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JERRY MCINTURE  
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85 NOV 15 P 4:28  
RECORD REQUEST OF

DECLARATION

AND

COVENANTS, CONDITIONS, RESTRICTIONS, AND RESERVATIONS

FOR

FIDALGO SHORES CONDOMINIUM

A Condominium

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VOL 625 PAGE 337

## Table of Contents

|                                                                      | <u>Page</u> |
|----------------------------------------------------------------------|-------------|
| ARTICLE 1. DEFINITIONS                                               | 1           |
| Section 1.1 Words Defined                                            | 1           |
| Section 1.2 Form of Words                                            | 3           |
| Section 1.3 Statutory Definitions                                    | 3           |
| ARTICLE 2. SUBMISSION OF THE PROPERTY TO THE CONDOMINIUM STATUTE     | 3           |
| ARTICLE 3. DEVELOPMENT IN PHASES; DESCRIPTION OF LAND                | 3           |
| Section 3.1 Intention to Develop in Phases                           | 3           |
| Section 3.2 Expansion into Subsequent Phase                          | 4           |
| Section 3.3 Improvements in Subsequent Phase                         | 4           |
| Section 3.4 Joint Use and Maintenance of Common Areas and Facilities | 4           |
| Section 3.5 Consents                                                 | 5           |
| Section 3.6 Liens                                                    | 5           |
| Section 3.7 Election Not to Expand into Subsequent Phase             | 5           |
| ARTICLE 4. DESCRIPTION OF BUILDINGS                                  | 5           |
| ARTICLE 5. UNIT NUMBERS, LOCATION, AND DESCRIPTION                   | 5           |
| ARTICLE 6. COMMON AREAS AND FACILITIES                               | 6           |
| Section 6.1 Description                                              | 6           |
| Section 6.2 Use                                                      | 7           |
| Section 6.3 Prohibition Against Abandonment, Partition, etc.         | 7           |
| ARTICLE 7. LIMITED COMMON AREAS AND FACILITIES                       | 7           |
| Section 7.1 Description                                              | 7           |
| Section 7.2 Subsequent Phase                                         | 8           |
| Section 7.3 Appurtenant to Units                                     | 8           |
| ARTICLE 8. ACCESS                                                    | 8           |

**8511150056**    - 1 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 338

|             |                                                                                                           |    |
|-------------|-----------------------------------------------------------------------------------------------------------|----|
| ARTICLE 9.  | VALUE OF PROPERTY AND EACH UNIT AND<br>PERCENTAGE OF UNDIVIDED INTEREST IN<br>COMMON AREAS AND FACILITIES | 8  |
|             | Section 9.1 Schedule of Values and<br>Percentages                                                         | 8  |
|             | Section 9.2 Effect of Subsequent Phase                                                                    | 8  |
| ARTICLE 10. | PARKING                                                                                                   | 9  |
|             | Section 10.1 Assignment to Units                                                                          | 9  |
|             | Section 10.2 Use of Driveways                                                                             | 9  |
| ARTICLE 11. | PERMITTED USES; MAINTENANCE OF UNITS;<br>CONVEYANCES                                                      | 9  |
|             | Section 11.1 Residential Use                                                                              | 9  |
|             | Section 11.2 Leases                                                                                       | 9  |
|             | Section 11.3 Maintenance of Units and<br>Limited Common Areas                                             | 10 |
|             | Section 11.4 Exterior Appearance                                                                          | 10 |
|             | Section 11.5 Effect on Insurance                                                                          | 10 |
|             | Section 11.6 Alteration of Common Area                                                                    | 11 |
|             | Section 11.7 Signs                                                                                        | 11 |
|             | Section 11.8 Pets                                                                                         | 11 |
|             | Section 11.9 Offensive Activity                                                                           | 11 |
|             | Section 11.10 Conveyances; Notice Required                                                                | 11 |
| ARTICLE 12. | ENTRY FOR REPAIRS OR MAINTENANCE                                                                          | 12 |
| ARTICLE 13. | SERVICE OF PROCESS                                                                                        | 12 |
| ARTICLE 14. | OWNERS ASSOCIATION                                                                                        | 12 |
|             | Section 14.1 Form of Association                                                                          | 12 |
|             | Section 14.2 Articles and Bylaws                                                                          | 13 |
|             | Section 14.3 Qualification for Membership                                                                 | 13 |
|             | Section 14.4 Transfer of Membership                                                                       | 13 |
|             | Section 14.5 Number of Votes                                                                              | 13 |
|             | Section 14.6 Voting Representative                                                                        | 13 |
|             | Section 14.7 Joint Owner Disputes                                                                         | 14 |
|             | Section 14.8 Pledged Votes                                                                                | 14 |
|             | Section 14.9 Annual and Special Meetings                                                                  | 14 |
|             | Section 14.10 Audits                                                                                      | 14 |
|             | Section 14.11 Books and Records                                                                           | 15 |
|             | Section 14.12 Inspection of Condominium<br>Documents, Books, and<br>Records                               | 15 |

|             |                                                                                                        |    |
|-------------|--------------------------------------------------------------------------------------------------------|----|
| ARTICLE 15. | NOTICES                                                                                                | 15 |
|             | Section 15.1 Form and Delivery of Notice                                                               | 15 |
|             | Section 15.2 Notices to Holders,<br>Insurers and Guarantors<br>of Mortgages                            | 15 |
| ARTICLE 16. | ADMINISTRATION OF PROPERTY; RIGHTS RETAINED<br>BY DECLARANT                                            | 16 |
|             | Section 16.1 Transition Date                                                                           | 16 |
|             | Section 16.2 Declarant's Powers Until<br>Transition Date                                               | 17 |
| ARTICLE 17. | AUTHORITY OF THE BOARD                                                                                 | 17 |
|             | Section 17.1 Adoption of Rules and<br>Regulations                                                      | 17 |
|             | Section 17.2 Enforcement of Declaration,<br>Etc.                                                       | 17 |
|             | Section 17.3 Goods and Services                                                                        | 18 |
|             | Section 17.4 Additions and Improvements                                                                | 18 |
|             | Section 17.5 Managing Agent                                                                            | 18 |
|             | Section 17.6 Protection of Property                                                                    | 19 |
| ARTICLE 18. | BUDGET AND ASSESSMENT FOR COMMON EXPENSES                                                              | 19 |
|             | Section 18.1 Fiscal Year                                                                               | 19 |
|             | Section 18.2 Preparation of Budget                                                                     | 19 |
|             | Section 18.3 Monthly Assessments for<br>Common Expenses; Initial<br>Contribution to Working<br>Capital | 19 |
|             | Section 18.4 Effect of Phases                                                                          | 20 |
|             | Section 18.5 Special Assessments                                                                       | 20 |
|             | Section 18.6 Notice of Assessment                                                                      | 20 |
|             | Section 18.7 Payment of Monthly<br>Assessments                                                         | 21 |
|             | Section 18.8 Proceeds Belong to<br>Association                                                         | 21 |
|             | Section 18.9 Failure to Assess                                                                         | 21 |
|             | Section 18.10 Certificate of Unpaid<br>Assessments                                                     | 21 |
| ARTICLE 19. | LIEN AND COLLECTION OF ASSESSMENTS                                                                     | 21 |
|             | Section 19.1 Assessments Are a Lien;<br>Priority                                                       | 21 |
|             | Section 19.2 Lien May Be Foreclosed                                                                    | 22 |
|             | Section 19.3 Assessments Are Personal<br>Obligation                                                    | 22 |

|              |                                                                 |    |
|--------------|-----------------------------------------------------------------|----|
| Section 19.4 | Late Charges and Interest on Delinquent Assessments             | 22 |
| Section 19.5 | Recovery of Attorneys' Fees and Costs                           | 23 |
| Section 19.6 | Delinquent Assessments - Rented Units                           | 23 |
| Section 19.7 | Remedies Cumulative                                             | 23 |
| Section 19.8 | Security Deposit                                                | 23 |
| ARTICLE 20.  | FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE NO WAIVER      | 23 |
| ARTICLE 21.  | LIMITATION OF LIABILITY                                         | 24 |
| Section 21.1 | Liability for Utility Failure, etc.                             | 24 |
| Section 21.2 | No Personal Liability                                           | 24 |
| ARTICLE 22.  | INDEMNIFICATION                                                 | 24 |
| ARTICLE 23.  | INSURANCE                                                       | 25 |
| Section 23.1 | General Requirements                                            | 25 |
| Section 23.2 | Property Insurance                                              | 25 |
| Section 23.3 | Comprehensive Public Liability Insurance                        | 26 |
| Section 23.4 | Insurance Trustee; Power of Attorney                            | 26 |
| Section 23.5 | Additional Policy Provisions                                    | 27 |
| Section 23.6 | Fidelity Bonds                                                  | 28 |
| Section 23.7 | Owners' Individual Insurance                                    | 28 |
| ARTICLE 24.  | DAMAGE AND REPAIR OF DAMAGE TO PROPERTY                         | 28 |
| Section 24.1 | Initial Board Determination                                     | 28 |
| Section 24.2 | Notice of Damage                                                | 29 |
| Section 24.3 | Definitions: Damage, Substantial Damage, Repair, Emergency Work | 29 |
| Section 24.4 | Execution of Repairs                                            | 30 |
| Section 24.5 | Damage Not Substantial                                          | 30 |
| Section 24.6 | Substantial Damage                                              | 31 |
| Section 24.7 | Effect of Decision Not to Repair                                | 32 |
| ARTICLE 25.  | CONDEMNATION                                                    | 33 |
| Section 25.1 | Consequences of Condemnation; Notices                           | 33 |
| Section 25.2 | Power of Attorney; Proceeds                                     | 33 |
| Section 25.3 | Complete Taking                                                 | 34 |

|             |                                                               |                                            |    |
|-------------|---------------------------------------------------------------|--------------------------------------------|----|
|             | Section 25.4                                                  | Partial Taking                             | 33 |
|             | Section 25.5                                                  | Reconstruction and Repair                  | 34 |
| ARTICLE 26. | EASEMENTS                                                     |                                            | 34 |
|             | Section 26.1                                                  | In General                                 | 34 |
|             | Section 26.2                                                  | Encroachments                              | 35 |
|             | Section 26.3                                                  | Easements and Rights Reserved by Declarant | 35 |
|             | Section 26.4                                                  | Utility Easements Granted by Declarant     | 35 |
| ARTICLE 27. | PROCEDURES FOR SUBDIVIDING OR COMBINING UNITS                 |                                            | 35 |
|             | Section 27.1                                                  | Submission of Proposal                     | 35 |
|             | Section 27.2                                                  | Approval Required for Subdivision          | 36 |
|             | Section 27.3                                                  | Approval Required for Combination          | 36 |
|             | Section 27.4                                                  | Procedure After Approval                   | 36 |
| ARTICLE 28. | AMENDMENTS OF DECLARATION OR SURVEY MAP AND PLANS OR BYLAWS   |                                            | 36 |
|             | Section 28.1                                                  | Procedures                                 | 36 |
|             | Section 28.2                                                  | Percentages of Consent Required            | 37 |
| ARTICLE 29. | ABANDONMENT OR TERMINATION OF CONDOMINIUM STATUS              |                                            | 38 |
| ARTICLE 30. | SEVERABILITY                                                  |                                            | 38 |
| ARTICLE 31. | EFFECTIVE DATE                                                |                                            | 38 |
| ARTICLE 32. | REFERENCE TO SURVEY MAP AND PLANS                             |                                            | 38 |
| ARTICLE 33. | ASSIGNMENT BY DECLARANT                                       |                                            | 39 |
| SCHEDULE A. | Description of Land                                           |                                            |    |
| SCHEDULE B. | Descriptions of Buildings                                     |                                            |    |
| SCHEDULE C. | Unit Descriptions, Values, and Percentages Undivided Interest |                                            |    |
| SCHEDULE D. | Bylaws                                                        |                                            |    |

- v -

9/25/85

2601/2:GNA

8511150056

VOL 625 PAGE 342

ARTICLE 1. DEFINITIONS.

Section 1.1 Words Defined. For the purposes of this Declaration and any amendment hereto, the following definitions shall apply.

1.1.1 Association shall mean the Association of Apartment Owners described in Article 14 of this Declaration.

1.1.2 Board shall mean the board of directors of the Association.

1.1.3 Bylaws shall mean the bylaws of the Association in the form attached hereto as Schedule D, as they may from time to time be amended.

1.1.4 Common Area and Common Areas and Facilities shall mean the common areas and facilities described in Article 6 and in Article 7.

1.1.5 Condominium shall mean the horizontal property regime created by this Declaration.

1.1.6 Condominium Statute shall mean the Horizontal Property Regimes Act of the state of Washington, Laws of 1963, Chapter 156, presently codified in Chapter 64.32, Revised Code of Washington, and amendments thereto.

