which the Board of Directors deems necessary to the operation, maintenance, repair and replacement of the Common Areas and Facilities, and any additions or improvements thereto, except however, that the Board shall not make or order work for the construction or installation of any additional capital improvements which cost in excess of \$10,000 without the approval of the Apartment Owners holding a majority interest in the Common Areas and Facilities. For purposes of this subparagraph 6.2.5, "additional capital improvements" shall mean any added improvements which are not intended to replace like or similar improvements which have been damaged or

destroyed by fire or other casualty or which are no longer functional because of wear and tear or obsolescence.

6.2.6 To employ attorneys and accountants and other consultants or specialists as may be reasonably necessary or convenient to the carrying out of the functions of management and administration of Skyline Div. 22 and to authorize and pay their reasonable compensation as common expenses.

6.2.7 To obtain and maintain the kinds and amounts of insurance for Skyline Div. 22 and the Association as required by this Declaration, and such additional kinds or higher amounts of insurance as shall be approved by the Apartment Owners holding a majority interest in the Common Areas and Facilities and to authorize and pay the cost thereof as a common expense.

6.2.8 In the sole discretion of the Board of Directors, to bring actions at law or in equity on behalf of two or more of the Apartment Owners, as their respective interests may appear, with respect to any cause of action relating to the Common Areas and Facilities or to more than one Apartment.

6.2.9 To take action as may be necessary or convenient for the collection of all sums assessed against any Apartment Owner for his share of the common expenses, insofar as the same is not inconsistent with the Act and this Declaration; and to incur such expenses and attorney's fees as may be reasonable, necessary or convenient for the accomplishment of such purpose.

6.2.10 To retain or hire such persons, firms or corporations to exercise on behalf of the Board of Directors such activities and functions of management and administration as the Board of Directors shall deem advisable and proper from time to time.

6.2.11 To exercise and perform all other rights and duties respecting the management and administration of Skyline Div. 22 which are to be performed by the Board of Directors or the Association pursuant to this Declaration.

6.3 Members of the Initial Board of Directors.

6.3.1 The members of the Initial Board of Directors shall be appointed by the Partnership and shall serve as members of the Board until management and administration of Skyline Division 22 are transferred from the Initial Board of Directors to a Board of Directors elected by the Association as provided below.

6.3.2 If any member of the Initial Board of Directors shall die, become incompetent or resign, or if Partnership desires to replace or remove any such member, then Partnership shall have the right and power to appoint a successor-member who shall serve as a director until the Initial Board of Directors transfers responsibility for management and administration of Skyline Div. 22 to the Board of Directors elected by the Association.

6.3.3 During such time as the Partnership's appointees comprise the Initial Board of Directors, such appointees shall have the right to exercise all powers and perform all functions of the Board of Directors as authorized and provided in this Declaration, the Bylaws or the Act.

6.3.4 Neither this Declaration nor the Bylaws of the Association shall be amended, modified or superseded without the express written consent of the Partnership until management and administration of Skyline Div. 22 are transferred from the Initial Board of Directors to a Board of Directors elected by the Association.

6.4 Election of Board of Directors. In the discretion of the Partnership, but in no event later than five (5) years from the date on which this Declaration shall be filed with the Skagit County Auditor, or thirty (30) days following the date on which the Partnership shall have sold 63 of the Units, whichever shall first occur, the Initial Board of Directors shall call a special meeting of the Association according to the Bylaws thereof for the purpose of electing the Board of Directors. Upon such election, the powers and duties of the Initial Board of Directors shall transfer to the new Board of Directors, whose members shall serve until the next annual meeting of the Association at which time their successors shall be elected as provided in the Bylaws.

6.5 Adoption of Bylaws and Amendments.

6.5.1 Within sixty (60) days following the filing of the Declaration with the Skagit County Auditor, the Partnership (being the owner of all of the Apartments) may incorporate the Association, if it so desires and shall adopt the Bylaws for the Association, and appoint the members to the Initial Board of Directors.

