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DECLARATION

AND

COVENANTS, CONDITIONS, RESTRICTIONS, AND RESERVATIONS

FOR

SKYLINE COURT CONDOMINIUM

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SKAGIT COUNTY CLERK

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ARTICLE 1. DEFINITIONS.

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

Assessment shall mean all sums chargeable by the Association against a unit including, without limitation, regular and special Assessments for Common Expenses, charges and fines imposed by the Association, interest and late charges on any delinquent account, and costs of collection, including reasonable attorneys' fees incurred by the Association in connection with the collection of a delinquent owner's account.

Association shall mean the Unit Owners association described in Article 14 of this Declaration.

Board shall mean the board of directors of the Association.

Bylaws shall mean the bylaws of the Association, as they may from time to time be amended.

Common Elements and Limited Common Elements shall mean all portions of the Condominium except the Units, as described in Article 6 and in Article 7.

Common Expenses shall mean expenditures made by the Association or financial liabilities of the Association, together with any allocations to reserves.

Condominium shall mean the real property which is subject to this Declaration as that may be revised pursuant to Article 2 hereof.

Condominium Act shall mean the Washington Condominium Act, Laws of 1989, Chapter 43, presently codified in Chapter 64.34, Revised Code of Washington, and amendments thereto.

Declarant shall mean Skyline Associates, a Washington general partnership, and its representatives, successors, and assigns.

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

Eligible Holder shall mean a holder of a First Mortgage on a Unit that has requested notices under Section 15.2.

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

Eligible Mortgagee shall mean a holder of a mortgage on a Unit that has requested notices under Section 15.2.

FHLMC shall mean Federal Home Loan Mortgage Corporation.

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.

FNMA shall mean Federal National Mortgage Association.

GNMA shall mean Government National Mortgage Association.

HUD shall mean United States Department of Housing and Urban Development.

Managing Agent shall mean the person designated by Declarant under Section 16.2 or by the Board under Section 17.7.

Mortgage shall mean a mortgage, deed of trust or real estate contract.

Mortgagee shall mean the beneficial owner, designee of the beneficial owner, insurer or guarantor of an encumbrance on a unit created by a Mortgage.

Notice and Opportunity to be Heard shall mean the procedure described in Section 17.9.

Owner shall mean the legal owner or owners of a Unit.

Allocated Interests shall mean the undivided interest in the Common Elements, Common Expenses liability, and votes in the Association allocated to each Unit. The Allocated Interest in the Common Elements and the Allocated Interest in Common Expenses for each Unit are as set out in Schedule C. The Allocated Interests in votes in the Association are set out in Article 9.

Person shall mean a natural person, corporation, partnership, limited partnership, association, trust, governmental subdivision or agency, or other legal entity.

Phase I means the Condominium located on the Phase I Property.

Phase II means the units and Common Elements that may be developed on the Phase II Property and incorporated into the Condominium.

Phase III means the units and Common Elements that may be developed on the Phase III Property and incorporated into the Condominium.

Phase I Property shall mean the land legally described in Schedule A1.

Phase II Property shall mean the land legally described in Schedule A2.

Phase III Property shall mean the land legally described in Schedule A3.

Property shall mean the land and the buildings and all improvements and structures now or hereafter placed on the land described in Schedule A1, and all easements, rights and appurtenances belonging thereto, together with all articles of personal property intended for use in connection therewith. When, and if, Declarant records a certificate that a subsequent phase or subsequent phases have been completed, the word "Property" shall thereafter mean the land described in Article 2 of this Declaration as constituting Phase I and the land described in Article 2 which constitutes a subsequently completed phase or phases which is or are submitted to the Condominium Act and all buildings, improvements and structures now or hereafter placed thereon, and all easements, rights and appurtenances belonging thereto, together with all articles of personal property intended for use therewith.

Special Declarant Rights shall mean the rights reserved herein by the Declarant for the benefit of Declarant, if any, to (a) complete improvements indicated on the survey map and plans filed with the Declaration, (b) exercise any development right as defined in the Condominium Act or this Declaration, (c) maintain sales offices, management offices, signs advertising the Condominium, and models, (d) use easements through the Common Elements for the purpose of making improvements within the Condominium or within real property which may be added to the Condominium, (e) make the Condominium part of a larger condominium or a development, (f) make the Condominium subject to a master association, (g) appoint or remove any officer of the Association or any master association or any member of the Board during any period of Declarant control before the Transition Date, or (h) assign uncovered parking spaces to Units.

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.

Transition Date is defined in Section 16.1.

Unit shall mean a physical portion of the Condominium designated for separate ownership. The boundaries of a unit are the walls, floors and ceilings, including all lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces thereof, and excluding all other portions of the walls, floor or ceiling (which shall constitute a part of the Common Elements); and a Unit includes all spaces, interior partitions and other fixtures and improvements within the boundaries of a Unit.

VA shall mean the United States Department of Veterans Affairs.

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.

ARTICLE 2. SUBMISSION OF THE PHASE I PROPERTY TO THE CONDOMINIUM ACT: DEVELOPMENT IN PHASES.

Section 2.1 Submission of Phase I Property. 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 Act. 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 Units and Common Elements and shall be deemed to run with the land and be a burden and benefit to Declarant and to all Persons who own or acquire an interest in the Property or any part thereof, and their grantees, successors, heirs, executors, administrators, and assigns.

Section 2.2 Development in Phases. Declarant proposes to develop the Condominium in phases upon the tracts of land situated in Skagit County, Washington, described on Schedules A1, A2 and A3 attached hereto.

Section 2.3 Expansion Into Subsequent Phases. If the Declarant elects to expand the Condominium into a subsequent phase or phases, it may do so, after all of the improvements and

Units for the phase to be added have been substantially completed, by recording survey maps and plans of the improvements and Units added to the Condominium by the subsequent phase or phases, and a certificate declaring that the survey maps and plans previously recorded or recorded therewith accurately depict all of the improvements and Units included in each subsequent phase and in Phase I, and by amending Schedules B and C to include all of the lands and improvements in the subsequent phase or phases. Upon such recording, the previously existing Condominium (that is, Phase I and such subsequent phase or phases as it shall have expanded into) shall be merged into and become a part of the subsequent phase as a single, unified condominium, and the Allocated Interests shall be reallocated as shown in Schedules C and D. Declarant is not required to complete Phase II or Phase III, nor to follow any particular sequence in completing such phases. If such phases are not in fact completed, Phase I shall constitute a complete, fully operational condominium development, and the remaining land, except that portion described for Phase I, may be used for any other lawful purpose in Declarant's discretion. Access and drainage over and across Phase I is reserved to Declarant or Declarant's successors or assigns over the easements, roadways, and utility lines specified or established in and for Phase I, and the right to connect thereto is reserved to Declarant and Declarant's successors and assigns, such reservation being for the purpose either of completing subsequent phases, or otherwise developing portions of the land, if not completed as a condominium development phase, for other purposes.

Section 2.4 Character of Improvements. The improvements added to the Condominium by subsequent phases need not be identical to those in Phase I. Declarant may make reasonable alterations in the style, floor plan, and size of the buildings and units added by Phases II and III as Declarant may determine, but Declarant's latitude in making such alterations shall be restricted in that all improvements added by Phases II and III shall be comparable in style, quality, size and cost to the improvements in Phase I, to the end that the new improvements will be aesthetically and economically harmonious and compatible with the improvements in Phase I.

Section 2.5 Joint Use, Maintenance and Control of Common Elements. In the event subsequent phases are made a part of the Condominium, in addition to Phase I, all of the Common Elements of Phase I and the Common Elements of a subsequent phase or phases shall be for the use and enjoyment of the entire Condominium and all of the unit Owners in the Condominium shall share in the subsequent expenses of maintaining, repairing and replacing them as may be necessary.