1.1.7 Declarant shall mean West Coast Land Investments, Inc., a Washington corporation, and its representatives, successors, and assigns.

1.1.8 Declaration shall mean this Declaration and Covenants, Conditions, Restrictions, and Reservations for Fidalgo Shores Condominium, as it may from time to time be amended.

1.1.9 Eligible Holder shall mean a holder of a first mortgage on a unit that has requested notices under Section 15.2.

1.1.10 Eligible Insurer or Guarantor shall mean an insurer or governmental guarantor of a first mortgage that has requested notices under Section 15.2.

1.1.11 FHLMC shall mean Federal Home Loan Mortgage Corporation.

8511150056 - 1 -

9/25/85  
2601/2:GNA

VOL 625 PAGE 343

1.1.12 First Mortgage and First Mortgagee shall mean, respectively, (a) a recorded mortgage on a unit that has legal priority over all other mortgages thereon, and (b) the holder, insurer or guarantor of a first mortgage.

1.1.13 FNMA shall mean Federal National Mortgage Association.

1.1.14 HUD shall mean Department of Housing and Urban Development.

1.1.15 Managing Agent shall mean the person designated by Declarant under Section 16.2 or by the Board under Section 17.4.

1.1.16 Mortgage shall mean a recorded mortgage or deed of trust that creates a lien against a unit and shall also mean a real estate contract for the sale of a unit.

1.1.17 Mortgagee shall mean the beneficial owner, designee of the beneficial owner, insurer or guarantor of an encumbrance on a unit created by a mortgage or deed of trust and shall also mean the vendor, or the designee of a vendor, of a real estate contract for the sale of a unit.

1.1.18 Owner shall mean the legal owner of a unit.

1.1.19 Person shall mean an individual, corporation, partnership, association, trustee, or other legal entity.

1.1.20 Property shall mean the land and the buildings and all improvements and structures now or hereafter placed on the land described in Schedule A as Parcel A. When (and if) Declarant records a Subsequent Phase Certificate, the word "property" shall from the time of such recording mean Parcel A plus the land added to the condominium by the Subsequent Phase Certificate and the buildings and all improvements and structures now or hereafter placed on the land.

1.1.21 Subsequent Phase and Subsequent Phase Certificate shall have the meanings ascribed to them in Article 3.

1.1.22 Survey Map and Plans shall mean the survey map and set of plans recorded simultaneously with this Declaration and any amendments, corrections, and addenda thereto subsequently recorded.

1.1.23 Transition Date is defined in Section 16.1.

1.1.24 Unit shall mean a residential apartment composed of a suite of rooms and other enclosed spaces in a building as defined in the Condominium Statute. The boundaries of a unit are the unfinished interior surfaces of its perimeter walls, floors, ceilings, windows, and doors, and the unit includes both the portions of the building so described and the air space so encompassed.

1.1.25 VA shall mean the Veterans Administration.

Section 1.2 Form of Words. The singular form of words shall include the plural and the plural shall include the singular. Masculine, feminine, and neuter pronouns shall be used interchangeably.

Section 1.3 Statutory Definitions. Some of the terms defined above are also defined in the Condominium Statute. The definitions in this Declaration are not intended to limit or contradict the definitions in the Condominium Statute. If there is any inconsistency or conflict, the definition in the Condominium Statute will prevail.

ARTICLE 2. SUBMISSION OF THE PROPERTY TO THE CONDOMINIUM STATUTE.

Declarant, being the sole owner of the property, makes this Declaration for the purpose of submitting the property to the condominium form of use and ownership and to the provisions of the Condominium Statute. Declarant declares that the property shall be held, used, conveyed, encumbered, leased, occupied, rented, and improved subject to the covenants, conditions, restrictions, reservations, and easements stated in this Declaration, all of which are in furtherance of the division of the property into condominium units and common areas and facilities and shall be deemed to run with the land and be a burden and benefit to Declarant and all persons who own or acquire an interest in the property or any part thereof, and their grantees, successors, heirs, executors, administrators, and assigns.

ARTICLE 3. DEVELOPMENT IN PHASES; DESCRIPTION OF LAND.

Section 3.1 Intention to Develop in Phases. Declarant proposes to develop the condominium in two Phases upon the tract of land described in Schedule A attached hereto and by this

8511150056

- 3 -

VOL 625 PAGE 345

9/25/85  
2601/2:GNA

reference incorporated herein. The land is divided into two parcels, called Parcels A and B. Phase I, consisting of Parcel A only, is the initial phase of the condominium. This Declaration shall be effective immediately to establish Phase I as a condominium.

Section 3.2 Expansion into Subsequent Phase. Declarant expects, but is not required, to expand the condominium into a Subsequent Phase by adding Parcel B to the condominium. If Declarant elects to expand the condominium into the Subsequent Phase, it may do so by recording a Survey Map and Plans of the improvements and units added to the condominium by the Subsequent Phase and a Certificate (hereinafter referred to as a "Subsequent Phase Certificate") both signed by Declarant only, declaring that the Survey Maps and Plans previously recorded or recorded therewith accurately depict, as built, all of the improvements and units included in the Subsequent Phase. Upon the recording of the Subsequent Phase Certificate, the previously existing condominium (i.e., Phase I) shall be merged into and become a part of the Subsequent Phase as a single, unified condominium. The Subsequent Phase Certificate shall contain a schedule of the percentages of undivided interest in the common areas and facilities appertaining to each unit added to the condominium by the Subsequent Phase.

Section 3.3 Improvements in Subsequent Phase. The building on Parcel A contains five units. If the condominium is expanded into the Subsequent Phase, the improvements to be added in the Subsequent Phase will be substantially identical in appearance and quality of construction to the improvements in Phase I. All improvements in the Subsequent Phase shall be substantially completed before that phase is added to the condominium. The maximum number of units that will be added in the Subsequent Phase is eleven; however, the maximum numbers of units will be applicable only if the Parcel is hereafter added to the condominium.

Section 3.4 Joint Use and Maintenance of Common Areas and Facilities. When (and if) Phase I is expanded into the Subsequent Phase, all of the common areas and facilities of Phase I and the Subsequent Phase will be for the use and enjoyment of the entire condominium and all of the owners in the condominium shall share in the subsequent expenses of maintaining, repairing, and replacing them as may be necessary.

Section 3.5 Consents. The prior written consent of VA shall be required to record the Subsequent Phase Certificate if, at the time of recording the certificate, VA or FHA guarantees a mortgage on a unit in the existing condominium, and if the

8511150056

- 4 -

VOL 625 PAGE 346

9/25/85  
2601/2:GNA

property and improvements to be added by the Subsequent Phase Certificate are not consistent with the previously approved plan of expansion described in this Declaration.

Section 3.6 Liens. Any liens that arise in connection with the Declarant's ownership of, or construction of improvements on, the property to be added to the condominium shall not adversely affect the rights of existing owners, or the priority of the first mortgages on their units. All taxes and other assessments relating to such property for any period prior to the addition of the property shall be paid or otherwise provided for by Declarant.

Section 3.7 Election Not to Expand into Subsequent Phase. If Declarant does not add the other Parcel to the condominium, Phase I shall constitute a complete, fully operational condominium, and the Parcel of land not encompassed by the condominium may be used for any lawful purpose that is allowed by the zoning and other applicable land use laws and regulations. Declarant shall no longer have the power to expand the condominium into a Subsequent Phase after seven years have elapsed from the date this declaration is recorded. If Declarant determines that it will not expand the condominium into the Subsequent Phase, it may record a certificate signed only by Declarant describing the land that will not be added to the condominium.

#### ARTICLE 4. DESCRIPTION OF BUILDINGS.

Phase I of the condominium consists of one building. It is principally of wood frame frame on concrete slab construction with a wood and stucco exterior and built-up roof. The building in Phase I is designated as Building A. The number of stories and basements, and the number of units in Building A are shown in Schedule B. The building to be added in the Subsequent Phase will be architecturally identical to, or compatible with, the building in Phase I. The building in Phase I is further described and its location is shown in the Survey Map and Plans. When (and if) the condominium is expanded into the Subsequent Phase, Declarant shall supplement Schedule B to describe the building added by that Subsequent Phase.

#### ARTICLE 5. UNIT NUMBERS, LOCATION, AND DESCRIPTION.

Each unit in Phase I is identified by an assigned number 1 through five. The number of rooms and approximate area

8511150056

- 5 -

VOL 625 PAGE 347

10/1/85  
2601/2:GNA

of each unit in Phase I are set forth in Schedule C. When (and if) the condominium is expanded into the Subsequent Phase, Declarant shall supplement Schedule C to describe the units included in the Subsequent Phase. The configuration and location of each unit in Phase I are shown in the Survey Map and Plans.

ARTICLE 6. COMMON AREAS AND FACILITIES.

Section 6.1 Description. The common areas and facilities consist of those specified in the Condominium Statute, as well as the following:

6.1.1 The land described in as Parcel A in Schedule A, and when (and if) the condominium is expanded into the Subsequent Phase, the land added by the Subsequent Phase.

6.1.2 The roofs, foundations, studding, joists, beams, supports, main walls (excluding non-bearing interior partitions of units, if any), and all other structural parts of the buildings, to the unfinished interior surfaces of the perimeter walls, floors, ceilings, windows, and doors of the units.

6.1.3 The pipes, wires, conduits, and other fixtures and equipment for utilities, including cable television system, if any.

6.1.4 The sea wall, grounds, trees, gardens, landscaped areas, entryways, planters, exterior fixtures, walkways, and driveways.

6.1.5 Any attics and crawl spaces in the buildings.

6.1.6 Certain items which might ordinarily be considered common areas such as, but not limited to, air conditioning units, screen doors, window screens, awnings, planter boxes, and the like, may pursuant to specification in the Bylaws or administrative rules and regulations, be designated as items to be furnished and maintained by owners at their individual expense, in good order, according to standards and requirements set forth in the Bylaws or by rule adopted by the Board.

6.1.7 The limited common areas and facilities described in Article 7.

8511150056

- 6 -

9/25/85  
2601/2:GNA

VOL 625 PAGE 348

6.1.8 When (and if) the condominium is expanded into the Subsequent Phase, Declarant shall supplement this section to describe any common areas or facilities included in the Subsequent Phase not described above.

Section 6.2 Use. Each owner shall have the right to use the common areas and facilities (except the limited common areas and facilities reserved for other units) in common with all other owners. The right to use the common areas and facilities shall extend not only to each owner, but also to his agents, servants, tenants, family members, invitees, and licensees. The right to use the common areas and facilities, including the limited common areas and facilities, shall be governed by the provisions of the Condominium Statute, this Declaration, the Bylaws, and the rules and regulations of the Association.

Section 6.3 Prohibition Against Abandonment, Partition, etc. The owners shall not by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer the common areas and facilities and no other person shall have the right to have them partitioned or divided. The granting of permits, licenses and easements over the common areas for utilities, roads, or other purposes reasonably necessary for the proper maintenance or operation of the condominium shall not be deemed a partition or division. A subdivision of a limited common area as an incident of an authorized subdivision of a unit pursuant to Article 27 will not be deemed a violation of this provision.

#### ARTICLE 7. LIMITED COMMON AREAS AND FACILITIES.

Section 7.1 Description. Some common areas and facilities, called limited common areas and facilities, are reserved for the exclusive use of the unit or units to which they are adjacent or assigned. They consist of the following:

- 7.1.1 The patio adjacent to each unit.
- 7.1.2 The fireplace and flue serving each unit.
- 7.1.3 The driveway and garage in front of each unit (between the unit and Skyline Way).
- 7.1.4 The furnace room in the basement under each unit.

8511150056

- 7 -

9/25/85  
2601/2:GNA

VOL 625 PAGE 349

Section 7.2 Subsequent Phase. When (and if) the condominium is expanded into the Subsequent Phase, Declarant shall supplement this section to describe any limited common areas included in that Subsequent Phase not described above.

Section 7.3 Appurtenant to Units. Conveyance of a unit includes the exclusive rights to the use of the limited common areas and facilities appurtenant to that unit.

ARTICLE 8. ACCESS.

Each unit has direct access to a common area entryway adjacent to the unit entrance and thence across that common area to Skyline Way, a private road over which the owners have a nonexclusive easement for ingress and egress to Skyline Way, a public street. The right of ingress to and egress from each unit shall be perpetual and appurtenant to the unit.

ARTICLE 9. VALUE OF PROPERTY AND EACH UNIT AND PERCENTAGE OF UNDIVIDED INTEREST IN COMMON AREAS AND FACILITIES.