6.5.2 The Bylaws may be amended, in whole or in part, by the Board of Directors or by a vote of Apartment Owners having seventy percent (70%) of the voting power at any annual meeting or special meeting called for that purpose. The Board of Directors shall not amend or repeal any Bylaws adopted by

the Apartment Owners; provided that the Apartment Owners shall not amend the Bylaws without the written consent of the Partnership until the Partnership has closed the sale of 63 of the Units.

6.5.3 The Association may take action which is binding upon all Apartment Owners at any properly convened meeting at which a quorum is present or represented by proxy as described in paragraph 5.3 above. A quorum of the Association shall be a majority of the Apartment Owners.

6.6 Common Expenses. The Board of Directors, for the benefit of the Project and the Apartment Owners, shall enforce the provisions hereof and shall acquire and shall pay for, out of the common expense fund hereinafter provided for, the following:

6.6.1 Water, electricity, sewer, garbage collection, and other necessary utility services for the Common Areas and Facilities to the extent not separately metered or charged for the Apartments, plus any public assessments with respect to such services.

6.6.2 A policy or policies of fire insurance, naming as the insured or the Board of Directors as Trustees for the Apartment Owners, with extended coverage for the full insurable replacement value of the Apartments and Common Areas and Facilities, or such other fire and casualty insurance as the Association shall determine which gives substantially equal or greater protection to the Apartment Owners, and their Mortgagees, as their respective interests may appear, which policy or policies shall provide for a separate endorsement for Mortgagees, together with a loss payable endorsement in favor of any Mortgagee or Mortgagees of any Condominium Unit. The amount of such policy or policies shall be reviewed annually by the Board of Directors so that the amounts thereof continually reflect the total full replacement value of the Apartments and Common Areas and Facilities.

6.6.3 A policy or policies insuring the Partnership, the Board of Directors, the Association and the Apartment Owners against any liability to the public, or to any other Apartment Owner, or to any invitees or tenants or any Apartment Owner, for property damage or bodily injury incident to the ownership or use of any Apartment or the Common Areas and Facilities. Limits of liability under such insurance policy or policies shall not be less than Five Hundred Thousand Dollars (\$500,000) for any one person injured; One Million Dollars (\$1,000,000) for any one accident; and Five Hundred Thousand Dollars (\$500,000) for property damage for each occurrence.

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Such policy or policies shall be issued on a comprehensive liability basis and shall provide a cross liability endorsement wherein the rights of the name insured under the policy or policies shall not be prejudiced as respects his, her or their action against another named insured.

6.6.4 Painting, maintenance, replacement, repair and all landscaping of the Common Areas and Facilities, and such equipment for the Common Areas and Facilities as the Board of Directors shall determine to be necessary and proper.

6.6.5 Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board of Directors may procure or pay for pursuant to the terms of this Declaration or the Association's Bylaws, or which the Board shall decide are necessary or proper for the operation and maintenance of the Common Areas and Facilities or for the enforcement of any provisions in this Declaration or the Bylaws of the Association.

6.6.6 Insurance against loss of personal property of the Association by fire, theft and other losses with deductible provisions if and as deemed advisable by the Board of Directors.

6.6.7 Such other insurance as may be required by law or as the Board of Directors deem advisable, including, without limitation, directors' and officers' indemnification coverage after the powers and duties of the Initial Board of Directors are transferred to the Board of Directors pursuant to paragraph 6.4 above and fidelity bonds to the extent there are officers of the Association and/or agents of the Association handling its funds.

6.7 Damage or Destruction to Skyline Div. 22. In the event of any damage or destruction to all or any part of the Common Areas and Facilities, the Board of Directors shall promptly estimate the cost of replacing, restoring, or rebuilding such damaged or destroyed property, using such appraisers, contractors, engineers, architects, or other experts or consultants as the Board shall in its sole discretion deem appropriate. If the estimated cost shall be less than \$50,000 and the Board of Directors determines that such damage or destruction should be repaired or replaced, then the Board of Directors shall retain and hire such appraisers, architects, engineers, contractors, consultants or other persons as may be necessary to restore, rebuild or repair such damaged and destroyed property. The Board shall also collect the insurance proceeds, if any, and apply same to the cost of restoration, repair or reconstruction and if the insurance proceeds shall be insufficient to pay the costs thereof, the Board shall assess each