Section 2.6 Termination of Right to Add Phases. The right add an additional phase or phases to the Condominium

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shall continue until amendments to this Declaration or subsequent phase declarations have been recorded by Declarant submitting Phase II and Phase III to the Condominium Act, or until seven years from the date this Declaration is recorded, if Phases II and III have not been sooner added to the Condominium.

ARTICLE 3. DESCRIPTION OF LAND.

The land on which the building and improvements provided for in this Declaration are or will be located is described in Schedule A1 and designated as Phase I.

ARTICLE 4. DESCRIPTION OF BUILDINGS.

A description of the principal materials of which the buildings of the Condominium are constructed and the manner in which the Units are heated is set forth in Schedule B attached hereto. The buildings are further described and their locations are shown in the Survey Map and Plans.

ARTICLE 5. UNIT NUMBERS, LOCATION, AND DESCRIPTION.

Each Unit is identified by an assigned number, set forth in Schedule B. For each Unit, the approximate square footage, the number of rooms, the number of bathrooms, the number of bedrooms, the number of built-in fireplaces, if any, the level or levels on which the Unit is located, the assigned storage space, and the number and designation number of parking spaces and whether covered or uncovered are shown in Schedule B. The location and configuration of each Unit, storage space and parking space(s) are shown in the Survey Map and Plans.

ARTICLE 6. COMMON ELEMENTS.

Section 6.1 Description. The Common Elements consist of all portions of the Condominium other than the Units, as well as the following:

6.1.1 The land described in Schedule A1.

6.1.2 The roofs, foundations, studding, joists, beams, supports, bearing walls, bearing columns, (excluding non-bearing interior partitions of Units, if any), and all other structural parts of a building.

6.1.3 The pipes, chutes, flues, ducts, wires, conduits, and other fixtures and equipment for utilities, such as sanitary sewer, power, light, gas, hot and cold water, heating, cable television system, if any (except to the extent such items

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are situated within a Unit, are self-sufficient therein, and may be serviced or replaced independently by the Unit Owner), including that portion of any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixtures lying partly within and partly outside of the boundaries of a Unit which serves more than one Unit or any portion of the Common Elements, and all tanks, pumps, motors, fans, compressors, ducts, apparatus and installations existing for common use.

6.1.4 The grounds, trees, gardens, landscaped areas, exterior fixtures, walkways, and driveways.

6.1.5 Any attics and crawl spaces in the buildings.

6.1.6 The patio or walkway between the garages and front entrances of the first level Units and the decks adjacent to the front entrances of the second and third level Units.

6.1.7 Any of the following: utility rooms, garbage bins and enclosures, vents, lobbies, access corridors, laundry areas, equipment rooms, maintenance rooms, storage spaces, stairs and other areas not assigned to any Unit.

6.1.8 The Limited Common Elements described in Article 7.

6.1.9 The Common Parking Spaces as defined in Section 10.1.

6.1.10 All other parts of the Property normally in common use.

Section 6.2 Use. Each Owner shall have the right to use the Common Elements (except the Limited Common Elements reserved for other Units) in common with all other Owners. The right to use the Common Elements 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 Elements, including the Limited Common Elements, shall be governed by the provisions of the Condominium Act, this Declaration, the Bylaws, and the rules and regulations of the Association.

Section 6.3 Prohibition Against Abandonment, Partition, Etc. Neither the Owners nor an Owner shall by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer the Common Elements and no other Person shall have the right to have them partitioned or divided. The granting of permits, licenses and easements for utilities, roads or for other purposes reasonably necessary or useful for the proper maintenance or operation of the Condominium shall not be deemed a

partition or division. A subdivision of a Limited Common Element as an incident of an authorized subdivision of a Unit pursuant to Article 27 or a conveyance or encumbrance of the Common Elements pursuant to Section 17.6 will not be deemed a violation of this provision.

Section 6.4 Maintenance of the Common Elements.
The Association shall have the responsibility for maintaining, repairing and replacing the Common Elements including, without limitation, the Limited Common Elements. Certain items which might ordinarily be considered Common Elements such as, but not limited to, air conditioning units, 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.

Section 6.5 Joint Use, Maintenance and Control of Common Elements. In the event the Phase II Property and the Phase III Property are added to the Condominium, all of the Common Elements of Phase I and the Common Elements of such subsequent phase or phases shall be for the use and enjoyment of the entire Condominium, and all of the Unit Owners shall share in the subsequent expenses of maintaining, repairing and replacing them as agreed by the Association.

ARTICLE 7. LIMITED COMMON ELEMENTS.

Section 7.1 Description. Some Common Elements, called Limited Common Elements, 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 parking space or spaces assigned to each Unit pursuant to Article 10 (individually an "Assigned Parking Space" and collectively, the "Assigned Parking Spaces"). The boundaries of each parking space are the striping enclosing it.

7.1.2 The storage space adjacent to each Unit as shown in on the Survey Map and Plans. The boundaries of a storage space are defined by the interior, unfinished surfaces of the walls, floor, ceiling and door of such storage space.

7.1.3 The rear deck or patio adjacent to a Unit, as shown on the Survey Map and Plans. The boundaries of the decks and patios are defined by the interior, unfinished surfaces of the walls, floor, ceiling, doors, windows, ground, railings, fence or curb enclosing such deck or patio.

7.1.4 Any fireplace and flue serving a Unit.

7.1.5 Any shutters, awnings, window boxes, doorsteps, stoops, porches, exterior doors and windows or other fixtures designed to serve a single Unit but which are located outside the Unit's boundaries.

7.1.6 That portion of any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixtures lying partly within and partly outside of the boundaries of a Unit which serves only that Unit.

Section 7.2 Appurtenant to Units. Conveyance of a Unit includes the exclusive rights to the use of the Limited Common Elements appurtenant to that Unit.

Section 7.3 Consent to Reallocation.

7.3.1 A Limited Common Element may only be reallocated between Units with the approval of the Board and by an amendment to the Declaration executed by the Owners of the Unit to which the Limited Common Element was and will be allocated. The Board shall approve the request of the Owner or Owners under this subsection 7.3.1 within thirty days unless the proposed reallocation does not comply with applicable law or the Declaration. The failure of the Board to act upon a request within such period shall be deemed approval thereof. An amendment to the Declaration shall be recorded in the names of the parties and of the Condominium.

7.3.2 The consent of at least sixty-seven percent of the Unit Owners, including the Owner of the Unit to which the Limited Common Element will be assigned or incorporated, is required to reallocate a Common Element as a Limited Common Element or to incorporate a Limited Common Element into a different existing Unit. Any reallocation or incorporation shall be reflected in an amendment to the Declaration, Survey Map and Plans.

ARTICLE 8. ACCESS.

Each Unit has direct access to the Common Element adjacent to the Unit entrance and thence across the Common Elements to the public streets and sidewalks. The right of ingress to and egress from each Unit shall be perpetual and appurtenant to the Unit.

ARTICLE 9. ALLOCATED INTERESTS.

Section 9.1 Allocated Interests in Common Elements and Common Expenses. The allocation of the Allocated Interests of each Unit in the Common Elements and Common Expenses is based on the number of bedrooms in the Units, with three bedroom Units

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having a proportionately larger share of the Allocated Interests in Common Elements and Common Expenses. The Allocated Interests in Common Elements and Expenses for each Unit are expressed as percentages which were derived by dividing the number of bedrooms in each Unit by the total number of bedrooms in the Condominium and multiplying the result by one hundred. The allocation of Allocated Interests in Common Elements and Common Expenses is set out in Schedule C. Percentages were rounded to achieve an even one hundred percent.