Section 9.1 Schedule of Values and Percentages. For the purpose of meeting certain requirements of the Condominium Statute, the value of the property in Phase I is declared to be \$735,000. The value of each unit and the percentage of undivided interest in the common areas and facilities appertaining to each such unit and its owner for all purposes, including voting, are set forth in Schedule C attached hereto. The values do not necessarily reflect the amount for which a unit will be sold by Declarant, or others, and will not be altered by variations in selling prices. If Parcel B is added in a Subsequent Phase the total value of the property and the improvements on Parcel B will be approximately \$1,549,000. The values established in this paragraph for the property and improvements to be added in Subsequent Phase are intended to provide equivalent stated values for equivalent units even though with the passage of time the selling prices for new units in the Subsequent Phase may be substantially different from the selling prices of comparable units in Phase I.

Section 9.2 Effect of Subsequent Phase. The percentages for the units in Phase I are calculated with relation to the total value of the property in Phase I. When (and if) the condominium is expanded into the Subsequent Phase the total values assigned in Schedule C to the parcels then constituting

8511150056

- 8 -

VOL 625 PAGE 350

9/25/85  
2601/2:GNA

the condominium will be added together and the percentages of undivided interest of the units in the condominium will be recalculated to reflect the percentage of the assigned value of the unit in relation to the then total value of the condominium.

ARTICLE 10. PARKING.

Section 10.1 Assignment to Units. Each unit is assigned a garage and driveway as limited common areas appurtenant to that unit.

Section 10.2 Use of Driveways. The limited common area driveways may be used for the parking of operable passenger motor vehicles but may be used for parking trucks, trailers, or recreational vehicles, or for other purposes only to the extent allowed by rules and regulations adopted by the Board. The Board may direct that any vehicle or other thing improperly parked or kept in a parking space be removed, and if it is not removed the Board may cause it to be removed at the risk and cost of the owner thereof.

ARTICLE 11. PERMITTED USES; MAINTENANCE OF UNITS; CONVEYANCES.

Section 11.1 Residential Use. The buildings and units are intended for and restricted to use as single family residences only, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable activities normally incident to such use, and for the purposes of operating the Association and managing the condominium if required. In addition to the foregoing, Declarant may use units it owns as sales and management offices and models for sales of units.

Section 11.2 Leases. Leases shall have a minimum initial term of up to one year. No lease or rental of a unit may be of less than the entire unit. Any lease or rental agreement must provide that its terms shall be subject in all respects to the provisions of this Declaration and the Bylaws and rules and regulations of the Association and that any failure by the tenant to comply with the terms of such documents, rules, and regulations shall be a default under the lease or rental agreement and that the owner grants to the Board and managing agent the authority to evict the tenant on the owner's behalf for such default, upon only such notice as is required by law; if any lease does not contain the foregoing provisions, such provisions shall nevertheless be deemed to be a part of the lease and binding upon the owner and the tenant by reason of their being stated in this Declaration. Neither the Board nor

the managing agent shall be liable to the owner or the tenant for any eviction under this section that is made in good faith. All leases and rental agreements shall be in writing. Copies of all leases and rental agreements shall be delivered to the Association before the tenancy commences. Other than as stated in this Section 11.2, there is no restriction on the right of any owner to lease or otherwise rent his unit.

Section 11.3 Maintenance of Units and Limited Common Areas. Each owner shall, at the owner's sole expense, keep the interior of the unit and its equipment, appliances, and appurtenances in a clean and sanitary condition, free of rodents and pests, and in good order, condition, and repair and shall do all redecorating and painting at any time necessary to maintain the good appearance and condition of his unit. Each owner shall be responsible for the maintenance, repair, or replacement of any plumbing fixtures, water heaters, fans, heating equipment, electrical fixtures, or appliances which are in the unit or portions thereof that serve that unit only, and shall replace any glass in the windows and in the exterior doors of the unit that becomes cracked or broken. Each owner will be responsible for care, maintenance, cleanliness, and orderliness of the limited common areas that are appurtenant to the unit, except that maintenance and repair of the driveways and patios shall be the responsibility of the Association. Owners may not, however, modify, paint, or otherwise decorate, or in any way alter their respective limited common areas without prior written approval of the Board.

Section 11.4 Exterior Appearance. In order to preserve a uniform exterior appearance of the buildings, the Board shall provide for the painting or staining of the buildings and prescribe the type and color of paint or stain. No owner may modify or decorate the exterior of the buildings, or screens, doors, awnings, or other portions of any unit visible from outside the unit without the prior written consent of the Board or in accordance with rules or regulations of the Board. No radio or television antennae or other appliances may be installed on the exterior of any building without the prior written consent of the Board. The Board may also require use of a uniform color and fabric for draperies, under-draperies, or drapery lining for all units.

Section 11.5 Effect on Insurance. Nothing shall be done or kept in any unit or in any common area that will increase the rate of insurance on the property without the prior written consent of the Board. Nothing shall be done or kept in any unit or in any common area that will result in the cancellation of

8511150056

- 10 -

VOL 625 PAGE 352

9/25/85  
2601/2:GNA

insurance on any part of the property, or that would be in violation of any laws.

Section 11.6 Alteration of Common Area. Nothing shall be altered or constructed in or removed from any common area or facility except upon the prior written consent of the Board.

Section 11.7 Signs. No sign of any kind shall be displayed to the public view on or from any unit or common area or limited common area without the prior consent of the Board; provided, that the Board shall designate an area or areas for display of "For Sale" signs. This section shall not apply to Declarant. Declarant may post such signs on the property as it deems necessary or appropriate for the sale of units in the condominium as long as Declarant has a unit for sale or has property which may be added to the condominium in a Subsequent Phase.

Section 11.8 Pets. Domesticated animals, birds, or reptiles (herein referred to as "pets") may be kept in any unit or in the common or limited common areas subject to rules and regulations adopted by the Board, or Bylaws adopted by the Association. The Board may at any time require the removal of any pet which it finds is disturbing other owners unreasonably, and may exercise this authority for specific pets even though other pets are permitted to remain.

Section 11.9 Offensive Activity. No noxious or offensive activity shall be carried on in any unit or common area, nor shall anything be done therein that may be or become an annoyance or nuisance to other owners.

Section 11.10 Conveyances; Notice Required. The right of an owner to sell, transfer, or otherwise convey the unit shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. An owner intending to sell a unit shall deliver a written notice to the Board, at least two weeks before closing, specifying the unit being sold; the name and address of the purchaser, of the closing agent, and of the title insurance company insuring the purchaser's interest; and the estimated closing date. The Board shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the unit, whether or not such information is requested.

8511150056

- 11 -

VOL 625 PAGE 353

9/25/85  
2601/2:GNA

ARTICLE 12. ENTRY FOR REPAIRS OR MAINTENANCE.

The Association and its agents or employees may enter any unit and limited common areas appurtenant thereto to effect repairs, improvements, replacements, maintenance, or sanitation work deemed by the Board to be necessary in the performance of its duties, to do necessary work that the owner has failed to perform, or to prevent damage to the common areas and facilities or to another unit. Except in cases of great emergency that preclude advance notice, the Board shall cause the unit occupant to be given notice and an explanation of the need for entry as far in advance of entry as is reasonably practicable. Such entry shall be made with as little inconvenience to the owners and occupants as practicable. Any damage caused by such entry shall be repaired by the Association as a common expense unless the repairs or maintenance were necessitated by the acts or default of the owner or occupant of the unit entered, in which event the costs of the repairs or maintenance shall be specially assessed to that unit.

ARTICLE 13. SERVICE OF PROCESS.

Phyllis Oglesbee, 2801 Commercial Avenue, Anacortes, Washington, is the person upon whom process may be served as provided for in the Condominium Statute. The Board may at any time designate a different person for such purpose by recording an amendment to this Declaration limited to the sole purpose of making such change, and such amendment need be signed and acknowledged only by the president of the Association.

ARTICLE 14. OWNERS ASSOCIATION.

Section 14.1 Form of Association. The owners of units shall constitute an owners association as defined in the Condominium Statute to be known as Fidalgo Shores Condominium Owners Association. The Association will initially be an unincorporated association but may be incorporated as a nonprofit corporation formed under the laws of the state of Washington by the Declarant before the Transition Date or by the Board. It will be governed by a board of directors of not fewer than three nor more than seven directors elected from the owners. The rights and duties of the members and of the corporation shall be governed by the provisions of the Condominium Statute and of this Declaration.

8511150056

- 12 -

VOL 625 PAGE 354

10/2/85  
2601/2:GNA

Section 14.2 Bylaws. Declarant, under its authority to act as the Board of Directors of the Association, has adopted Bylaws in the form attached hereto as Schedule D to supplement this Declaration and to provide for the administration of the Association and the property and for other purposes not inconsistent with the Condominium Statute or this Declaration. Amendments to the Bylaws shall be governed by Article 28.

Section 14.3 Qualification for Membership. Each fee owner of a unit (including Declarant) shall be a member of the Association and shall be entitled to one membership for each unit owned; provided, that if a unit has been sold on contract, the contract purchaser shall exercise the rights of the owner for purposes of the Association, this Declaration, and the Bylaws, except as hereinafter limited, and shall be the voting representative unless otherwise specified. Ownership of a unit shall be the sole qualification for membership in the Association.

Section 14.4 Transfer of Membership. The Association membership of each owner (including Declarant) shall be appurtenant to the unit giving rise to such membership, and shall not be transferred in any way except upon the transfer of title to the unit and then only to the transferee of title to the unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a unit shall operate automatically to transfer the membership in the Association to the new owner.

Section 14.5 Number of Votes. The total voting power of all owners shall be 100 votes and the total number of votes available to the owner of any one unit shall be equal to the percentage of undivided interest in the common areas and facilities appertaining to the unit. A person (including Declarant) who owns more than one unit shall have the votes appertaining to each unit owned.

Section 14.6 Voting Representative. An owner may, by written notice to the Board, designate a voting representative for the unit. The voting representative need not be an owner. The designation may be revoked at any time by written notice to the Board from a person having an ownership interest in a unit, or by actual notice to the Board of the death or judicially declared incompetence of any person with an ownership interest in the unit, except in cases in which the person designated is a mortgagee of the unit. This power of designation and revocation may be exercised by the guardian of an owner, the attorney-in-fact for the owner under a durable power of attorney, and the administrators or executors of an owner's estate. If no

designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each unit shall be the group composed of all of its owners. If a unit is owned by husband and wife and only one of them is at a meeting, the one who is present will represent the marital community.

Section 14.7 Joint Owner Disputes. The vote for a unit must be cast as a single vote. Fractional votes shall not be allowed. If joint owners are unable to agree how their vote shall be cast, they shall lose their right to vote on the matter in question.

Section 14.8 Pledged Votes. An owner may, but shall not be obligated to, pledge his or her vote on all issues or on specific issues to a mortgagee. If an owner is in default under a first mortgage on the unit for 90 consecutive days or more, the mortgagee shall automatically be authorized to declare at any time thereafter that the owner has pledged his or her vote on all issues to the mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a mortgagee, only the vote of the mortgagee will be recognized on the issues that are subject to the pledge.

Section 14.9 Annual and Special Meetings. There shall be an annual meeting of the members of the Association in the first quarter of the fiscal year at such reasonable place and time as may be designated by written notice from the Board delivered to the owners no less than 30 days before the meeting. The audited financial statement for the preceding year and the budget the Board has adopted for the current year shall be presented at the annual meeting for the information of the members. Special meetings of the members of the Association may be called at any time, in the manner provided in the Bylaws, for the purpose of considering matters which require the approval of all or some of the owners, or for any other reasonable purpose. Any first mortgagee of a unit may attend or designate a representative to attend the meetings of the Association.

Section 14.10 Audits. As soon as is convenient after the close of each fiscal year the Board shall have an audited financial statement prepared for that year. The audit shall be made by a certified or licensed public accountant who is not a member of the board or an owner. The audit shall be completed in time for the Association's annual meeting and in any event within 90 days following the end of the fiscal year. Any mortgagee will, upon request, be entitled to receive the annual audited financial statement within 90 days following the end of the fiscal year. The Board, or persons having 35% of the voting

power of the Association, may require that an audit of the Association and management books be presented at any special meeting. An owner, at his or her expense, may at any reasonable time conduct an audit of the books of the Board and Association. Upon written request of FHLMC, FNMA, HUD, or VA, if it is the holder, insurer, or guarantor of a mortgage, the Association shall prepare and furnish within a reasonable time an audited financial statement of the Association for the preceding year.

Section 14.11 Books and Records. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Association, in a form that complies with generally accepted accounting principles.