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Apartment Owner for such deficiency according to his percentage interest in the Common Areas and Facilities. If the estimated cost of replacement, repair, restoration, or reconstruction is greater than \$50,000, or the Board of Directors determines not to repair or restore such damage or destruction, then the Board of Directors shall promptly call a special meeting of the members of the Association as provided in the Bylaws thereof, and a vote by the Apartment Owners holding a majority percentage interest in the Common Areas and Facilities shall determine whether Skyline Div. 22 shall be sold, repaired, restored, or rebuilt. If the Association shall vote not to rebuild, repair, or restore the damaged or destroyed elements, the Board may nevertheless expend such portions of the insurance proceeds, if any, as may be reasonably necessary to remove the remains of the improvements and put the site into a satisfactory condition as may be required by any governmental rule or regulation, or in such condition as the Board of Directors may reasonably determine is necessary to protect the Apartment Owners from potential liability accruing from the condition of the site, and the balance of the proceeds shall thereafter be distributed as provided by law.

6.8 Assessments.

6.8.1 Within thirty (30) days prior to the beginning of each fiscal year of the Association, the Board of Directors shall estimate the net charges (as described in paragraph 6.6 above) to be paid by the Association during such year, (less any expected income and any surplus from the prior year's fund) and such "estimated cash requirement" shall be assessed to the Apartment Owners pursuant to their percentage interests in the Common Areas and Facilities. If the estimated cash requirement proves inadequate for any reason, including nonpayment of any Apartment Owner's assessment, a further assessment ("special assessment") may be levied, which shall be assessed against the Apartment Owners in like proportions. Each Apartment Owner shall be obligated to pay any assessments made pursuant to this paragraph to the Association in equal monthly installments due the first day of every month. After Partnership has relinquished control of Skyline Div. 22 to the Association as defined in paragraph 6.4 above, the estimated cash requirement shall include a reasonable provision for contingencies and replacements.

6.8.2 All funds collected hereunder shall be expended for the purposes designated herein.

6.8.3 The omission, before the expiration of any year, to fix the assessments hereunder for that or the next year, shall not be deemed a waiver or modification in any respect of

the provisions of this Declaration, or a release of the Apartment Owner from the obligation to pay the assessments, or any installment thereof for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed. Amendments to this paragraph shall be effective only upon written consent of seventy percent (70%) of the Apartment Owners and their Mortgagees. No Apartment Owner may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of the Common Areas and Facilities or Limited Common Areas and Facilities, or by abandonment of his Apartment.

6.8.4 The Association shall keep detailed, accurate records, in chronological order, of the receipts and expenditures affecting the Common Areas and Facilities or Limited Common Areas and Facilities, specifying and itemizing the operation, maintenance, replacement and repair expenses of the Common Areas and Facilities and Limited Common Areas and Facilities and any other expenses incurred. Records and vouchers authorizing the payments involved shall be available for examination by the Apartment Owners during business hours.

6.9 Default in Payment of Assessments.

6.9.1 Each monthly assessment and each special assessment shall be separate, distinct and personal debts and obligations of the Apartment Owner against whom the same are assessed at the time the assessment is made and shall be collectible as such. If an Apartment Owner fails to pay any assessment within fifteen (15) days of the date on which such assessment is due, in addition to other remedies herein, the Board of Directors shall have the power to assess late charges of four percent (4%) of the delinquent amounts assessed.

6.9.2 If such delinquent assessments continue unpaid, the amount of any delinquent assessments, whether regular or special, assessed to the Apartment Owner, plus interest thereon at the highest rate permitted by law from the due date until paid, and collection costs, including reasonable attorney's fees, shall become a lien upon his Condominium Unit as provided in the Act. The lien for nonpayment of common expenses shall have priority over all other liens and encumbrances, recorded or unrecorded, except:

(a) Tax and special assessment liens on the Condominium Unit in favor of any assessment unit or special district, and

(b) Encumbrances on the Apartment Owner's Condominium Unit which, under the Act, constitute liens that are prior to the lien for common expenses.