Section 9.2 Allocated Interests in Votes in the Association. The total number of votes in the Association is equal to the total number of Units in the Condominium. One vote shall be allocated to each Unit (the "Allocated Interest in Votes"). The Allocated Interests in Votes is further described in Schedule D.

Section 9.3 Phase I - Twelve Units. Phase I includes twelve Units, and each Unit includes all of the Limited Common Elements appertaining thereto and the Allocated Interest in the Common Elements, Common Expenses and Votes appertaining thereto.

Section 9.4 Phase II and Phase III.

9.4.1 Future Phases. The land subject to this Declaration may, in the future, be expanded to include Phase II Property and the Phase III Property. Phase II Property and Phase III Property are not, at this time, subject to this Declaration. However, if Declarant elects to develop Phase II Property and/or III Property as a condominium, then such Phase II Property and/or Phase III Property shall upon the recording of a revised survey map and plans and an amendment to this Declaration, as specified in Section 2.3, be included within the provisions hereof. By acceptance of a conveyance, contract for sale, lease, rental agreement, any form of security agreement or instrument, or any privileges of use or enjoyment respecting the Phase I Property, each Owner or possessor, and his heirs, successors, personal representatives, and assigns, consents to and approves such potential expansion of Phase I Property to include Phase II Property and/or Phase III Property. Owners and possessors of Phase I Property, Phase II Property and Phase III Property shall, in the event Phase II Property and/or Phase III Property is brought within the terms and conditions of this Declaration, have all the rights and privileges, and obligations and liabilities, respecting the Common Elements and Limited Common Elements of Phase I Property, Phase II Property and Phase III Property as if all such property was originally included within this Declaration. Declarant makes no assurances that the boundaries of the Phase II Property and/or Phase III Property are fixed or that the Phase II Property may be subjected to this Declaration before the Phase III Property.

9.4.2 Declarant's Right to Amend. In the event that Declarant elects to bring the Phase II Property and/or

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the Phase III Property within this Declaration, Declarant may, without the consent or execution by any Owner or possessor, the Association, or any other Person or entity, record amendments to this Declaration bringing such Phase II Property and/or Phase III Property within this Declaration, as well as making such other changes, additions, and deletions as are necessary for implementation of any phase into previous phases. The effect of such amendments on the Allocated Interests in the Common Elements and Common Expenses of each Unit shall be as set forth in Schedule C.

9.4.3 Effect on Allocated Interests. In the event that Declarant does elect to bring Phase II Property within this Declaration, the total number of Units in the Condominium shall be twenty-four, and the Allocated Interests in the Common Elements and Common Expenses for each Unit shall, upon recording of the amendment to this Declaration effecting such inclusion of Phase II Property, change as specified on Schedule C. In the event Declarant brings Phase III Property within this Declaration, the total number of Units in the Condominium shall be thirty-one, and the Allocated Interests in the Common Elements and Common Expenses for each shall, upon the recording of the amendment to this Declaration effecting such inclusion of Phase III Property, change as specified on Schedule C. In the event Declarant elects to construct the Phase I Units and the Phase III Units but not to construct the Phase II Units, the total number of Units in the Condominium shall be nineteen, and the Allocated Interests in the Common Elements and Common Expenses for each Unit shall, upon recording the amendment to this Declaration effecting such inclusion of Phase III Property, change as specified in Schedule C.

ARTICLE 10. PARKING SPACES.

Section 10.1 Number of Parking Spaces. There are a total of twenty-one parking spaces in the Condominium. Twelve of the parking spaces are Assigned Parking Spaces and are assigned to Units as depicted on the Survey Map and Plans, and nine of the parking spaces are for the common use of Owners, their guests and invitees (the "Common Parking Spaces").

Section 10.2 Assigned Parking Spaces. Each Unit will be assigned one Assigned Parking Space. The assignment of Assigned Parking Spaces to Units is set forth in Schedule B attached hereto and by this reference incorporated herein.

Section 10.3 Rental and Transfer of Parking Spaces. The Owner of a Unit may rent an appurtenant Assigned Parking Space to the occupant of another Unit in the Condominium, but such rental shall be subject to termination upon 15 days' notice. The rental or lease term shall automatically terminate without notice on the date the Unit Owner disposes of his interest in the Unit to which the rented or leased space is appurtenant (whether such disposition is by deed, contract or otherwise). Any two or more Unit Owners may exchange the Assigned Parking Spaces

assigned to their respective Units on a temporary basis after notice to the Board or on a permanent basis with the prior written approval of the Board and the consent of Unit Owners as provided in Section 7.3. Any permanent exchange of Assigned Parking Spaces shall be made by an amendment to the Declaration in recordable form approved by the Board and executed by the Owners of the Units between which the Assigned Parking Space will be reallocated as provided in subsection 7.3.1. No Assigned Parking Space may be permanently exchanged without the prior written consent of the Eligible Holders of Mortgages of the Units to which such parking spaces are Limited Common Elements.

Section 10.4 Use of Parking Spaces. Parking spaces may be used for the parking of operable passenger motor vehicles and may be used for parking trucks, trailers, or recreational vehicles, or for other purpose to the extent expressly 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; Use By Declarant. 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, for a period of up to two years following the date of the initial conveyance of a Unit other than to Declarant, Declarant may use one or two of the Units it owns as sales and management offices and/or models for sales of Units. Units identified in Schedule B shall be used by Declarant as a sales or management office or model Unit, and these uses may be relocated to other Units owned by Declarant.

Section 11.2 Leases. Leases of Units shall have a minimum initial term of thirty (30) days. 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. 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. 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. If any lessee or occupant of a Unit violates or permits the violation by his guests and invitees of any provisions hereof or of the Bylaws or of the rules and regulations of the Association, and the Board determines that

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such violations have been repeated and that a prior notice to cease has been given, the Board may give notice to the lessee or occupant of the Unit and the Owner thereof to forthwith cease such violations; and if the violation is thereafter repeated, the Board shall have the authority, on behalf and at the expense of the Owner, to evict the tenant or occupant if the Owner fails to do so after notice from the Board and an opportunity to be heard. The Board shall have no liability to an Owner or tenant for any eviction made in good faith. The Association shall have a lien against the Owner's Unit for any costs incurred by it in connection with such eviction, including reasonable attorneys' fees, which may be collected and foreclosed by the Association in the same manner as Assessments are collected and foreclosed under Article 19. 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 Elements. 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. No Owner may make any improvements or alterations to the Owner's Unit that affect the structural integrity or mechanical or electrical systems or lessen the support of any portion of the Condominium. Each Owner will be responsible for the cleanliness, orderliness, maintenance, repair and replacement of the Limited Common Elements that are appurtenant to the Unit, except that sweeping, maintenance, repair and replacement of the parking areas 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 Elements without prior written approval of the Board. In order to protect the water distribution system, no Owner shall permit the temperature in his Unit to be below minimum acceptable levels at any time, which minimum acceptable temperature levels may be specified from time to time by the Board.

Section 11.4 Exterior Appearance. In order to preserve a uniform exterior appearance of the building, 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 building, 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

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on the exterior of the buildings 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 Elements 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 Elements that will result in the cancellation of insurance on any part of the Property, or that would be in violation of any laws.

Section 11.6 Alteration of Common Element. Nothing shall be altered or constructed in or removed from any Common Element 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 Element or Limited Common Element without the prior consent of the Board; provided, that the Board shall designate an area or areas for display of "For Sale" signs. Notwithstanding the foregoing, 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, provided that such signs comply with state law and local ordinances.