Section 14.12 Inspection of Condominium Documents, Books, and Records. The Association shall make available to owners, mortgagees, prospective purchasers and their prospective mortgagees, and the agents or attorneys of any of them, current copies of this Declaration, the Bylaws, and other rules governing the condominium and other books, records, and financial statements of the Association, and the most recent annual audited financial statement, if one is prepared. "Available" shall mean available for inspection upon request, during normal business hours or under other reasonable circumstances. The Association may require the requesting party to pay a reasonable charge to cover the cost of making the copies.

#### ARTICLE 15. NOTICES.

Section 15.1 Form and Delivery of Notice. All notices given under the provisions of this Declaration or the Bylaws or rules or regulations of the Association shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, the notice shall be deemed to have been delivered upon being deposited in the United States mail, first class, postage prepaid, addressed to the person entitled to such notice at the most recent address known to the Board. Notice to the owner of any unit shall be sufficient if mailed to the unit if no other mailing address has been given to the Board. Mailing addresses may be changed by notice in writing to the Board. Notices to the Board shall be given to Declarant until the Transition Date and thereafter shall be given to the president or secretary of the Association.

Section 15.2. Notices to Holders, Insurers and Guarantors of Mortgages. An eligible holder, insurer, or guarantor of a mortgage is, respectively, any holder, insurer or guarantor of a mortgage on a unit that files with the secretary of the Board a

written request that it be given copies of the notices listed below. The request must state the name and address of the eligible holder, insurer, or guarantor and the unit number. Until such time thereafter that the eligible holder, insurer, or guarantor withdraws the request or the mortgage held, insured or guaranteed by the eligible holder, insurer, or guarantor, as the case may be, is satisfied, the Board shall send to the eligible holder, insurer, or guarantor timely written notice of (a) any proposed amendment of the Declaration or Survey Map and Plans effecting a change in (i) the boundaries of any unit, (ii) the exclusive easement rights, if any, appertaining to any unit, (iii) the percentage interest in the common or limited common areas and facilities appertaining to any unit or the liability for common expenses appertaining thereto, (iv) the number of votes in the Association appertaining to any unit, or (v) the purposes to which a unit or the common areas are restricted; (b) any proposed termination of condominium status, transfer of any part of the common areas, or termination of professional management of the condominium; (c) any condemnation loss or casualty loss that affects a material portion of the condominium or that affects any unit on which an eligible holder has a first mortgage; (d) any delinquency which has continued for 60 days in the payment of assessments or charges owed by an owner of a unit on which an eligible holder had a mortgage; (e) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association pursuant to Article 23; (f) any proposed action that would require the consent of a specified percentage of eligible holders pursuant to Articles 24, 25, or 28.

ARTICLE 16. ADMINISTRATION OF PROPERTY; RIGHTS RETAINED BY DECLARANT.

Section 16.1 Transition Date. The "Transition Date" shall be the date upon which the authority and responsibility to administer and manage the Association and the condominium, subject to this Declaration and the Bylaws, passes to the Association. The Transition Date will be either (1) the date designated by Declarant in a written notice to the owners, which date may at Declarant's election be any date after this Declaration has been recorded; or (2) the 120th day after Declarant has transferred title to purchasers of units holding 75% of the votes in the Association; or (3) the third anniversary of the recording of the first conveyance to a purchaser of a unit; whichever of the foregoing occurs first. If the Transition Date has occurred under the foregoing provision (2), later expansion into the Subsequent Phase and consequent reduction of the percentage of units sold in the condominium as then constituted

8511150056

- 16 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 358

will not reverse the fact that the transition has occurred, but if the Transition Date has not occurred before expansion into the Subsequent Phase, the 75% of the total voting power shall be determined on the basis of the voting power of all units then in the condominium.

Section 16.2 Declarant's Powers Until Transition Date.  
Until the Transition Date, Declarant shall have the full power and authority to exercise all of the rights, duties, and functions of the Board of Directors and the officers of the Association, including but not limited to the adoption of rules and regulations, contracting for the purchase of goods and services, buying insurance, and collecting and expending all assessments and other Association funds. Declarant shall have the power to contract with an experienced professional managing agent and delegate to the managing agent all of the powers and duties of the Board that the Board is authorized to delegate under Section 17.5. All such management contracts made by Declarant shall be subject to the same requirements as are set forth in Section 17.5 for management contracts made by the Board. Declarant may at such times as it deems appropriate select and from time to time replace an interim board of three to five directors, who need not be owners or purchasers, who shall have all the powers, duties, and functions of the Board of Directors. In selecting directors for the interim board, Declarant will have in mind the desirability of early participation in the management of the condominium by able purchasers of units. Any contract made by Declarant, its managing agent, or the interim board (including management contracts) that would otherwise extend beyond the Transition Date shall be terminable by the Board after the Transition Date upon 30 days' written notice.

#### ARTICLE 17. AUTHORITY OF THE BOARD.

Section 17.1 Adoption of Rules and Regulations. The Board is empowered to adopt, amend, and revoke on behalf of the Association detailed administrative rules and regulations necessary or convenient from time to time to insure compliance with the general guidelines of this Declaration and to promote the comfortable use and enjoyment of the property. The rules and regulations of the Association shall be binding upon all owners and occupants and all other persons claiming any interest in the condominium.

Section 17.2 Enforcement of Declaration, Etc. The Board (or Declarant, Declarant's managing agent, or the interim board of directors until the Transition Date) shall have the power and

8511150056 - 17 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 359

the duty to enforce the provisions of this Declaration, the Bylaws, and the rules and regulations of the Association, as the same may be lawfully amended from time to time, for the benefit of the Association. If a legal action is brought to interpret or enforce compliance with the provisions of this Declaration, the Bylaws, or the rules or regulations of the Association, the prevailing party shall be entitled to judgment against the other party for its reasonable expenses, court costs, and attorney's fees in the amount awarded by the court.

Section 17.3 Goods and Services. The Board shall acquire and pay for as common expenses of the Association all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the condominium. The goods and services shall include (by way of illustration and not limitation) utility services for the common areas and facilities; policies of insurance and fidelity bonds; legal and accounting services; maintenance, repair, landscaping, gardening, and general upkeep of the common and limited common areas and facilities; and all supplies, materials, fixtures, and equipment that are in the Board's judgment necessary or desirable for the operation of the condominium and enjoyment of it by the owners. In addition, the Board is authorized to pay as a common expense assessments imposed by Skyline 19 Road Maintenance Association. The Board may hire such full-time or part-time employees as it considers necessary.

Section 17.4 Additions and Improvements. The Board shall have the authority to arrange for and supervise any addition or improvement to the condominium, subject to the following limitations:

17.4.1 If the estimated cost of any separate addition or improvement exceeds \$5,000, the approval of the owners holding a majority of the votes in the Association shall be required; and if such estimated cost exceeds \$25,000, the approval of the owners holding 75% of the votes in the Association shall be required.

17.4.2 No structural changes shall be made to the buildings without the approval of owners holding at least 75% of the votes in the Association; and no structural change shall be made to a unit without the approval of the owner of that unit.

Section 17.5 Managing Agent. The Board may contract with an experienced professional managing agent to assist the Board in the management and operation of the condominium and may delegate such of its powers and duties to the managing agent as it deems to be appropriate, except as limited herein. If professional management has been required by HUD, FNMA, VA,

8511150056

- 18 -

VOL 625 PAGE 360

10/2/85  
2601/2:GNA

FHLMC or other similar agency or corporation, the procedure for terminating professional management and assuming self-management is set forth in Article 28. Only the Board can approve an annual budget or a supplemental budget, and only the Board can impose a special assessment on a unit or authorize foreclosure of an assessment lien. Any contract with a managing agent shall have a term no longer than one year (but may be renewable by agreement of the parties for successive one-year periods) and shall be terminable by the Board without payment of a termination fee, either (1) for cause, on 30 days' written notice, or (2) without cause, on not more than 90 days' written notice.

Section 17.6 Protection of Property. The Board may spend such funds and take such action as it may from time to time deem necessary to preserve the property, settle claims, or otherwise act in what it considers to be the best interests of the condominium or the Association. The Board shall have the right to grant permits, licenses and easements over the common areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the condominium.

#### ARTICLE 18. BUDGET AND ASSESSMENT FOR COMMON EXPENSES.

Section 18.1 Fiscal Year. The Board may adopt such fiscal year for the Association as it deems to be convenient. Unless another year is adopted, the fiscal year will be the calendar year.

Section 18.2 Preparation of Budget. Not less than 30 days before the end of the fiscal year the Board shall prepare a budget for the Association for the coming year. In preparing its budget the Board shall estimate the common expenses of the Association to be paid during the year, make suitable provision for accumulation of reserves, including amounts reasonably anticipated to be required for maintenance, repair, and replacement of the common areas and facilities, and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Association. Declarant or the interim Board shall prepare a budget for the remainder of the fiscal year in which this Declaration is recorded and for subsequent years until the Transition Date. If during the year the budget proves to be inadequate for any reason, including nonpayment of any owner's assessment, the Board may prepare a supplemental budget for the remainder of the year.

Section 18.3 Monthly Assessments for Common Expenses; Initial Contribution to Working Capital. The sums required by

8511150056 - 19 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 361

the Association for common expenses as reflected by the annual budget and any supplemental budgets shall be divided into equal installments to be paid each month over the period of time covered by the budget or supplemental budget. The monthly installments shall be assessed to the units (including units owned by Declarant) and their respective owners in proportion to the units' percentages of undivided interest in the common areas and facilities. Assessments begin accruing with respect to each unit upon the closing of the initial sale of that unit by Declarant or its earlier occupancy. Assessments shall begin accruing on all units that have not been sold or occupied 120 days after the closing of the sale of the first unit. During such time as garbage collection charges or other utility or service charges are based on the number of occupied units, any units owned by the Declarant and not occupied shall be exempt from assessment for such charges. In connection with the closing of the sale of the first unit in any Phase and of the sale of each additional unit in that Phase during the next 120 days, the initial purchaser from Declarant shall pay to the Association a nonrefundable initial contribution to the Association's working capital an amount equal to three times the estimated monthly assessment against the unit. To provide more initial working capital to the Association, Declarant shall make the initial contribution equal to three times the estimated monthly assessment for any units in a Phase remaining unsold after such 120-day period.

Section 18.4 Effect of Phases. The assessments shall be based upon the percentages of undivided interest stated in Schedule C for Phase I or the Subsequent Phase if the condominium shall have been expanded. Declarant or the Board may recompute the budget and the assessments and impose a revised assessment at such times as the condominium is expanded into the Subsequent Phase.

Section 18.5 Special Assessments. If a special assessment becomes chargeable against a unit under the authority of this Declaration or the Bylaws, the Board shall determine the amount of such special assessment and fix the month or months in which it is to be paid. The special assessment shall be added to the unit's monthly installment of common expenses and be included in the assessment against the unit.

Section 18.6 Notice of Assessment. The Board shall notify each owner in writing of the amount of the monthly assessments to be paid for his unit and shall furnish copies of each budget on which the assessments are based to all owners and, if so requested, to their respective mortgagees.

Section 18.7 Payment of Monthly Assessments. On or before the first day of each calendar month each owner shall pay or cause to be paid to the treasurer of the Association the assessment against the unit for that month. Any assessment not paid by the first day of the calendar month for which it is due shall be delinquent and subject to late charges, interest charges and collection procedures as provided in Article 19.

Section 18.8 Proceeds Belong to Association. All assessments and other receipts received by the Association on behalf of the condominium shall belong to the Association.

Section 18.9 Failure to Assess. Any failure by the Board or the Association to make the budget and assessments hereunder before the expiration of any year for the ensuing year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the owners from the obligation to pay assessments during that or any subsequent year, and the monthly assessment amount established for the preceding year shall continue until a new assessment is established.

Section 18.10 Certificate of Unpaid Assessments. Upon the request of any owner or mortgagee of a unit, the Board will furnish a certificate in recordable form stating the amount, if any, of unpaid assessments charged to the unit. The certificate shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the certificate in favor of all purchasers and mortgagees of the unit who rely on the certificate in good faith. The Board may establish a reasonable fee to be charged to reimburse it for the cost of preparing the certificate.