A lien for nonpayment of an assessment may be enforced or foreclosed by the Board of Directors on behalf of the Association, or by a bank, trust company, or savings and loan association. The foreclosure shall be conducted in the manner permitted by law. In any such foreclosure, the Apartment Owner shall be required to pay the costs and expenses of such proceedings and reasonable attorney's fees.

If a foreclosure proceeding is instituted because of the failure of an Apartment Owner to make timely payments of monthly assessments or special assessments, the Board of Directors acting on behalf of the Association shall send a duplicate notice of such foreclosure action to any Mortgagee with a recorded interest in the Condominium Unit.

In case of a foreclosure, the Apartment Owner shall be required to pay a reasonable rental for the Unit from commencement of the foreclosure action through its finalization and the plaintiff in such action shall be entitled to the appointment of a receiver to collect the rental without regard to the value of the mortgage security. The Association shall have the power to bid on the Condominium Unit at the foreclosure sale and to hold, lease, mortgage, and sell or convey or otherwise transfer the Condominium Unit.

6.9.3 A suit to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same.

6.9.4 In addition to any other method for the collection of any unpaid delinquent assessments, the Board of Directors shall have the right at any time to terminate, or have terminated, any or all utility services to any Apartment for which any assessment is delinquent, provided that ten (10) days written notice is given to the Apartment Owner of the Board's intention to terminate such services. Such written notice may be delivered personally to the Apartment Owner (or if there be more than one Apartment Owner, then to any one of them) or deposited in the United States mail, postage prepaid, and addressed to the Apartment Owner's address as the same appears on the records of the Association. Upon termination, such utility services shall remain severed until all assessments respecting such Condominium Unit have been paid in full.

6.10 Mortgagee Protection. Notwithstanding all other provisions hereof:

6.10.1 The assessment liens created hereunder upon any Condominium Unit shall be subject and subordinate to, and shall not affect the rights of the holder of an indebtedness secured by any recorded Mortgage upon any Apartment made in good faith and for value.

6.10.2 Where the Mortgagee of a Mortgage of record or other purchaser of a Condominium Unit obtains possession of the Condominium Unit as a result of foreclosure of the Mortgage, such possessor, his successors and assigns shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Condominium Unit which became due prior to such possession. Such unpaid share of common expense of assessments shall be deemed to be common expenses collectible from all of the Apartment Owners, including such possessor, and his successors or assigns.

6.10.3 Where the Mortgagee of a Mortgage of record or other purchaser of a Condominium Unit obtains possession of the Condominium Unit as a result of foreclosure of the Mortgage, such possessor, and his successors or assigns shall be liable for common expenses or assessments by the Association chargeable to such Condominium Unit which become due at or after the time of such possession, and such possessor shall pay such common expenses or assessments in the manner prescribed for any other Apartment Owner in this Declaration, the Bylaws and the Act.

ARTICLE VII
OWNERSHIP AND POSSESSION OF APARTMENTS

7.1 Exclusive Ownership. Each Apartment Owner shall have exclusive ownership and possession of his own Apartment, and the use and possession of the Limited Common Areas and Facilities which are designated for his Apartment according to this Declaration and the Survey Map. Each Apartment Owner shall also have an undivided interest in the Common Areas and Facilities as set forth in Appendix B of this Declaration. Such percentage of undivided interest of each Apartment Owner shall have a permanent character and shall not be altered without the consent of one hundred percent (100%) of the Apartment Owners expressed in an amended Declaration duly recorded. The percentage of undivided interest in the Common Areas and Facilities shall not be separate from the Apartment to which it appertains and shall be deemed to be conveyed or encumbered or

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released from liens with the Apartment even though such interest is not expressly mentioned or described in the conveyance or other instrument. Each Apartment Owner may use the Common Areas and Facilities (which are not designated as Limited Common Areas and Facilities) in accordance with the purpose for which they are intended, but without hindering or encroaching upon the lawful rights of the other Apartment Owners to make like use thereof.