Section 11.8 Pets. No more than two domesticated animals, birds or reptiles (herein referred to as "pets") may be kept in any Unit or in the common or Limited Common Elements 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 Element, nor shall anything be done therein that may be or become an annoyance or nuisance to other Owners.

Section 11.10 Conveyances; Notice Required; Resale Certificate.

11.10.1 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.

11.10.2 An Owner intending to sell a Unit shall deliver a written notice to the Board, at least twenty-one days before closing, specifying the Unit being sold, the name and address of the purchaser, the closing agent, the title insurance

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company insuring the purchaser's interest, and the estimated closing date. Except in the case of a sale which is exempt under the Condominium Act, such written notice shall also request that the Board deliver to the Owner a resale certificate based on the books and records of the Association in compliance with requirements of the Condominium Act and shall specify any additional information requested by Mortgagees of the prospective purchaser. Within ten days after receipt of such notice the Board shall deliver to the Owner such a resale certificate. The Board may impose and collect from the Unit Owner a reasonable charge for the preparation of a resale certificate. A resale certificate shall include at least the following:

(a) A statement disclosing the effect on the proposed conveyance of any right of first refusal or other restraint on the free alienability of the Unit;

(b) A statement setting forth the amount of the monthly Common Expense Assessment and any unpaid Common Expense or special Assessment currently due and payable from the selling Unit Owner and a statement of any special Assessments that have been levied against the Unit which have not been paid even though not yet due;

(c) A statement, which shall be current to within forty-five days, of any Common Expenses (and) or special Assessments against any Unit in the Condominium that are past due over thirty days;

(d) A statement, which shall be current to within forty-five days, of any obligation of the Association which is past due over thirty days;

(e) A statement of any other fees payable by Unit Owners;

(f) A statement of any anticipated capital expenditures, repair or replacement cost in excess of five percent of the annual budget of the Association that has been approved by the Board;

(g) A statement of the amount of any reserves for capital expenditures, repair or replacement and of any portions of those reserves currently designated by the Association for any specified projects;

(h) The annual financial statement of the Association, including the audit report if it has been prepared, for the year immediately preceding the current year;

(i) A balance sheet and a revenue and expense statement of the Association prepared on an accrual basis, which shall be current to within one hundred twenty days;

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(j) The current operating budget of the Association;

(k) A statement of any unsatisfied judgments against the Association and the status of any pending suits in which the Association is a defendant;

(l) A statement describing any insurance coverage provided for the benefit of Unit Owners;

(m) A statement as to whether there are any alterations or improvements to the Unit or to the limited elements assigned thereto that violate any provision of the Declaration;

(n) A statement of the number of Units, if any, still owned by the Declarant, whether the Declarant has transferred control of the Association to the Unit Owners, and the date of such transfer;

(o) A statement as to whether there are any violations of the health or building codes with respect to the Unit, the Limited Common Elements assigned thereto, or any other portion of the Condominium;

(p) A statement of the remaining term of any leasehold estate affecting the Condominium and the provisions governing any extension or renewal thereof; and

(q) Any other information reasonably requested by Mortgagees of prospective purchasers of Units. Information requested generally by FNMA, the Federal Home Loan Bank Board, GNMA, the VA and HUD shall be deemed reasonable, provided such information is reasonably available to the Association.

11.10.3 The Board shall have the right, but not the duty, 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.

ARTICLE 12. ENTRY FOR REPAIRS OR MAINTENANCE.

The Association and its agents or employees may enter any Unit and Limited Common Elements appurtenant thereto to effect repairs, improvements, replacements, maintenance or sanitation work reasonably necessary for such purposes, to do necessary work that the Owner has failed to perform, or to prevent damage to the Common Elements or to another Unit. Except in cases of emergency that preclude advance notice, the Board shall cause the Unit occupant to be given seventy-two hours notice in advance of such entry. Such entry shall be made with as

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little inconvenience to the Owners and occupants as practicable. The Board may levy a special Assessment against the Owner of the Unit for all or part of the cost of work that the Owner has failed to perform or which was necessitated by any action or failure to act of the Owner or occupant of the Unit, which special Assessment may be collected and foreclosed by the Association in the same manner as Assessments are collected and foreclosed under Article 19. The cost of repairing any damage inflicted on any Unit through which access is taken pursuant to this Article 12 shall be paid by the Association, if it is responsible for such damage.

ARTICLE 13. SERVICE OF PROCESS.

Service of process shall be made upon the registered agent for the Association, or upon the president of the Association if no registered agent has been designated.

ARTICLE 14. OWNERS ASSOCIATION.

Section 14.1 Form of Association. The Owners of Units shall constitute an owners association as defined in the Condominium Act known as the Skyline Court Condominium Owners Association. The Association shall be incorporated as a nonprofit corporation under the laws of the State of Washington and shall be governed by a board of directors of not fewer than three nor more than five directors elected from the Owners. The rights and duties of the members and of the Association shall be governed by the provisions of the Condominium Act and of this Declaration.

Section 14.2 Bylaws. The Association shall adopt Bylaws 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 Act or this Declaration.

Section 14.3 Qualification for Membership. Each Owner (including Declarant) shall be a member of the Association; 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 equal the total number of Units in the condominium, and each Unit shall have one vote. A Person (including Declarant) who owns more than one Unit shall have the votes appertaining to each Unit owned. The vote for a Unit must be cast as a single vote. Fractional votes shall not be allowed. No votes allocated to a Unit owned by the Association may be cast, and in determining the percentage of votes required to act on any matter, the votes allocated to Units owned by the Association shall be disregarded.

Section 14.6 Voting By Proxy. Votes allocated to a Unit may be cast pursuant to a proxy duly executed by a Unit Owner. If a Unit is owned by more than one Person, each Owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. A Unit Owner may not revoke a proxy given pursuant to this Section 14.6 except by actual notice of revocation to the Person presiding over a meeting of the Association. A proxy is void if it is not dated or if it purports to be revocable without notice, and unless stated otherwise in the proxy, a proxy terminates eleven months after the date of its issuance.

Section 14.7 Multiple Owner Votes. If only one of the multiple Owners of a Unit is present at a meeting of the Association, the Owner is entitled to cast the vote allocated to that Unit. If more than one of the multiple Owners are present, the vote allocated to that Unit may be cast only in accordance with the agreement of a majority of such multiple Owners. There is majority agreement if any one of the multiple Owners casts the vote allocated to that Unit without protest being made promptly to the Person presiding by any of the other Owners of the Unit. In the case of a protest of the vote cast by one of the multiple Owners, the vote cast shall be disregarded and the multiple Owners 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. To the extent permitted by the Condominium Act, 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, and 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 thirty days and no more than sixty days before the meeting. The financial statement for the preceding year prepared in accordance with generally accepted accounting principles 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 ninety days following the end of the fiscal year. Any Mortgagee will, upon request, be entitled to receive the annual audited financial statement within ninety days following the end of the fiscal year. Notwithstanding the foregoing, an audit may be waived annually by Owners, other than Declarant, of Units to which sixty percent of the votes in the Association are allocated, excluding the votes allocated to Units owned by the Declarant. The Board, or Persons having thirty-five percent 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 or a Mortgagee, at his expense, may at any reasonable time conduct an audit of the books of the Board and Association. Upon written request of FHLMC, FNMA, GNMA, 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 fiscal 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. Such books and records shall be sufficient to enable the Association to prepare and deliver a resale certificate as required by the Condominium Act and this Declaration.

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 financial statement. "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.