#### ARTICLE 19. LIEN AND COLLECTION OF ASSESSMENTS.

Section 19.1 Assessments Are a Lien; Priority. All unpaid sums assessed by the Association for the share of the common expenses chargeable to any unit and any sums specially assessed to any unit under the authority of this Declaration or the Bylaws (together with interest, late charges, costs, and attorneys' fees in the event of delinquency) shall constitute a continuing lien on the unit and all its appurtenances from the date the assessment became due until fully paid. The lien for such unpaid assessments shall be subordinate to tax liens on the unit in favor of any assessing unit and/or special district, and to all sums unpaid on all mortgages of record, but shall have priority over all other liens against the unit. A mortgagee of a mortgage of record of a unit that obtains title through a

mortgage foreclosure or deed of trust sale, or by taking a deed in lieu of foreclosure or sale, or a purchaser at a foreclosure sale, or the Administrator of Veterans Affairs if he is grantee of a deed in lieu of foreclosure, shall take the unit free of any claims for the share of common expenses or assessments by the Association chargeable to the unit that became due before taking title, but will be liable for the common expenses and assessments that accrue after taking title; in which event the unit's past-due share of common expenses or assessments shall become new common expenses chargeable to all of the owners, including the mortgagee or foreclosure sale purchaser and their successors and assigns, in proportion to their respective percentages of undivided interest in the common areas and facilities; however, the owner shall continue to be personally liable for such past-due assessments, as provided in Section 19.3. For the purpose of this section, the terms "mortgages" and "mortgagee" shall not mean real estate contracts or a vendor or a designee or assignee of a vendor under a real estate contract.

Section 19.2 Lien May be Foreclosed. The lien for delinquent assessments may be foreclosed by suit by the managing agent or the Board, acting on behalf of the Association, in like manner as the foreclosure of a mortgage of real property. The managing agent or the Board, acting on behalf of the Association, shall have the power to bid on the unit at the foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same.

Section 19.3 Assessments are Personal Obligation. In addition to constituting a lien on the unit and all its appurtenances, all sums assessed by the Association chargeable to any unit (together with interest, late charges, costs and attorneys' fees in the event of delinquency) shall be the personal obligation of the owner of the unit when the assessment is made. Suit to recover personal judgment for any delinquent assessments shall be maintainable without foreclosing or waiving the liens securing them.

Section 19.4 Late Charges and Interest on Delinquent Assessments. The Board may from time to time establish late charges and a rate of interest to be charged on assessments that may thereafter become delinquent. In the absence of another established non-usurious rate, delinquent assessments shall bear interest at the rate of 12% per annum. If a monthly assessment against a unit is not paid when due, the Board may elect to declare all monthly assessments against that unit for the remainder of the fiscal year to be immediately due and payable.

Section 19.5 Recovery of Attorneys' Fees and Costs. In any action to collect delinquent assessments, the prevailing party shall be entitled to recover as a part of its judgment a reasonable sum for attorneys' fees and expenses reasonably incurred in connection with the action, in addition to taxable costs permitted by law.

Section 19.6 Delinquent Assessments--Rented Units. If assessments are more than 30 days delinquent for a unit which is rented, the Association may collect from the tenant of the unit so much of the rent for the unit as is required to pay any amounts due for assessments, plus interest and costs. The tenant shall have no right or duty to question payment to the Association, and the payment to the Association will discharge the tenant's obligation to the owner for rent.

Section 19.7 Remedies Cumulative. The remedies provided herein are cumulative and the Board may pursue them, and any other remedies which may be available under law although not expressed herein, either concurrently or in any order.

Section 19.8 Security Deposit. An owner who has been delinquent in paying his monthly assessments for three of the five preceding months may be required by the Board, from time to time, to make and maintain a security deposit not in excess of three months' estimated monthly assessments, which shall be collected and shall be subject to penalties for nonpayment as are other assessments. The deposit shall be held in a separate fund, credited to such owner, and may be resorted to at any time when such owner is ten days or more delinquent in paying his assessments.

ARTICLE 20. FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE  
NO WAIVER.

The failure of the Board in any instance to insist upon the strict compliance with this Declaration or the Bylaws or rules and regulations of the Association, or to exercise any right contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of any term, covenant, condition, or restriction. The receipt by the Board of payment of an assessment from an owner, with knowledge of a breach by the owner, shall not be a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed for the Board. This Article also extends to the Declarant, Declarant's managing agent, and the interim board of directors, exercising the power of the Board before the Transition Date.

8511150056 - 23 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 365

ARTICLE 21. LIMITATION OF LIABILITY.

Section 21.1 Liability for Utility Failure, Etc. Except to the extent covered by insurance obtained by the Board, neither the Association nor the Board (nor the Declarant, Declarant's managing agent, or the interim board of directors) shall be liable for: the failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust, or sand which may lead or flow from outside or from any parts of the buildings, or from any of their pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or orders of a governmental authority. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

Section 21.2 No Personal Liability. So long as a Board member, or Association committee member, or Association officer, or Declarant or the managing agent has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such person, no such person shall be personally liable to any owner, or to any other person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of such person; provided, that this section shall not apply where the consequences of such act, omission, error, or negligence is covered by insurance obtained by the Board.

ARTICLE 22. INDEMNIFICATION.

Each Board member and Association committee member and Association officer, and Declarant and the managing agent shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may be a party, or in which he may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by any type of insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his or her 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 interests of the Association.

#### ARTICLE 23. INSURANCE.

Section 23.1 General Requirements. The Board shall cause the Association to purchase and maintain at all times as a common expense a policy or policies and bonds necessary to provide property insurance; comprehensive liability insurance; fidelity bonds; worker's compensation insurance to the extent required by applicable laws; insurance against loss of personal property of the Association by fire, theft, or other causes with such deductible provisions as the Board deems advisable; insurance, if available, for the protection of the Association's directors, officers, and representatives from personal liability in the management of the Association's affairs; and such other insurance as the Board deems advisable. The Board shall review at least annually the adequacy of the Association's insurance coverage. All insurance shall be obtained from an insurance carriers that are generally acceptable for similar projects, licensed to do business in the state of Washington, and meet the specific requirements of FNMA and FHLMC regarding the qualifications of insurance carriers. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect property, flood, and liability insurance and fidelity bonds that meet the insurance and fidelity bond requirements for condominium projects established by the FNMA, HUD, FHLMC, and the VA, so long as any of them is a holder of a mortgage or owner of a unit within the condominium, except to the extent such coverage is not available or has been waived in writing by them. All such insurance policies and fidelity bonds shall provide that coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least 10 days' prior written notice to any and all insureds named therein, including owners, holders of mortgages, and designated servicers of mortgages.

Section 23.2 Property Insurance. The casualty insurance shall, at the minimum, consist of a "master" type policy of property insurance with extended coverage endorsement in an amount equal to the full replacement value (i.e., 100% of current replacement cost exclusive of land, foundation, excavation, and other items normally excluded from coverage) of the common and limited common areas and facilities, units, all fixtures and personal property belonging to the Association, and any fixtures, equipment, or other property within the unit as originally constructed by Declarant with an "Agreed Amount Endorsement" and, if available, an "Inflation Guard Endorsement," and, if required by FNMA or FHLMC, construction code

endorsements, such as a "Demolition Cost Endorsement," a "Contingent Liability from Operation of Building Laws Endorsement," an "Increased Cost of Construction Endorsement," and such other endorsements as FNMA or FHLMC deems necessary and are available. The policy shall provide protection against loss or damage by fire, other hazards covered by the standard extended coverage endorsement, and such other risks as are customarily covered with respect to residential condominium projects of similar construction by the standard "all-risk" endorsement, if available in the local metropolitan area. A "master" type policy of property insurance shall mean single entity condominium insurance coverage. The policy shall provide for separate protection for each unit to the full insurable replacement value thereof (limited as above provided), and a separate loss payable endorsement in favor of the mortgagee or mortgagees of each unit. The Association or insurance trustee, if any, shall hold insurance proceeds in trust for the owners and their mortgagees, as their interests may appear. Each owner and the owner's mortgagee, if any, shall be beneficiaries of the policy in the percentage of undivided interest appertaining to the owner's unit. Certificates of insurance shall be issued to each owner and mortgagee upon request.

**Section 23.3 Comprehensive Public Liability Insurance.**  
The comprehensive policy of public liability insurance shall insure the Board, the Association, the owners, Declarant, and the managing agent, and cover all of the common areas and facilities in the condominium with a "Severability of Interest Endorsement" or equivalent coverage which would preclude the insurer from denying the claim of an owner because of the negligent acts of the Association or of another owner, and shall cover liability of the insureds for property damage, and bodily injury and death of persons arising out of the operation, maintenance, and use of the common areas and facilities, liability in connection with employment contracts of the Association, host liquor liability, employers' liability insurance, contractual and all-written contract insurance, comprehensive automobile liability insurance, and such other risks as are customarily covered with respect to residential condominium projects of similar construction, location and use. The limits of liability shall be in amounts generally required by mortgagees for projects of similar construction, location and use but shall be at least \$1,000,000 covering all claims for personal injury and/or property damage arising out of a single occurrence.

**Section 23.4 Insurance Trustee; Power of Attorney.** The named insured under the policies referred to in Sections 23.2 and 23.3 shall be the Association, as trustee for each of the

8511150056 - 26 -

VOL 625 PAGE 368

9/23/85  
2601/2:GNA

owners in accordance with their respective percentages of undivided interest in the common areas and facilities. The insurance proceeds may be made payable to any trustee with which the Association enters into an insurance trust agreement, or any successor trustee, who shall have exclusive authority to negotiate losses under the policies. Each owner appoints the Association, or any insurance trustee or successor trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purposes.

Section 23.5 Additional Policy Provisions. The insurance obtained pursuant to Sections 23.2 and 23.3 shall contain the following provisions and limitations:

23.5.1 Such policies shall not provide for contribution by or assessment against mortgagees or become a lien on the property superior to the lien of a first mortgage.

23.5.2 In no event shall the insurance coverage be brought into contribution with insurance purchased by the owners of the units or their mortgagees.

23.5.3 Coverage shall not be prejudiced by (a) any act or neglect of the owners of units when such act or neglect is not within the control of the Association or the owners collectively, or (b) failure of the Association to comply with any warranty or condition with regard to any portion of the premises over which the Association has no control.

23.5.4 A waiver of subrogation by the insurer as to any and all claims against the Association, the owner of any unit and/or their respective agents, employees, or tenants, and of any defenses based upon co-insurance or upon invalidity arising from the acts of the insured.

23.5.5 A standard mortgagee clause which shall:

(a) Provide that any reference to a mortgagee in the policy shall mean and include all holders of mortgages of any unit or unit lease or sublease in their respective order of preference, whether or not named therein;

(b) Provide that such insurance as to the interest of any mortgagee shall not be invalidated by any act or neglect of the Board or owners or any persons under any of them;

(c) Waive any provision invalidating such mortgage clause by reason of the failure of any mortgagee to notify the insurer of any hazardous use or vacancy, any requirement that the mortgagee pay any premium thereon, and any contribution clause; and

(d) Provide that, without affecting any protection afforded by such mortgagee clause, any proceeds payable under such policy shall be payable to the Association or the insurance trustee.

Section 23.6 Fidelity Bonds. The required fidelity bonds shall afford coverage to protect against dishonest acts on the part of officers, directors, trustees, and employees of the Association or the managing agent and all other persons who handle or are responsible for handling funds of or administered by the Association. The managing agent shall maintain fidelity bonds for its officers, employees, and agents who handle or who are responsible for handling funds of, or funds administered by the Association. All such fidelity bonds shall name the Association as an obligee and shall be not less than the estimated maximum of funds, including reserve funds, in custody of the Association or the managing agent, as the case may be, at any time during the term of each bond, but, in no event, shall the aggregate amount of bonds be less than three months' aggregate assessments plus reserve funds. The bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

Section 23.7 Owners' Individual Insurance. Each owner may obtain additional insurance on his unit and its contents at his own expense but only if the owner's insurance does not decrease the amount that the Board, or any trustee for the Board, on behalf of all of the owners, will realize under any insurance policy that the Board may have in force on the property. Each owner shall notify the Board of all improvements by the owner to his unit the value of which is in excess of \$1,000. Any owner who obtains individual insurance policies covering any portion of the property other than personal property belonging to him shall file a copy of his individual policy or policies with the Board within 30 days after he buys it, and the Board shall immediately review its effect with the Board's insurance broker, agent, or carrier.

#### ARTICLE 24. DAMAGE AND REPAIR OF DAMAGE TO PROPERTY.

Section 24.1 Initial Board Determination. In the event of damage to any part of the common areas and facilities, the

8511150056 - 28 -

VOL 625 PAGE 370

9/23/85  
2601/2:CNA

Board shall promptly, and in all events within 30 days after the date of damage, make the following determinations with respect thereto, employing such advice as the Board deems advisable:

24.1.1 The nature and extent of the damage, together with an inventory of the improvements and property directly affected thereby.

24.1.2 A reasonably reliable estimate of the cost to repair the damage, which estimate shall, if reasonably practicable, be based upon two or more firm bids obtained from responsible contractors.

24.1.3 The expected insurance proceeds, if any, to be available from insurance covering the loss based on the amount paid or initially offered by the insurer.