7.2 Subdivision or Combinations. No Apartment nor any of the Common Areas and Facilities shall be subdivided or combined except on approval by seventy percent (70%) of the Apartment Owners at a meeting of the Association called for that purpose. Written notice of such meeting expressly setting forth the purpose thereof, shall be given to each Apartment Owner as provided in the Association's Bylaws. Upon approval, the Association shall file with the Skagit County Auditor an amendment to this Declaration and to the Survey Map as may be necessary to fully describe such combined or subdivided Apartment(s) or Common Areas and Facilities.

7.3 Apartment Owner's Obligation to Maintain and Repair.

7.3.1 An Apartment Owner shall not alter, or in any manner modify, paint or otherwise change his Apartment or any of the improvements, including any part of the Common Areas and Facilities without the prior written consent of the Board of Directors. If an Apartment Owner violates the provisions of this subparagraph 7.3.1 or the provisions of subparagraph 7.3.2 below, such Apartment Owner shall pay all costs of every kind and nature which are reasonably incurred by the Board of Directors in putting the Apartment and/or the improvements in the same condition as prior to such violation by the Apartment Owner.

7.3.2 Each Apartment Owner shall promptly discharge any lien which may hereafter be filed against his Condominium Unit and shall otherwise abide by the provisions of the Act.

7.4 Prohibition Against Structural Change by Apartment Owners. An Apartment Owner shall not do any act or work which will impair the structural soundness or integrity of the improvements or safety of the Project or impair any easement or hereditament with respect to the Project. No Apartment Owner shall make or permit to be made any structural alterations, improvements or additions of whatever kind or type, in or to the Apartment, or in or to any of the improvements, including any part of the Common Areas and Facilities or Limited Common Areas and Facilities, or paint or decorate any portion of the improvements, including any part of the Common Areas and

Facilities and Limited Common Areas and Facilities, without first obtaining the written consent of the Board of Directors.

7.5 Entry for Repairs. Any employee, contractor or other agent of the Association may enter any Apartment or the Limited Common Areas and Facilities when necessary in connection with any repair, maintenance, or construction for which the Association is responsible.

ARTICLE VIII
MISCELLANEOUS PROVISIONS

8.1 Failure to Insist on Strict Performance Not Waiver. The failure of the Board of Directors to insist in any one or more instances upon the strict performance of any of the provisions of this Declaration, or to exercise any right or option herein contained or to serve any notice or to institute any action shall not be construed as a waiver or a relinquishment for the future of the right to enforce said provision, or any other provision hereof and said provision shall remain in full force and effect. The receipt by the Board of Directors of payment of any assessment from an Apartment Owner, with knowledge of breach of any covenant hereof shall not be deemed a waiver of such breach, and no waiver by the Board of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the authorized officers of the Association.

8.2 Partition. There shall be no judicial partition of Skyline Div. 22 or any part thereof, nor shall any Apartment Owner or any person acquiring any interest in Skyline Div. 22, or any part thereof, seek any such judicial partition, unless Skyline Div. 22 has been removed from the provisions of the Act; provided, however, that if any Condominium Unit shall be owned by two or more co-tenants as tenants-in-common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition as between such co-tenants, but any such partition shall not affect any other Condominium Unit.

8.3 Enforcement. Each Apartment Owner shall comply strictly with the provisions of this Declaration and with the Bylaws of the Association as the same may be lawfully amended from time to time, and with decisions made or adopted by the Association or its Board of Directors, pursuant to this Declaration and the Bylaws. Failure to comply with the same shall be grounds for an action to recover sums due for damages or injunctive relief or both, maintainable by the Association on behalf of the Apartment Owners, or in a proper case, by an aggrieved Apartment Owner.

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8.4 Personal Property. The Board of Directors may acquire and hold for the benefit of the Apartment Owners tangible and intangible personal property and may dispose of the same by sale or otherwise; and the beneficial interest in such personal property shall be owned by the Apartment Owners in the same proportion as their respective percentage interests in the Common Areas and Facilities, and shall not be transferable except with a transfer of a Condominium Unit. A transfer of a Condominium Unit shall transfer to the transferee ownership of the transferor's undivided interest in such personal property.