Section 14.13 Association as Trustee. With respect to a third person dealing with the Association in the Association's capacity as a trustee, the existence of trust powers and their proper exercise by the Association may be assumed without inquiry. A third person is not bound to inquire whether the Association has power to act as trustee or is properly exercising trust powers. A third person, without actual knowledge that the Association is exceeding or improperly exercising its powers, is fully protected in dealing with the Association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the Association in its capacity as trustee.

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, Mortgagees, Insurers and Guarantors of Mortgages. An Eligible Holder, Mortgagee, Insurer, or Guarantor of a Mortgage is, respectively, any holder, mortgagee 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, Mortgagee, Insurer, or Guarantor and the Unit number. Until such time thereafter that the Eligible Holder, Mortgagee, Insurer, or Guarantor withdraws the request or the Mortgage held, insured or guaranteed by the Eligible Holder, Mortgagee, Insurer, or Guarantor, as the case may be, is satisfied, the Board shall send to the Eligible Holder, Mortgagee, 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 Allocated Interests in the Common or Limited Common Elements 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

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(v) the purposes to which a Unit or the Common Elements are restricted; (b) any proposed termination of condominium status, transfer of any part of the Common Elements, 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 sixty days in the payment of Assessments or charges owed by an Owner of a Unit on which an Eligible Holder has a Mortgage; (e) any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association pursuant to Article 22; (f) any proposed action that would require the consent of a specified percentage of Eligible Holders pursuant to Articles 24, 25, or 28; or (g) any sale or encumbrance of the Common Elements pursuant to Section 17.6.

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 the earlier of (1) sixty days after conveyance of seventy-five percent of the Units to Owners other than the Declarant; or (2) two years after the last conveyance or transfer of record of a Unit except as security for a debt; or (3) two years after any development right to add new Units was last exercised; or (4) the date on which Declarant records an amendment to the Declaration pursuant to which Declarant voluntarily surrenders the right to further appoint or remove officers and members of the Board, provided that if Declarant voluntarily surrenders such right before the Transition Date as determined by (1), (2) or (3), Declarant may specify in such amendment that certain actions of the Association or the Board must be approved by Declarant before they become effective.

Section 16.2 Declarant's Powers Until Transition Date.

16.2.1 Until the Transition Date, Declarant shall have the full power and authority to exercise all of the rights, duties, and functions of the Board 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 17.7. All such management contracts made by Declarant shall be subject to the same requirements as are set forth in Section 17.7 for management contracts made by the Board.

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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 thirty days' written notice.

16.2.2 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. Not later than sixty days after conveyance of twenty-five percent of the Units which may be created to Owners other than Declarant, at least one member and not less than twenty-five percent of the members of the Board must be elected by Owners other than Declarant. Not later than sixty days after conveyance of fifty percent of the Units which may be created to Owners other than the Declarant, not less than thirty-three and one-third percent of the members of the Board must be elected by Owners other than Declarant. Declarant may not remove any member of the Board elected by the Owners. Prior to the Transition Date, the Owners, other than Declarant, may remove by a two-thirds vote, any director elected by the Owners.

16.2.3 Until the Association makes an Assessment for Common Expenses, Declarant shall pay all Common Expenses.

16.2.4 Until the Transition Date, the Declarant shall not use any Association working capital funds to defray its expenses, for construction costs, or to make up any budget deficits.

Section 16.3 Transfer of Control.

16.3.1 Within thirty days after the Transition Date, the Owners shall elect a Board, at least a majority of whom must be Owners. The Board shall elect officers, and such Board and officers shall take office upon election.

16.3.2 Within sixty days after the Transition Date, Declarant shall deliver to the Association all property of the Owners and of the Association held or controlled by the Declarant.

16.3.3 Upon the transfer of control to the Unit Owners, the records of the Association shall be audited as of the Transition Date by an independent certified public accountant in accordance with generally accepted auditing standards unless two thirds of the Unit Owners, other than Declarant, elect to waive such audit.

ARTICLE 17. AUTHORITY OF THE ASSOCIATION.

The Association, acting by and through the Board, shall have the authority to do those things set forth in this Article 17.

Section 17.1 Adoption of Bylaws, Rules and Regulations. The Association is empowered to adopt, amend, and revoke on behalf of the Association the Bylaws and 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 safe and 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.;
Authority to Fine. The Association shall have the power and 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. The Association shall have the authority, after notice and opportunity to be heard, to levy fines against Owners and tenants for violation by them or their guests of this Declaration, the Bylaws or the rules and regulations adopted by the Board. 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. All such fines, attorneys' fees and costs shall be the personal obligation of the Owner of the Unit (or the tenant if the Unit is rented) and the Association shall have a lien against the Unit of such Owner (or tenant) for the amount of such fines, attorneys' fees and costs which may be collected and foreclosed by the Association in the same manner as Assessments are collected and foreclosed under Article 19.

Section 17.3 Goods and Services. The Association 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 Elements; policies of insurance and fidelity bonds; legal and accounting services; maintenance, repair, landscaping, gardening, and general upkeep of the Common Elements and Limited Common Elements; 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. The Association may hire such full-time or part-time employees as it considers necessary.

Section 17.4 Acquisition of Property. The Association shall acquire property on the expense of the Association and subject to

such Owner approval as may be required under Section 17.5, acquire, hold and dispose of, in the name of the Association, for the benefit of the Owners, tangible and intangible personal and real property and interests therein. The beneficial interest in such property shall be owned by the Owners in the same proportion as their respective interests in the Common Elements and shall thereafter be held, sold, leased, mortgaged or otherwise dealt with as the Board shall determine, subject to the limitations of Section 17.6.

Section 17.5 Acquisitions, Additions and Improvements. The Association shall have the authority to acquire property and to arrange for and supervise any addition or improvement to the Condominium, subject to the following limitations:

17.5.1 If the estimated cost of any separate property acquisition or addition or improvement to the Condominium 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 seventy-five percent of the votes in the Association shall be required.

17.5.2 No structural changes shall be made to the building without the approval of Owners holding at least seventy-five percent of the votes in the Association.

Section 17.6 Conveyance or Encumbrance of Common Elements. Portions of the Common Elements which are not necessary for the habitability of a Unit may be conveyed or subjected to a security interest by the Association. To secure the financing of such portions of the Common Elements, the Association shall have the right to assign its right to future income, including the right to receive Common Expense Assessments, if the Owners of Units to which at least eighty percent of the voting power in the Association are allocated, including eighty percent of the votes allocated to Units not owned by the Declarant or an affiliate of the Declarant, agree to such action; but all of the Owners of Units to which any Limited Common Element is allocated must agree in order to convey that Limited Common Element or subject it to a security interest. The proceeds of a sale or financing which are allocable to Limited Common Elements shall be distributed to the Owners of the Units to which such Limited Common Elements are appurtenant in proportion to the relative value of such Limited Common Elements.

Section 17.7 Managing Agent. The Association 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, FHLMC or other similar agency or corporation, the procedure for terminating professional management and assuming

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self-management shall be as set forth in Section 28.2.1. 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 thirty days' written notice, or (2) without cause, on not less than ninety days' written notice, or such lesser period provided for without penalty in the contract.

Section 17.8 Protection of Property. The Association 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 Association shall have the right to grant permits, licenses and easements, leases or concessions over, under or through the Common Elements for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Condominium and to petition for or consent to vacation of streets and alleys.