24.1.4 The amount, if any, by which the estimated cost of repair exceeds the expected insurance proceeds, and the amount of the assessments that would have to be made against each unit if the excess cost were to be paid as a maintenance expense and specially assessed against all the units in proportion to their percentages of undivided interest in the common areas and facilities.

24.1.5 The Board's recommendation whether the damage should be repaired.

Section 24.2 Notice of Damage. The Board shall promptly, and in all events within 30 days after the date of damage, provide each owner and each holder of a first mortgage on a unit with a written notice describing the damage and summarizing the initial Board determinations made under Section 24.1. If the Board fails to do so within said 30 days, any owner or mortgagee may make the determinations required under Section 24.1 and give the notice required under this Section 24.2.

Section 24.3 Definitions: Damage, Substantial Damage, Repair, Emergency Work. As used in this Article 24:

24.3.1 Damage shall mean all kinds of damage, whether of slight degree or total destruction.

24.3.2 Substantial Damage shall mean that in the judgment of a majority of the Board the estimated special assessment determined under subsection 24.1.4 for any one unit exceeds ten percent of the full, fair market value of the unit

8511150056 - 29 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 371

before the damage occurred, as determined by the then current assessment for the purpose of real estate taxation.

24.3.3 Repair shall mean restoring the improvements to substantially the condition they were in before they were damaged, with each unit and the common areas and facilities having substantially the same vertical and horizontal boundaries as before. Modifications to conform to applicable governmental rules and regulations or available means of construction may be made.

24.3.4 Emergency Work shall mean work that the Board deems reasonably necessary to avoid further damage or substantial diminution in value to the improvements and to protect the owners from liability from the condition of the site.

#### Section 24.4 Execution of Repairs.

24.4.1 The Board shall promptly repair the damage and use the available insurance proceeds therefor unless before the repairs (other than emergency work) are begun the owners decide in accordance with this Article not to repair. If the cost of repair exceeds the available insurance proceeds the Board shall impose a special assessment against all units in proportion to their percentages of undivided interest in the common areas in an amount sufficient to pay the excess costs.

24.4.2 The Board shall have the authority to employ architects and engineers, advertise for bids, let contracts to contractors and others, and take such other action as is reasonably necessary to make the repairs. Contracts for the repair work shall be awarded when the Board, by means of insurance proceeds and sufficient assessments, has provided for paying the cost. The Board may authorize the insurance carrier to make the repairs if the Board is satisfied that the work will be done satisfactorily, and if such authorization does not contravene any insurance trust agreement or requirement of law.

24.4.3 The Board may enter into a written agreement with a reputable financial institution or trust or escrow company that the institution or company shall act as an insurance trustee to adjust and settle any claim for casualty loss in excess of \$50,000, or for the institution or company to collect the insurance proceeds and carry out the provisions of this Article 24.

Section 24.5 Damage not Substantial. If the damage as determined under subsection 24.3.2 is not substantial, the provisions of this Section 24.5 shall apply.

8511150056 - 30 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 372

24.5.1 Either the Board or the requisite number of owners, within 15 days after the notice required under Section 24.2 has been given, may but shall not be required to, call a special owners' meeting in accordance with Section 14.9 and the Bylaws to decide whether to repair the damage.

24.5.2 Except for emergency work, no repairs shall be commenced until after the 15-day period and until after the conclusion of the special meeting if such a special meeting is called within the 15 days.

24.5.3 A unanimous decision of the owners and, in addition, the unanimous consent of the holders of first mortgages on units will be required to elect not to repair the damage. The failure of the Board and the owners within the 15-day period to call a special meeting shall be deemed a decision to repair the damage.

Section 24.6 Substantial Damage. If the damage determined under subsection 24.3.2 is substantial, the provisions of this Section 24.6 shall apply.

24.6.1 The Board shall promptly, and in all events within 30 days after the date of damage, call a special owners' meeting to consider repairing the damage. If the Board fails to do so within 30 days, then notwithstanding the provisions of Section 14.9 and the Bylaws, any owner or first mortgagee of a unit may call and conduct the meeting.

24.6.2 Except for emergency work, no repairs shall be commenced until the conclusion of the special owners' meeting.

24.6.3 At the special meeting the following consent requirements will apply:

(a) The owners shall be deemed to have elected to repair the damage in accordance with the original plan unless the owners of at least 67% of the total voting power of the condominium other than that held by Declarant have given their written consent not to repair the damage.

(b) The unanimous consent of all owners will be required to elect to rebuild in accordance with a plan that is different from the original plan above.

(c) In addition to the consent of the owners specified above, any election not to repair the damage or not to rebuild substantially in accordance with the original plan will require the approval of eligible holders of first

mortgages on units that have at least 51% of the votes subject to eligible holder mortgages.

(d) Failure to conduct the special meeting provided for under subsection 24.6.1 within 90 days after the date of damage shall be deemed a unanimous decision to repair the damage in accordance with the original plan.

Section 24.7 Effect of Decision Not to Repair. In the event of a decision under either subsection 24.5.3 or 24.6.3 not to repair the damage, the Board may nevertheless expend so much of the insurance proceeds and common funds as the Board deems reasonably necessary for emergency work (which emergency work may include but is not necessarily limited to removal of the damaged improvements and clearing, filling, and grading the land), and the remaining funds, if any, and the property shall thereafter be held and distributed as follows:

24.7.1 The property shall be owned in common by the owners and shall no longer be subject to this Declaration or to condominium ownership.

24.7.2 Each apartment owner's percentage of undivided interest in the property shall be the same as the percentage of undivided interest he previously owned in the common areas and facilities.

24.7.3 Any mortgages or liens affecting any of the units shall be deemed transferred in accordance with the existing priorities to the apartment owner's percentage of the undivided interest in the property.

24.7.4 The property shall be subject to an action for partition at the suit of any owner, in which event the net proceeds of sale, together with the net proceeds of the insurance on the property, if any, shall be considered as one fund. The fund shall be divided into separate shares, one for each owner in a percentage equal to the percentage of undivided interest owned by each such owner in the property. After first paying out of the respective share of each owner, to the extent sufficient for the purpose, all mortgages and liens on the owner's interest, the balance remaining in each share shall be distributed to the owner. No owner shall have any preemptive right with respect to insurance proceeds over the holder of a mortgage on the owner's unit.

ARTICLE 25. CONDEMNATION.

Section 25.1 Consequences of Condemnation; Notices. If any unit or portion thereof or the common areas and facilities or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority (referred to herein as a "taking") notice of the proceeding or proposed acquisition shall promptly be given to each owner and to each holder of a first mortgage and the provisions of this Article 25 shall apply.

Section 25.2 Power of Attorney; Proceeds. Each owner appoints the Association as attorney-in-fact for the purpose of representing the owners in condemnation proceedings and negotiations, settlements and agreements with the condemning authority for acquisition of common areas and facilities or any part thereof, from the condemning authority. The Board may appoint a trustee to act on behalf of the owners in carrying out the foregoing functions in lieu of the Association. All compensation, damages, or other proceeds of the taking, the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Association or any trustee in trust for the owners and their first mortgagees as their interests may appear.

Section 25.3 Complete Taking. If the entire property is taken the condominium ownership shall terminate. The Condemnation Award shall be apportioned among the owners in proportion to their respective percentages of undivided interest in the common areas and facilities; provided, that if a standard different from the value of the property as a whole is employed to measure the Condemnation Award in the taking, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On the basis of the foregoing principle, the Board shall as soon as practicable determine the share of the Condemnation Award to which each owner is entitled. Each owner's share shall be applied first to the payment of all mortgages and liens on the owner's interest in accordance with the existing priorities and the balance of each share shall be distributed to the owner. No owner shall have any priority with respect to the Condemnation Award over the holder of a mortgage on the owner's unit.

Section 25.4 Partial Taking. If less than the entire property is taken the condominium ownership shall not terminate. Each owner shall be entitled to a share of the Condemnation Award determined in the following manner:

25.4.1 As soon as practicable the Board shall, reasonably and in good faith, allocate the Condemnation Award

8511150056

- 33 -

9/23/85  
2601/2:GNA

VOL 625 PAGE 375

among compensation for property taken, severance damages, or other proceeds.

25.4.2 The Board shall apportion the amounts so allocated to taking of or injury to the common areas and facilities, which in turn shall be apportioned among owners in proportion to their respective undivided interests in the common areas and facilities.

25.4.3 The total amount allocated to severance damages shall be apportioned to the units that were not taken.

25.4.4 The amounts allocated to the taking of or injury to a particular unit and/or improvements an owner had made within the unit shall be apportioned to the unit.

25.4.5 The amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Board determines to be equitable in the circumstances.

25.4.6 If an allocation of the Condemnation Award has already been established in negotiation, judicial decree, or otherwise, then in apportioning the Condemnation Award the Board shall employ that allocation to the extent it is relevant and applicable.

25.4.7 Distribution of apportioned proceeds shall be made to the owners and their respective mortgagees in the manner provided in Section 25.3.

Section 25.5 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 24 for repair of damage, provided that the Board may retain and apply such portion of each owner's share of the Condemnation Award as is necessary to discharge the owner's liability for any special assessment arising from the operation of Article 24.

## ARTICLE 26. EASEMENTS.

Section 26.1 In General. Each unit has an easement in and through each other unit and the common areas and facilities for all support elements and utility, wiring, heat, and service elements, and for reasonable access thereto, as required to effectuate and continue proper operation of the condominium. In addition, each unit and all the common areas and facilities are specifically subject to easements as required for the electrical wiring and plumbing for each unit. The specific mention or

reservation of any easement in this Declaration does not limit or negate the general easement for common facilities reserved by law.

Section 26.2 Encroachments. To the extent not provided by the definition of unit (residential apartment) in the Condominium Statute, each unit and all common areas and facilities are hereby declared to have an easement over all adjoining units and common areas and facilities for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or movement of any portion of the property, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of the encroaching units, areas, and facilities so long as the encroachments shall exist, and the rights and obligations of owners shall not be altered in any way by the encroachment; provided, however, that in no event shall a valid easement for encroachment be created in favor of a unit if the encroachment was caused by the willful act with full knowledge of the owner. The encroachments described in this Section 26.2 shall not be construed to be encumbrances affecting the marketability of title to any unit.

Section 26.3 Easement and Rights Reserved by Declarant. Declarant reserves an easement over, across, and through the common areas and facilities of the condominium for the purpose of completing the construction of any units or other improvements and exhibiting and preparing units for sale.

Section 26.4 Utility Easements Granted by Declarant. Declarant grants to each company or municipality providing utility services to the condominium or to the owners of units in the condominium an easement for the installation, construction, maintenance, repair and reconstruction of all utilities serving the condominium or the owners, including, without limitation, such utilities services as water, sanitary sewer, storm sewer, electricity, cable television and telephone, and an easement for access over and under the roadways and common areas of the condominium to the utility service facilities.

#### ARTICLE 27. PROCEDURES FOR SUBDIVIDING OR COMBINING UNITS.

Section 27.1 Submission of Proposal. No unit or units shall be subdivided and/or combined either by agreement or legal proceedings, except as provided in this Article. An owner may propose subdividing and/or combining of a unit or units by submitting the proposal in writing to all other owners and the

mortgagees of the units to be subdivided or combined. If the proposal contemplates the subdivision of a unit, the proposal must also be given to every first mortgagee of any unit in the condominium. The proposal must include complete plans and specifications for accomplishing the subdivision or combination and proposed amendments of this Declaration and the Survey Map and Plans.

Section 27.2 Approval Required for Subdivision. A proposal that contemplates subdivision of a unit will be accepted only if approved in writing by all owners and mortgagees of the unit or units to be subdivided, the owners, other than Declarant, of 80% of the undivided interest in the common areas and facilities held by owners other than Declarant, and every first mortgagee.

Section 27.3 Approval Required for Combination. A proposal that contemplates only combination of units without subdividing any of them will be accepted if approved in writing by the owners of 60% of the total undivided interest in the common areas and facilities and all owners and mortgagees of the units to be combined.

Section 27.4 Procedure After Approval. Upon approval of the proposal, the owner making it may proceed according to the proposed plans and specifications; provided that the Board may in its discretion require that the Board administer the work or that provisions for the protection of other units or common areas and facilities or that reasonable deadlines for completion of the work be inserted in the contracts for the work. The changes in the Survey Map, if any, and the changes in the Plans and Declaration shall be placed of record as amendments thereto.

ARTICLE 28. AMENDMENTS OF DECLARATION OR SURVEY MAP AND PLANS OR BYLAWS.