8.5 Audit. Any Apartment Owner may at any time, at his own expense, cause an audit or inspection to be made of the books and records of Skyline Div. 22. The Board of Directors, as a common expense, shall obtain an audit of all books and records pertaining to Skyline Div. 22 at such intervals as the Board shall determine and copies shall be furnished to all Apartment Owners.

8.6 Conveyance of Condominium Unit. If any Apartment Owner sells, conveys or otherwise transfers his Condominium Unit, or any interest therein, such Apartment Owner shall provide written notice to the Association of such sale, transfer or other disposition of the Condominium Unit within five (5) days of the date thereof.

8.7 Rental of Condominium Units. Any Apartment Owner may rent or lease the Condominium Unit, provided that the lessee of any Condominium Unit shall be bound by the terms and conditions of this Declaration, and the Act.

8.8 Amendment. Except as otherwise provided herein, in the Bylaws of the Association or in the Act, the provisions of this Declaration may be amended by an instrument in writing signed and acknowledged by not less than seventy percent (70%) of Apartment Owners and such amendment shall be effective upon recording with the Skagit County Auditor.

8.9 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provisions hereof.

8.10 Limitation of Liability. The Board of Directors shall not be liable for any failure of any utility or other service obtained and paid for by the Board, or for injury or damage to person or property (including, but not limited to watercraft moored in the moorage slips) caused by any Apartment Owner's carelessness or negligence or by the elements, or resulting

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from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the Improvements, including from any of the pipes, drains, conduits, appliances, or equipment, or from any other place. No diminution or abatement of common expense assessments shall be claimed or allowed for inconveniences or discomfort from any action taken to comply with any law, ordinance or orders of any governmental authority. This exemption and limitation of liability extends to the entire Association as well as the Board. This action shall not be interpreted to impose any form of liability by implication upon the Board or the Association. This section also extends to the Partnership and its appointees who shall exercise the powers and serve as the Initial Board of Directors during the initial period of operation of Skyline Div. 22.

8.11 Service of Process. Mr. Harry Davidson, whose address is 5017 Claremont Way, Everett, Washington 98203 shall be the person to receive service of process in all cases provided for under the Act. After the Initial Board of Directors has called a special meeting of its members for the purpose of electing new directors, the Board of Directors shall designate another person, firm, or corporation to receive service of process by filing an amendment to this Declaration limited to the sole purpose of making such change, and such amendment, to be effective, need only be signed and acknowledged by the members of the Board of Directors. The Partnership may at any time prior to such first special meeting of the Board of Directors, change this designation by amendment to the Declaration signed solely by the Partnership.

8.12 Indemnification of Board Members. Each member of the Board, and each officer or employee of the Association shall be indemnified by the Apartment Owners against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which he or it may be a party, or in which he or it may become involved, by reason of being or having been a member of the Board of Directors, an officer or an employee of the Association, or any settlement thereof, whether or not in such capacity at the time such expenses or liabilities are incurred, except in such cases wherein such individual is adjudged guilty of willful malfeasance or nonfeasance in the performance of his duties; provided, that in the event of a settlement the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interest of the Association. This paragraph shall extend to and apply also for the indemnification of the Partnership and the members of the Initial Board of Directors during the initial period of operation of the Project.

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DATED this 27th day of October, 1983.

SKYLINE ASSOCIATES,
a Washington limited partnership

By Harry Davidson
Harry Davidson
Its General Partner

STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

THIS IS TO CERTIFY that on this 27th day of Oct. 1983, before me, the undersigned, a notary public in and for the state of Washington, duly commissioned and sworn, personally appeared HARRY DAVIDSON, to me known to be the General Partner of SKYLINE ASSOCIATES, a Washington limited partnership, and acknowledged the said instrument to be his free and voluntary act and deed for the uses and purposes therein.