Section 17.9 Right to Notice and Opportunity to be Heard. Whenever this Declaration requires that an action of the Board be taken after "notice and opportunity to be heard," the following procedure shall be observed: The Board shall give written notice of the proposed action to all Owners, tenants or occupants of Units whose interest would be significantly affected by the proposed action. The notice shall include a general statement of the proposed action and the date, time and place of the hearing, which shall be not less than five days from the date notice is delivered pursuant to Section 15.1. At the hearing, the affected Person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. Such evidence shall be considered in making the decision but shall not bind the Board. The affected Person shall be notified of the decision in the same manner in which notice of the meeting was given.

Section 17.10 Fees For Use And Services. The Association shall have the authority to impose and collect any payments, fees or charges for the use, rental or operation of the Common Elements, other than Limited Common Elements, and for services provided to Unit Owners.

Section 17.11 Adoption of Budgets; Assessments. Subject to the provisions of Article 18, the Association shall have the authority to adopt and amend budgets for revenues, expenditures and reserves and impose and collect Assessments for Common Expenses and charges for late payments of Assessments from Owners in accordance with the Condominium Act and this Declaration.

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Section 17.12 Contracts. Subject to the limitations of the Condominium Act and this Declaration, the Association shall have the authority to make contracts and incur liabilities.

Section 17.13 Common Elements. The Association shall have the authority to regulate the use, maintenance, repair, replacement and modification of the Common Elements.

Section 17.14 Litigation. The Association shall have the authority to institute, defend or intervene in litigation or administrative proceedings in the name of the Association on behalf of the Association or two or more Owners on matters affecting the Condominium.

Section 17.15 Additional Powers. The Association shall have the authority to exercise any other powers that may be exercised in this state by the same type of corporation as the Association, to exercise all other powers necessary and proper for the governance and operation of the Association, and to exercise any other powers conferred by the Declaration or Bylaws.

ARTICLE 18. BUDGET AND ASSESSMENTS 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; Ratification by Members.

18.2.1 Not less than 30 days before the end of the fiscal year the Board shall prepare and adopt 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 Elements, and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Association. If during the year the budget proves to be inadequate for any reason, including nonpayment of any Owner's Assessment, the Board may prepare and adopt a supplemental budget for the remainder of the year.

18.2.2 Within thirty days after adoption of any proposed budget or supplemental budget for the Association, the Board shall provide a summary of the budget or supplemental budget to all of the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing the summary.

Unless at that meeting the Owners of Units to which a majority of the votes in the Association are allocated reject the budget or supplemental budget, the budget or supplemental budget is ratified, whether or not a quorum is present. In the event the proposed budget or supplemental budget is rejected or the required notice is not given, the periodic budget or supplemental budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget or supplemental budget proposed by the Board.

Section 18.3 Monthly Assessments for Common Expenses; Initial Contribution to Working Capital.

18.3.1 The sums required by 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 according to the Allocated Interests in Common Elements and Common Expenses set out in Schedule C. Assessments begin accruing with respect to each Unit upon the closing of the initial sale of that Unit by Declarant or at such earlier time as Declarant elects to make Assessments against all of the Units. During such time as garbage collection charges or other utility or service charges are based on the number of occupied Units, any Units not occupied shall be exempt from Assessment for such charges.

18.3.2 In connection with the closing of the initial sale of each Unit, the initial purchaser shall pay to the Association as a nonrefundable initial contribution to the Association's working capital an amount equal to two times the estimated monthly Assessment against the Unit. Upon the Transition Date, Declarant shall pay to the Association as a refundable initial contribution to the Association's working capital an amount equal to two times the estimated monthly Assessment against all Units owned by Declarant. Upon the initial sale of a Unit owned by Declarant, an amount equal to the initial contribution paid by Declarant with respect that Unit shall be collected from the initial purchaser and refunded to Declarant.

Section 18.4 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 18.5 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

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each budget on which the Assessments are based to all Owners and, if so requested, to their respective Mortgagees.

Section 18.6 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 18.7 Proceeds Belong to Association. All Assessments and other receipts received by the Association on behalf of the Condominium shall belong to the Association.

Section 18.8 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 18.9 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. Unless the Association forecloses its lien nonjudicially as provided in the Condominium Act and this Declaration, the lien for such unpaid Assessments and for such other unpaid amounts as to which the Association may have a lien under any provision of this Declaration shall be prior to all other liens and encumbrances on a Unit except (a) liens and encumbrances recorded before the recording of the Declaration; (b) a Mortgage on a Unit recorded before the date on which the Assessment sought to be enforced

became delinquent, except to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on a budget adopted by the Association, which would have become due during the six months immediately preceding the date of a sheriff's sale in an action for judicial foreclosure by either the Association or a Mortgagee, or the date of recording of the declaration of forfeiture in a proceeding by the vendor under a real estate contract; and (c) liens for real property taxes and other governmental Assessments or charges against a Unit. The priority of the Association's lien against Units encumbered by a Mortgage held by an Eligible Holder or by an Eligible Mortgagee shall be reduced by up to three months if and to the extent that the lien of the Association includes delinquencies which relate to a period after such holder becomes an Eligible Holder or Eligible Mortgagee and before the Association gives the holder a written notice of the delinquency. A lien for unpaid Assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the Assessments sought to be recovered becomes due. A Mortgagee that obtains title through a 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 the sixth month prior to the taking of title by such Mortgagee, but will be liable for the Common Expenses and Assessments that accrue in the six months immediately prior to the taking of title by such Mortgagee and after the taking of title by such Mortgagee; in which event the Unit's past-due share of Common Expenses or Assessments which accrued to such Unit before the sixth month prior such taking of title 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 Allocated Interests in the Common Elements and Common Expenses; however, the Owner shall continue to be personally liable for such past-due Assessments, as provided in Section 19.3. Notwithstanding the foregoing, a Mortgagee shall not be liable for any portion of Common Expenses or Assessments which represent amounts for capital improvements prior to the taking of title by such Mortgagee. In the event of a voluntary conveyance, the grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid Assessments against the Unit up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor.

Section 19.2 Lien May be Foreclosed.

19.2.1 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

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on the Unit at the foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same.

19.2.2 The lien for delinquent Assessments may be enforced nonjudicially in the manner set forth in Chapter 61.24, Revised Code of Washington for nonjudicial foreclosure of deeds of trust. To secure the obligations of the Owners to the Association for the payment of Assessments, Declarant hereby bargains, sells and conveys to Chicago Title Insurance Company, a corporation whose address is 1800 Columbia Center, Seattle, Washington 98104, as trustee, in trust, with power of sale which may be exercised as to a Unit in the event of default in the obligation to pay Assessments against such Unit, the Property; and Declarant represents that the Property and the Units within the Property are not used principally for agricultural or farming purposes.

19.2.3 Instead of foreclosing the lien for delinquent Assessments, the Association may accept a deed in lieu of foreclosure.

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 or Owners of the Unit, and liability of the obligations shall be joint and several as to multiple Owners of a 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. The personal liability for payment of Assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

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. The Association shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Assessments, whether or not such collection activities result in suit being commenced or prosecuted to judgment. In addition, the Association shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal and in the enforcement of a judgment.

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Section 19.6 Delinquent Assessments--Rented Units.

If Assessments are delinquent for a Unit which is not occupied by the Owner of the Unit, upon the commencement of an action by the Association to foreclose a lien for delinquent Assessments, but no sooner than ninety days after the delinquency, without affecting the priority of preexisting liens on the Unit, the Association may seek the appointment of a receiver to collect from the tenant of the Unit the rent for the Unit as and when due. If the rent is not paid, the receiver may obtain possession of the Unit, refurbish it for rent up to a reasonable standard for rental Units in the Condominium, rent the Unit to others, and apply the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the Unit, then to applicable charges, then to costs, fees and charges of the foreclosure action, and then to the payment of the delinquent Assessments.