Section 28.1 Procedures. An owner may propose amendments to this Declaration or the Survey Map and Plans or the Bylaws to the Board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by owners of 20% or more of the units in the condominium, then, irrespective of whether the Board concurs in the proposed amendment, it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. Amendments may be

adopted at a meeting of the Association or by written consent of the requisite number of persons entitled to vote, after notice has been given to all persons (including eligible holders) entitled to receive notices. Upon the adoption of an amendment and the obtaining of any necessary consents of eligible holders of mortgages as provided below, the amendment will become effective when a certificate of the amendment, executed by two officers of the Association, has been recorded in the public records. This Article shall not apply to expansion of the condominium into a Subsequent Phase or Phases by Declarant as authorized in Article 3.

Section 28.2 Percentages of Consent Required. Except as provided in Articles 24 and 25 in the case of damage or condemnation of the property, the percentages of consent of owners and mortgagees required for adoption of amendments to the Declaration, Survey Map and Plans, and Bylaws are as follows:

28.2.1 The consent of owners holding at least 67% of the votes in the Association, but in any event not less than 60% of the owners, and the consent of eligible holders of mortgages on units that have at least 51% of the votes of units subject to eligible holder mortgages shall be required to materially amend any provisions of the Declaration, Survey Map and Plans, or Bylaws, or to add any material provisions thereto, which establish, provide for, govern, or regulate any of the following: (a) voting; (b) assessments, assessment liens or subordination of such liens; (c) reserves for maintenance, repair, or replacement of the common areas and facilities; (d) insurance or fidelity bonds; (e) right to use common areas and facilities; (f) responsibility for maintenance and repair of any portion of the condominium; (g) addition or annexation of property to the condominium; (h) changes of boundaries of any unit; (i) convertibility of units into common areas or common areas into units; (j) leasing of units; (k) imposition of any right of first refusal or similar restriction on the right of an owner to sell, transfer or otherwise convey a unit; (l) establishment of self-management of the condominium after professional management has been required by HUD, FNMA, VA, FHLMC, or other similar agency or corporation; or (m) any provisions which are for the express benefit of holders of first mortgages.

28.2.2 The unanimous consent of all owners and the consent of eligible holders of first mortgages on units that have at least 51% of the votes of units subject to eligible holder mortgages shall be required to adopt any amendment altering the value of the property and of each unit and the percentage of undivided interest in the common areas and facilities.

8511150056

- 37 -

9/25/85  
2601/2:CNA

VOL 625 PAGE 379

28.2.3 The unanimous consent of all owners, mortgagees and holders of liens affecting any of the units shall be required to remove any property from the condominium.

28.2.4 All other amendments shall be adopted if consented to by 60% of the owners.

28.2.5 An eligible holder who receives a written request to consent to an addition or amendment who does not deliver or post a negative response to such request within 30 days shall be deemed to have consented to such request.

ARTICLE 29. ABANDONMENT OR TERMINATION OF CONDOMINIUM STATUS.

Except in cases of substantial damage to the property as provided in Article 24 or taking of the property as provided in Article 25, the condominium status of the property shall not be abandoned or terminated by reason of any act or omission by the owners or the Association except with the consent of all owners by an instrument to that effect duly recorded, and then only if the mortgagees and holders of all liens affecting any of the units consent thereto or agree, in either case by an instrument duly recorded, that their mortgages and liens be transferred to the percentage of the undivided interest of the owner in the property.

ARTICLE 30. SEVERABILITY.

The provisions of this Declaration shall be independent and severable, and the unenforceability of any one provision shall not affect the enforceability of any other provision, if the remainder complies with the Condominium Statute or, as covenants, effect the common plan.

ARTICLE 31. EFFECTIVE DATE.

This Declaration shall take effect upon recording.

ARTICLE 32. REFERENCE TO SURVEY MAP AND PLANS.

The Survey Map and Plans were filed with the Auditor of Skagit County, Washington, simultaneously with the recording of this Declaration under File No. 8511150055 in Volume 6 of ~~Condominiums~~ SURVEYS, pages 145 through 148.

8511150056

- 38 -

9/25/85  
2601/2:GNA

VOL 625 PAGE 380

ARTICLE 33. ASSIGNMENT BY DECLARANT.

Declarant reserves the right to assign, transfer, sell, lease, or rent all or a portion of the property then owned by it and reserves the right to assign all or any of its rights, duties, and obligations created under this Declaration.

DECLARANT

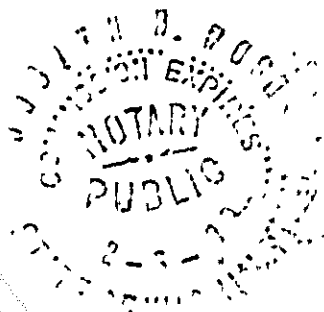
WEST COAST LAND INVESTMENTS, INC.

By Rob R. Henry

STATE OF WASHINGTON )  
COUNTY OF KING ) ss.

On this 15th day of NOV., 1985, personally appeared Rob R. Henry, to me known to be the Vice President of West Coast Land Investments, Inc., the corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and on oath stated that they were authorized to execute said instrument.

In Witness Whereof, I have hereunto set my hand and affixed my official seal the day and year first above written.



Robert D. Wood  
Notary Public in and for the  
State of Washington, residing  
at MT VERNON

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SCHEDULE A  
FIDALGO SHORES CONDOMINIUM

Description of Land

PARCEL A (Phase I)

Lot 13 of Skyline No. 19, according to plat thereof recorded in Volume 13 of Plats, pages 19 to 21, records of Skagit County, Washington.

PARCEL B (Phase II)

Lots 14 and 15 of Skyline No. 19, according to plat thereof recorded in Volume 13 of Plats, pages 19 to 21, records of Skagit County, Washington,

SUBJECT TO a public access easement over a portion of Lot 15 of Skyline No. 19, according to plat thereof recorded in Volume 13 of Plats, pages 19 to 21, records of Skagit County, Washington beginning at the Northeast corner of said Lot 15 of which said point bears South 10°08'56" East 45 feet from the center point of a cul-de-sac; thence South 16°28'35" West 115.28 feet along the East line of said Lot 15 to the Inner Harbor Line of Burrows Bay; thence North 71°46'14" West along the Inner Harbor Line 40.02 feet; thence North 16°28'35" East 81.78 feet to a 10 inch concrete retaining wall; thence South 73°31'25" East along said wall 20.00 feet; thence North 16°28'35" East 27.50 feet to a point on a curve; thence along the curve to the left through a central angle of 26°24'46" a distance of 20.75 feet to the point of beginning and the terminus thereof.

SCHEDULE A

9/25/85  
2601/2:GNA

8511150056

VOL 625 PAGE 382

SCHEDULE B  
FIDALGO SHORES CONDOMINIUM

Description of Building in Phase I

|            | <u>No. of Units</u> | <u>No. of Floors</u> | <u>Basement</u> |
|------------|---------------------|----------------------|-----------------|
| Building A | 5                   | 2                    | yes             |

SCHEDULE B

9/25/85  
2601/2:GNA

8511150056

VOL 625 PAGE 383

# SCHEDULE C

## FIDALGO SHORES CONDOMINIUM

### Unit Descriptions, Values and Percentages of Undivided Interests in Phase I

Each unit in Phase I of the condominium is a two-floor, townhouse style unit with eight rooms. Each unit contains four rooms on the first floor, consisting of a kitchen, a dining room, a living room and a half-bathroom plus an entry with closet and a storage room, and four rooms on the second floor, consisting of two bedrooms, each with one closet and two bathrooms, plus a utility room. Each unit contains approximately 1290 square feet, 545 on the first floor and 745 on the second floor.

The table below sets forth the value and percentage of undivided interest of each unit in Phase I of the condominium.

| <u>Building</u> | <u>Unit No.</u> | <u>Value</u>     | <u>Percentage*</u> |
|-----------------|-----------------|------------------|--------------------|
| A               | 1               | \$153,000        | 20.75%             |
| A               | 2               | 143,000          | 19.50              |
| A               | 3               | 143,000          | 19.50              |
| A               | 4               | 143,000          | 19.50              |
| A               | 5               | 153,000          | 20.75              |
|                 |                 | <u>\$745,000</u> | <u>100.00%</u>     |

\* When (and if) the condominium is expanded into the Subsequent Phase, the percentage of undivided interest in the common areas and facilities for each unit listed above shall be the percentage obtained by dividing the value of each unit by the total value of the units in the Subsequent Phase.

# SCHEDULE C

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VOL 625 PAGE 384

SCHEDULE D  
BYLAWS OF  
FIDALGO SHORES CONDOMINIUM  
OWNERS ASSOCIATION

The following are Bylaws of Fidalgo Shores Condominium Owners Association. These Bylaws provide for operation of Fidalgo Shores Condominium, a condominium established under the laws of the state of Washington. They apply to the entire condominium, each unit therein, and all common areas and facilities. Each owner automatically, by virtue of such ownership, becomes a member of the Association. All present and future owners, mortgagees and other encumbrancers, lessees, tenants, licensees, and occupants of units, and their guests and employees, and any other person who may use the facilities of the condominium are subject to these Bylaws, the Declaration and Covenants, Conditions, Restrictions and Reservations for Fidalgo Shores Condominium, a condominium, and the rules and regulations pertaining to use and operation of the condominium.

Words and phrases that are defined in the Declaration shall have the same meaning in these Bylaws.

Until the Transition Date occurs, these Bylaws shall be administered and may be amended (subject to such mortgagee approval as may be required) by Declarant, or by a managing agent appointed by Declarant, or by an interim board of directors designated by Declarant. All references herein to the "Board" shall apply with equal force and effect to Declarant, the managing agent, or the interim board of directors, whichever has the responsibility for administering the condominium.

ARTICLE 1. MEMBERSHIP; REGISTER; VOTING

Section 1.1 Membership. The owners of units in the condominium shall constitute the Owners Association. Corporations, partnerships, associations, and other legal entities, trustees under an express trust, and other fiduciaries, as well as natural persons may be members of the Association. Owners of a unit as joint tenants, tenants in common, community property, or other ownership involving more than one owner, shall be joint members of the Association, but the sum total of their vote shall not exceed the percentage of interest for voting power appurtenant to the unit owned.

Section 1.2 Voting. The total voting power of all members shall be 100 votes and the total number of votes available to

the owner or owners of any one unit shall be equal to the percentage of undivided interest in the common areas and facilities appertaining to the unit, as set forth in the Declaration. A member who owns more than one unit shall have the votes appertaining to each unit owned.

Section 1.3 Persons Under Disability. Minors and persons declared legally incompetent shall be eligible for membership in the Association, if otherwise qualified, but shall not be permitted to vote except through a legally appointed, qualified, and acting guardian of their estate voting on their behalf, or, in the case of a minor with no legal guardian of his estate, through a parent having custody of the minor.

Section 1.4 Register of Members. The Board shall cause a register to be kept containing the names and addresses of all members of the Association. Persons who purchase an interest in a unit shall promptly inform the Board of their interest. Persons who claim to be members of the Association shall, upon request, furnish the Board with copies of any documents under which they assert ownership of a unit or any interest therein, and any mortgages thereon.

## ARTICLE 2. MEETINGS OF MEMBERS.

Section 2.1 Place. Meetings of the members of the Association shall be held at such suitable place as may be convenient to the membership and designated from time to time by the Board.

Section 2.2 Annual Meeting. The annual meeting of the Association shall be held in the first quarter of each fiscal year, on a date fixed by the Board. At such annual meeting there shall be a financial report, the owners shall elect members to the Board or fill vacancies therein, and such other business as shall properly come before the meeting may be transacted.

Section 2.3 Special Meetings. It shall be the duty of the president to call a special meeting of the Association as directed by resolution of the Board or upon the written request of a majority of the Board or upon the written request of owners having one-third of the total voting power of the Association. A meeting called at the request of the members shall be held at such time as the president may fix, which time shall not be less than 10 nor more than 30 days after the receipt of the written request therefor. No business shall be transacted at a special meeting except as stated in the notice given therefor unless consented to by four-fifths of the owners present either in person or by proxy.

Section 2.4 Notice of Meetings. It shall be the duty of the secretary to give notice of each annual and special meeting, stating the purpose thereof and the time and place where it is to be held, to each member of the Association and to each mortgagee that has requested notice, all as provided in Article 15 of the Declaration. Notice shall be given at least ten and not more than 30 days before each meeting. Before any meeting of the Association, any member may, in writing, waive notice of such meeting. Attendance by a member at a meeting of the Association shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins.

Section 2.5 Quorum. The presence in person or by proxy of members of the Association or voting representatives holding 50% of the total voting power shall constitute a quorum for the transaction of business at any meeting of members of the Association.

Section 2.6 Proxies. Any owner or voting representative may vote by proxy. Proxies shall be in writing, signed by the owner, or voting representative, and filed with the Board. Proxies may be revoked at any time by written notice to the Board. Any designation of proxy must be signed by all owners of a unit; but where husband and wife are owners, the proxy need be signed by only one spouse unless the other spouse notifies the Board not to accept the proxy.