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

Gale A. Hubok
Notary public in and for the state of
Washington, residing at 141 Verum

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APPENDIX "A-1"

LEGAL DESCRIPTION OF THE PROPOSED SKYLINE NO. 22:

a.) Tract "C" of "Skyline Short Plat" No.: AN-83-004, according to the "Survey Map" recorded in Book 6 of Short Plats at pages 87-90, under Auditor File #8310120030, records of Skagit County, Wash., EXCEPTING THEREOF the following described strip of real estate property:

Beginning at the Southeasterly corner of said "Tract C":

Thence: N73°41'56"W - along the Southerly line of said "Tract C" - 260.000 feet;
Thence: N16°18'04"E - 18.438 feet;
Thence: S75°14'15"E - 260.094 feet; to the Easterly line of said "Tract C";
Thence: S16°18'04"W - along said Easterly line - 25.421 feet to the point of beginning, containing 5703 square foot more or less.

b.) Tract 6, "SKYLINE NO. 19", as per plat recorded in Volume 13 of Plats, pages 19, 20 and 21, records of Skagit County, Washington.

c.) Those certain easement rights as set forth in those certain reciprocal Easement Agreements dated and recorded October 17, 1983 under Auditor's File Nos. 8310170064 and 8310170065, records of Skagit County, Washington.

SKYLINE CONDOMINIUM DIVISION 22

APPENDIX "B"

<u>UNIT NO.</u>	<u>VALUE SELLING PRICE PER UNIT</u>	<u>% OF UNDIVIDED INTEREST IN GENERAL AND LIMITED COMMON AREAS PER UNIT</u>
1	\$38,250	1.0183
2	40,800	1.0862
3	60,800	1.6187
4	60,800	1.6187
5	60,800	1.6187
6	60,800	1.6187
7	60,800	1.6187
8	60,800	1.0862
9	40,800	1.0862
10	40,800	1.0409
11	39,100	1.0409
12	39,100	1.6187
13	60,800	1.6187
14	60,800	1.6187
15	60,800	1.6187
16	60,800	1.0409
17	39,100	.9052
18	34,000	.9052
19	34,000	.9052
20	34,000	.9052
21	34,000	.9052
22	34,000	.9052
23	34,000	.9052
24	34,000	.9052
25	34,000	.9052
26	34,000	.9052
27	34,000	.9052
28	34,000	.9052
29	34,000	.9052
30	34,000	.9052
31	34,000	.9052
32	34,000	.9052
33	34,000	.9052
34	34,000	.9052
35	34,000	.9052
36	34,000	.9052
37	34,000	.9052
38	34,000	.9052
39	34,000	1.7704
40	66,500	

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UNIT NO.	VALUE SELLING PRICE PER UNIT	% OF UNDIVIDED INTEREST IN GENERAL AND LIMITED COMMON AREAS PER UNIT
41	66,500	1.7704
42	57,000	1.5175
43	57,000	1.5175
44	57,000	1.5175
45	57,000	1.5175
46	37,400	.9957
47	37,400	.9957
48	37,400	.9957
49	37,400	.9957
50	37,400	.9957
51	37,400	.9957
52	40,800	1.0862
53	40,800	1.0862
54	40,800	1.0862
55	40,800	1.0862
56	40,800	1.0862
57	40,800	1.0862
58	40,800	1.0862
59	40,800	1.0862
60	40,800	1.0862
61	40,800	1.0862
62	40,800	1.0862
63	40,800	.9957
64	37,400	.9957
65	37,400	.9957
66	37,400	.9957
67	37,400	.9957
68	37,400	.9957
69	37,400	.9957
70	37,400	.9957
71	37,400	.9957
72	37,400	.9957
73	37,400	.9957
74	37,400	.9957
75	37,400	.9957
76	37,400	.9957
77	37,400	.9957
78	37,400	.9957
79	37,400	.9957
80	37,400	.9957
81	37,400	.9957
82	37,400	.9957
83	37,400	.9957
84	37,400	.9957
85	37,400	.9957

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<u>UNIT NO.</u>	<u>VALUE SELLING PRICE PER UNIT</u>	<u>% OF UNDIVIDED INTEREST IN GENERAL AND LIMITED COMMON AREAS PER UNIT</u>
86	37,400	.9957
87	37,400	.9957
88	37,400	.9957
89	37,400	.9957
90	37,400	.9957
91	37,400	.9957
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	\$3,756,150	100.0000

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