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.

Section 19.9 Surplus Funds. Any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of reserves shall, in the discretion of the Board either be paid to the Owners in proportion to their Common Expense liabilities or credited to them to reduce their future Common Expense 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.

ARTICLE 21. INDEMNIFICATION.

Every director and officer of the Association shall be indemnified by the Association against all actual or alleged claims, expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved by reason of his being or having served in such a capacity. The foregoing provision shall apply whether or not he is a director or officer at the time that expenses are incurred except in any case that he is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties. The foregoing provision shall also apply to any settlement if the Board approves the settlement as one that is in the best interest of the Association.

ARTICLE 22. INSURANCE.

Section 22.1 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 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 FNMA, FHLMC, GNMA, HUD, and the VA, so long as any of them is a holder of a Mortgage or Owner of an apartment 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 shall not lapse and may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten days' prior written notice to any and all insureds named therein, including Owners, holders of

mortgages, designated servicers of mortgages and any insurers or guarantors of mortgages. Upon conveyance of a Unit, the new Owner shall notify the Association of the date of the conveyance and the Owner's name and address. The Association shall notify each insurance company that has issued an insurance policy to the Association for the benefit of the Owners of the name and address of the new Owner and request that the new Owner be made a named insured under such policy.

Section 22.2 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., one hundred percent of current replacement cost exclusive of land, foundation, excavation, and other items normally excluded from coverage) of the Common Elements and Limited Common Elements, Units, all fixtures and personal property belonging to the Association, and any fixtures, equipment or other property within the Condominium 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," and "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 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 the Allocated Interests in Common Elements and Common Expenses appertaining to the Owner's apartment. Certificates of insurance shall be issued to each Owner and Mortgagee upon request.

Section 22.3 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 Elements 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 Elements, 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 22.4 Insurance Trustee; Power of Attorney.

The named insured under the policies referred to in Sections 22.2 and 22.3 shall be the Association, as trustee for each of the Owners and the First Mortgagees on the Units in accordance with the respective percentages of the Owners' Allocated Interests in Common Elements and Common Expenses. 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 22.5 Additional Policy Provisions. The insurance obtained pursuant to Sections 22.2. and 22.3 shall contain the following provisions and limitations:

22.5.1 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.

22.5.2 In no event shall the insurance coverage be brought into contribution with insurance purchased by the Owners of the Units or their Mortgagees.

22.5.3 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.

22.5.4 A waiver of subrogation by the insurer as to any and all claims against the Association, the Owner of any apartment, 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.

22.5.5 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 Mortgage clause, any proceeds payable under such policy shall be payable to the Association or the insurance trustee.

Section 22.6 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. The Association shall give timely written notice to each holder, insurer or guarantor of the Mortgage on any Unit of any lapse, cancellation or material modification of any fidelity bond maintained by the Association.

ARTICLE 23. LIMITATION OF LIABILITY.

Section 23.1 Liability for Utility Failure, Etc.
Except to the extent otherwise provided by the Condominium Act or by other law, and 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

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injury or damage to Person or property caused by the elements, or resulting from electricity, water, rain, dust, or sand which may leak or flow from outside or from any part of the building, or from any of the 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 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 23.2 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 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 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 Elements, the Board shall promptly, and in all events within thirty 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 Allocated Interests in Common Elements and Common Expenses.

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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 thirty 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 thirty 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 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 Elements 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, the Condominium is terminated or repair or replacement would be illegal under any state or local health or safety statute or ordinance. If the cost of repair exceeds the available insurance proceeds the Board shall impose a special Assessment against all Units in proportion to their Allocated Interests in Common Elements and Common Expenses 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 contract

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.

24.5.1 Either the Board or the requisite number of Owners, within fifteen 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 fifteen-day period and until after the conclusion of the special meeting, if such a special meeting is called within the fifteen days.

24.5.3 An affirmative vote of eighty percent of the Unit Owners, including: (1) every Owner of a Unit or assigned Limited Common Element which will not be rebuilt, (2) prior to the Transition Date, the owners of at least eighty percent of the votes allocated to Units not owned by the Declarant, and (3) the consent of the Eligible Holders of first mortgages on Units that have at least fifty-one percent of the voting power of Units subject to Eligible Holder mortgages will be required to elect not to repair the damage. The failure of the Board and the Owners within the fifteen-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 thirty days after the date of damage, call a special Owners' meeting to consider repairing the damage. If the Board fails to do so within thirty 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.

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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 substantially in accordance with the original plan unless eighty percent of the Unit Owners, including: (1) every Owner of a Unit or assigned Limited Common Element which will not be rebuilt, and (2) prior to the Transition Date, the owners of at least eighty percent of the votes allocated to Units not owned by the Declarant, have given their written consent not to repair the damage.

(b) The consent of eighty percent of all Owners will be required to elect to rebuild in accordance with a plan that is substantially different from the original plan of the Condominium.

(c) In addition to the consent by 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 fifty-one percent of the voting power of Units subject to Eligible Holder mortgages.

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

Section 24.7 Effect of Decision Not to Repair or Not to Repair Substantially in Accordance with the Original Plan

If all of the damaged or destroyed portions of the Condominium are not repaired or replaced: (i) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium; (ii) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated, or to lien holders, as their interest may appear, in proportion to the Allocated Interests in Common Elements and Common Expenses of all the Units. If the Unit Owners vote not to rebuild any Unit, that Unit's Allocated Interests in Common Elements and Common Expenses are automatically reallocated upon the vote as if the Unit had been condemned under Article 25, and the Association promptly shall prepare, execute, and record an amendment to the Declaration reflecting the reallocations.

ARTICLE 25. CONDEMNATION.

Section 25.1 Consequences of Condemnation; Notices. If any Unit or portion thereof or the Common Elements 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 Eligible 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 Elements or any part thereof, by 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. An Owner may elect to appoint the Association as attorney-in-fact to represent the Owner in condemnation proceedings and negotiations, settlements and agreements with the condemning authority for acquisition of a Unit or any part thereof by the condemning authority.

Section 25.3 Apportionment of Condemnation Award.

25.3.1 If a Unit is acquired by condemnation, or if part of a Unit is acquired by condemnation leaving the Owner with a remnant of a Unit which may not practically or lawfully be used for any purpose permitted by the Declaration, the award must compensate the Owner for the Owner's Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides, that Unit's allocated interests are automatically reallocated to the remaining Units in proportion to the respective Allocated Interests in Common Elements and Common Expenses of those Units before the taking, and the Association shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations. Any remnant of a Unit remaining after part of a Unit is taken under this subsection is thereafter a Common Element.

25.3.2 Except as provided in subsection 25.3.1, if part of a Unit is acquired by condemnation, the award must compensate the Owner for the reduction in value of the Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides: (a) that Unit's Allocated Interests in Common Elements and Common Expenses are reduced in proportion to the reduction in the number of bedrooms remaining in the Unit, or on any other basis specified in the Declaration;

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and (b) the portion of the Allocated Interests in the Common Elements and Common Expenses divested from the partially acquired Unit are automatically reallocated to that Unit and the remaining Units in proportion to the respective allocated interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced Allocated Interests in Common Elements and Common Expenses.

25.3.3 If part of the Common Elements is acquired by condemnation the portion of the award attributable to the Common Elements taken shall be paid to the Owners based on their respective Allocated Interests in Common Elements and Common Expenses. Any portion of the award attributable to the acquisition of a Limited Common Element must be equally divided among the Owners of the Units to which that Limited Common Element was allocated at the time of acquisition.