Section 2.7 Adjournment of Meetings. If any meeting of owners cannot be organized because a quorum has not attended, the owners present, in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 2.8 Majority Vote. Except as otherwise provided by statute, by the Declaration, or by these Bylaws, passage of any matter submitted to vote at a meeting where a quorum is in attendance, shall require the affirmative vote of at least 51% of the voting power present.

Section 2.9 Order of Business. The order of business at meetings of the Association shall be as follows unless dispensed with on motion:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Minutes of preceding meeting;

- (d) Reports of officers;
- (e) Reports of committees;
- (f) Election of inspectors of election;
- (g) Election of directors (annual meeting or special meeting called for such purpose);
- (h) Unfinished business;
- (i) New business;
- (j) Adjournment.

Section 2.10 Parliamentary Authority. In the event of dispute, the parliamentary authority for the meetings shall be the most current available edition of Robert's Rules of Order or such other published code of parliamentary procedure as shall be approved by a majority at the meeting.

### ARTICLE 3. BOARD OF DIRECTORS.

Section 3.1 Number and Qualifications. The affairs of the Association shall be governed by a Board of not fewer than three nor more than seven directors, who shall be elected by ballot from the members of the Association. The members of the Association at any meeting may change the number of directors within those limits, but shall not reduce the number in such a manner to deny an incumbent director (unless removed for cause) a full term of office. If a corporation is a member of the Association, any one of its officers, directors, or shareholders may be elected to the Board; if a partnership is a member, any one partner of such partnership may be elected to the Board.

Section 3.2 Powers and Duties. The Board shall have the powers and duties provided for the administering authority of the condominium in the statutes and in the Declaration, and all other power necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by statute or by the Declaration required to be done in another manner. No contract made by the Board or any officer for the Association shall have a fixed term longer than one year.

Section 3.3 Managing Agent. Management of the condominium shall initially be carried out by Declarant or a Managing Agent appointed by Declarant or by an interim Board selected by Declarant as provided in Article 16 of the Declaration. The interim Board, if one is selected, and the permanent Board after the Transition Date, may employ an experienced professional

managing agent to assist the Board in the management and operation of the condominium.

Section 3.4 Election and Term of Office. On the Transition Date or as soon after it as possible there shall be a meeting of the Association to elect a Board of five directors to serve until the first day of the calendar month following the date of adjournment of the first annual meeting. Thereafter, the term of office for directors will begin on the first day of the calendar month following the date of adjournment of the annual meeting at which they are elected. The normal term of office for directors will be for three years and until their successors are elected and take office. However, to provide for staggered terms, at the first annual meeting one-third of the number of directors (or the whole number nearest to one-third) shall be elected for one year, the same number shall be elected for two years, and the remainder shall be elected for three years.

Section 3.5 Vacancies. Vacancies on the Board caused by reasons other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each person so selected shall be a director until a successor is elected at the next annual meeting of the Association to serve the balance of the unexpired term.

Section 3.6 Removal of Directors. At any regular or special meeting after the Transition Date, any one or more of the directors may be removed, with or without cause, by the holders of a majority of the total voting power of the Association and a successor may then and there be elected to fill the vacancy thus created and to serve the balance of the unexpired term. Any director whose removal has been proposed shall be given an opportunity to be heard at the meeting.

Section 3.7 Compensation. No compensation shall be paid to directors for their services as directors.

Section 3.8 Organization Meeting. The first meeting of the newly elected Board shall be held within ten days of election at a place to be fixed by the directors at the meeting at which the directors were elected, and no notice shall be necessary to the newly elected directors in order legally to call the meeting, providing a majority of the whole Board shall be present at the meeting.

Section 3.9 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least

two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each director personally or by mail, telephone, or telegraph, at least three days before the day fixed for the meeting.

Section 3.10 Special Meetings. Special meetings of the Board may be called by the president on three days' notice to each director, given personally or by mail, telephone, or telegraph, which notice shall state the time, place, and purpose of the meeting. Special meetings of the Board shall be called by either the president or secretary in like manner and on like notice on the written request of any two directors.

Section 3.11 Waiver of Notice. Before any meeting of the Board, any director may, in writing, waive notice of such meeting. Attendance by a director at any meeting of the Board shall be a waiver by him of timely and adequate notice unless he expressly challenges the notice when the meeting begins. If all directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at the meeting.

Section 3.12 Quorum. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board. If there is less than a quorum present at any meeting of the Board, the majority of those present may adjourn the meeting from time to time. At the adjourned meeting any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 3.13 Open Meeting. Any owner or voting representative may attend any meeting of the Board, but shall not be entitled to participate except with the consent of the Board. The Board may, however, go into private, executive session to consider the employment or dismissal of the managing agent or other persons employed by the Association, or to hear complaints or charges brought against such person, unless the person requests a public hearing, or to discuss with legal counsel litigation in which the Association is or is likely to become a party if public discussion would adversely affect the interests of the Association in such litigation.

#### ARTICLE 4. OFFICERS.

Section 4.1 Designation. The principal officers of the Association shall be a president, a vice president, a secretary, and a treasurer, all of whom shall be elected by and from the

Board. The directors may appoint from the Board such other officers as in their judgment may be necessary or desirable. Two or more offices may be held by the same person, except that a person may not hold the offices of president and secretary simultaneously.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board meeting after the annual meeting of the Association. They shall hold office at the pleasure of the Board.

Section 4.3 Removal of Officers. At any regular meeting of the Board or at any special meeting of the Board called for such purpose, upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause. A successor to the removed officer may be elected at any such meeting.

Section 4.4 President. The president shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board and shall have all powers and duties usually vested in the office of the President.

Section 4.5 Vice President. The vice president shall perform the duties of the president when the president is absent or unable to act, and shall perform such other duties as may be prescribed by the Board.

Section 4.6 Secretary. The secretary shall keep the minutes of all meetings of the Board and of the Association and shall have custody of the business records of the Board and the Association, other than financial records kept by the treasurer. He shall also perform such other duties as may be prescribed by the Board.

Section 4.7 Treasurer. The treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association.

Section 4.8 Other Officers and Employees. Other officers of the Association and any persons employed to assist the officers, shall have such authority and shall perform such duties as the Board may prescribe within the provisions of the applicable statutes, the Declaration, and these Bylaws.

Section 4.9 Compensation. The Board may pay reasonable compensation to any officer or owner who performs substantial services for the condominium in carrying out the management duties of the Board. The Board's decision to compensate an

officer shall not become final until 60 days after notice of it (including the amount of compensation to be paid) has been given to all persons entitled to notice of meetings of the Association, and such decision may be reversed by the members of the Association at a meeting duly called and held within 60 days after the notice of the decision was given.

Section 4.10 Declarant's Powers. In accordance with the Declaration, the Declarant, Declarant's managing agent, or the interim board of directors may exercise the powers of the officers until the Transition Date.

ARTICLE 5. COMMITTEES.

Section 5.1 Committees of Directors. The Board may appoint one or more committees that consist of one or more directors. Such committees, if composed entirely of Board members, shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association. The appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management of the condominium.

Section 5.2 Other Committees. Other committees, not having or exercising the authority of the Board in the management of the Association, may be appointed by the president or the directors, and such committees may be composed of one or more members of the Association.

ARTICLE 6. OBLIGATION OF OWNERS.

Section 6.1 Assessments. All owners are obligated to pay assessments imposed by the Association to meet the common expenses of the condominium as provided in the Declaration.

Section 6.2 Foreclosure of Assessment Lien--Rental Value of Units. From the time of commencement of an action against an owner to foreclose the lien of unpaid assessments, the owner shall pay to the Association the reasonable rental value of the unit. The Association shall be entitled to the appointment of a receiver to collect the rental, who may, if the rental is not paid, obtain possession of the unit, refurbish it to a reasonable standard, and rent the unit or permit its rental to others. Rentals collected therefrom shall be applied: First, to pay the expenses of the receivership (including reasonable attorney's fees); second, to reimburse the costs of refurbishing the unit; third, to costs, fees and charges incurred by the Association in the foreclosure action; and fourth, to the payment of the assessments due and any interest accrued

thereon. Any judgment rendered against the owner in a foreclosure action or receivership proceeding shall include a reasonable sum for attorney's fees and for all costs and expenses reasonably incurred in preparation for or in the prosecution of the action, in addition to taxable costs permitted by law.

Section 6.3 Damages to Common Areas. Each owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area or facility damaged through that owner's fault.

ARTICLE 7. RIGHTS OF ACTION.

Each owner, the Board and the Association shall comply strictly with the Declaration, these Bylaws, and with the administrative rules and regulations adopted pursuant thereto, as they may be lawfully amended from time to time, the decisions of the Board, and with the covenants, conditions, and restrictions set forth in the deed to his unit. Failure to comply with any of the foregoing shall be ground for an action to recover sums due, damages, and for injunctive relief, or any or all of them, maintainable by the Board or the managing agent on behalf of the Association or by an owner.

ARTICLE 8. HANDLING OF FUNDS.

Section 8.1 Accounts. The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the condominium. Overall superintendence of these funds shall be the responsibility of the treasurer of the Association. There shall be at least three separate funds as described in Sections 8.2, 8.3, and 8.4.

Section 8.2 Working Capital Fund. There shall be established a checking account in a commercial bank to be known as the "Working Capital Fund." This fund will be used for the normal operation of the condominium and will receive all monthly assessments, first purchasers' initial contributions to the fund, and other monies received by the Association. Checks shall be issued from this account for all management and operation expenditures necessary for the condominium and maintenance expenses of a routine or minor nature that do not require resort to the Reserve Fund for Common Areas and Facilities. Funds for the Reserve Fund for Insurance Premiums and the Reserve Fund for Common Areas and Facilities will normally be deposited in the Working Capital Fund and checks immediately issued to the other fund so an overall account of the funds received and disbursed by the Association is centralized in the check register of the Working Capital Fund account.

Section 8.3 Reserve Fund for Insurance Premiums. The Association shall maintain a fund which shall be known as the "Reserve Fund for Insurance Premiums." Each month the treasurer shall cause to be deposited into this fund an amount equal to at least one-twelfth of the total cost of all premiums for the policy or policies and bonds the Association is required by the Declaration to purchase. Such premiums shall be paid out of this fund.

Section 8.4 Reserve Fund for Common Areas and Facilities. The Association shall maintain a fund which shall be known as the "Reserve Fund for Common Areas and Facilities." The Treasurer shall deposit to this reserve account amounts reasonably anticipated to be required for the periodic maintenance, repair, and replacement of the common areas and facilities.

Section 8.5 Combination and Deposit or Investment of Funds. All funds of the Association shall be kept in accounts or deposits that are insured by agencies of the United States. The reserve funds and any portion of the Working Capital Fund not required for current expenditures may be combined in one or more savings accounts, certificates of deposit, or other accounts or deposits.

ARTICLE 9. AMENDMENT OF PERCENTAGE OF INTEREST IN COMMON AREAS AND FACILITIES.

Section 9.1 Appraisal. The condominium and all parts thereof shall be reappraised upon the happening of any event which, in the judgment of the Board, requires a reappraisal and reapportionment of the values of one or more units or appurtenant common areas and facilities. The appraisal shall be made by a competent appraiser selected by the Board. After the appraisal has been made, it shall be considered by the owners at an annual or special meeting. Any owner shall have the right to be heard at the meeting and to introduce evidence if he desires.

Section 9.2 Consent Required. The value of the property and of each unit and the percentage of undivided interest in the common areas and facilities shall be altered only by amending the Declaration in the manner provided in Article 28 thereof.

ARTICLE 10. KEEPING RECORDS AND REPORTS.

The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Association, in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures, and all

contracts, documents, papers, and other records of the Association shall be available for examination by the owners, mortgagees, and the agents or attorneys of either of them, during normal business hours and at any other reasonable time or times.

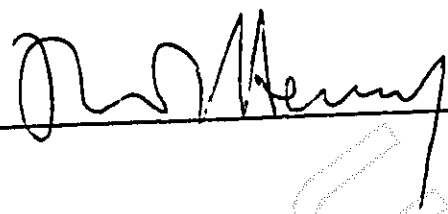
ARTICLE 11. AMENDMENTS.

The procedure and necessary consents required for adoption of amendments to the Bylaws are set forth in Article 28 of the Declaration. An amendment will become effective upon the recording of a certificate of the amendment, executed by two officers of the Association, in the public records.

The foregoing Bylaws are adopted by Declarant under its authority to act as the Board of the Association before the Transition Date and are effective upon the recording of the Declaration.

DECLARANT

WEST COAST LAND INVESTMENTS, INC.

By 

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- 11 -

VOL 625 PAGE 395