Section 25.4 Action By Owners. Should the Association not act, based on a right reserved to the Association in the Declaration, on the Owners' behalf in a condemnation process, the affected Owners may individually or jointly act on their own behalf.

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.

Section 25.6 Judgment. The court judgment shall be recorded in every county in which any portion of the Condominium is located.

ARTICLE 26. EASEMENTS.

Section 26.1 In General. Each Unit has an easement in and through each other Unit and the Common Elements 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 Elements 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 in the Condominium Act, each Unit and all Common Elements are hereby declared to have an easement over all adjoining Units and Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction,

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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 Specifically Reserved by Declarant. Declarant reserves an easement through the Common Elements as may be reasonably necessary for the purpose of discharging a Declarant's obligations or exercising any Special Declarant Rights. Such easement shall terminate upon the initial conveyance of the last Unit of Phase II and Phase III owned by Declarant, or upon the last day of the seventh year from the date this Declaration is recorded if Phase II and Phase III have not been sooner added to the Condominium.

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 Units, 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 Elements of the Condominium to the utility service facilities.

Section 26.5 Addition of Phases. In the event Phase II and/or Phase III are brought within the terms of this Declaration, all easements granted or reserved hereunder shall apply to and be binding upon such Phase II Property and/or Phase III Property and on all Owners of Units therein.

ARTICLE 27. PROCEDURES FOR ALTERATION OR SUBDIVISION OF UNITS AND RELOCATION OF UNIT BOUNDARIES.

Section 27.1 Submission of Proposal. No Unit or Units shall be altered, subdivided nor shall the boundaries of a Unit be relocated, either by agreement or legal proceedings, except as provided in this Article. An Owner may propose the alteration, subdivision or relocation of the boundaries of a Unit or Units by submitting the proposal in writing to all other Unit Owners and the Mortgagees of the Units to be altered, subdivided or relocated. 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 alteration, subdivision or relocation of boundaries and proposed

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amendments of this Declaration and the Survey Map and Plans. The Board shall act upon a request within thirty days of receipt of the proposal, but the Board may not approve the proposal unless the requisite approvals of Owners and First Mortgagees is obtained.

Section 27.2 Alteration of Units. Subject to the provisions of law and without the approval of the Board of Directors, an Owner may make any improvements or alterations to the Owner's Unit that do not affect the structural integrity or mechanical or electrical systems or lessen the support of any portion of the Condominium, provided that an Owner may not change the appearance of the Common Elements or the exterior appearance of a Unit without the permission of the Association. Subject to the provisions of law and with the approval of the Board of Directors and the written consent of the First Mortgagee on such Units, and after acquiring an adjoining Unit or an adjoining part of an adjoining Unit, an Owner may remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a Common Element, if those acts do not adversely affect the structural integrity or mechanical or electrical systems or lessen the support of any portion of the Condominium (an "Alteration"). Removal of partitions or creation of apertures under this Section 27.1 is not a relocation of the boundaries of the Unit and does not, alone, require the consent of other Owners or the Mortgagees on other Units.

Section 27.3 Relocation of Unit Boundaries -Adjoining Units. Subject to the provisions of law, the boundaries between adjoining Units may be relocated by an amendment to the Declaration upon application to the Association by the Owners of those Units signed by such Owners, approved in writing by the First Mortgagees of such Units, and approved in writing by the Owners of at least sixty-seven percent of the total Allocated Interests in Votes in the Association and at least fifty-one percent of the Eligible Holders of Mortgages on Units. If the Owners of the adjoining Units have specified a reallocation between their Units of their Allocated Interests in Common Elements and Common Expenses, the application must state the proposed reallocations. Unless the Board of Directors determines within thirty days that the reallocations are unreasonable, such reallocations shall be approved. Upon approval of the application, the Association shall prepare an amendment to the Declaration that identifies the Units involved, states the reallocations, is executed by those Unit Owners and contains words of conveyance between them, and shall record such amendment in in the name of the grantor and grantee. The Association shall also obtain and record a survey map and plans complying with Section 64.34.232(4) of the Act and showing the altered boundaries between the adjoining Units and their dimensions and identifying numbers.

Section 27.4 Subdivision of Units. Subject to the provisions of law, upon application of an Owner to subdivide the Owner's Unit signed by the Owner and approved in writing by the

First Mortgagee on such Unit and by the Owners of at least sixty-seven percent of the total Allocated Interests in the Votes and at least fifty-one percent of the Eligible Holders of Mortgages on Units, the Board of Directors shall approve the subdivision of a Unit. The Association shall prepare, execute and record an amendment to the Declaration and obtain and record the survey map and plans subdividing such Unit. The amendment to the Declaration shall be executed by the Owner of the Unit to be subdivided, assign an identifying number to each Unit created, and reallocate to the new units the Allocated Interests in Common Elements and Common Expenses formerly allocated to the subdivided Unit in any reasonable and equitable manner prescribed by the Owner of the subdivided Unit. The Allocated Interest in the Vote of the subdivided Unit shall be divided equally between the new units.

ARTICLE 28. AMENDMENTS OF DECLARATION, 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 twenty percent 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. Every amendment to the Declaration must be recorded in every county in which the Condominium is located, and is effective only upon recording. An amendment shall be indexed in the name of the Condominium and shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment thereto. Amendments to the Declaration shall be prepared, executed, recorded and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

Section 28.2 Percentages of Consent Required. Except as set forth in Section 28.3, 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 sixty seven percent of the votes in the Association, and the consent of Eligible Holders of Mortgages on Units that have at least fifty-one percent of the votes of Units subject to

Mortgages held by Eligible Holders 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 rights; (b) Assessments, Assessment liens, or subordination of such liens; (c) reserves for maintenance, repair, or replacement of the Common Elements; (d) insurance or fidelity bonds; (e) rights to use Common Elements; (f) maintenance and repair of any portion of the Condominium; (g) leasing of Units; (h) imposition of any restriction on the right of an Owner to sell, transfer, or otherwise convey a Unit; (i) establishment of self-management of the Condominium after professional management has been required by HUD, FNMA, VA, FHLMC or other similar agency or corporation; (j) reallocation of interests in the Common Elements or Limited Common Elements, or rights to their use; (k) relocation of Unit boundaries; (l) convertibility of Units into Common Elements and vice versa; (m) expansion or contraction of the Condominium or the annexation or withdrawal of property to or from the Condominium; (n) restoration or repair of the Condominium (after a hazard damage or partial condemnation) in a manner other than that specified in this Declaration; or (o) any provisions which are for the express benefit of holders of first mortgages.

28.2.2 The consent of the Owner and the Eligible Holder of a Mortgage of each Unit particularly affected and of the Owners of Units to which at least ninety percent of the votes in the Association, other than the votes of Declarant, are allocated and the Eligible Holders of Mortgages on Units that have at least fifty-one percent of the votes of Units subject to Eligible Holder Mortgages shall be required to adopt any amendment that shall create or increase Special Declarant Rights, increase the number of Units, change the boundaries of any Unit, the Allocated Interests of a Unit, or the uses to which any Unit is restricted.

28.2.3 All other amendments shall be adopted if consented to by at least sixty-seven percent of the votes in the Association.

28.2.4 Notwithstanding anything stated in this Section 28.2 or any other provision of this Declaration, no requirement for Mortgagee notice, approval or consent may operate to (1) deny or delegate control over the general administrative affairs of the Association by the Owners or the Board, or (2) prevent the Association or the Board from commencing, intervening in, or settling any litigation or proceeding, or receiving and distributing any insurance proceeds except pursuant to this Declaration. With respect to any action requiring the consent of a specified number or percentage of Eligible Mortgagees, the consent of only Eligible Mortgagees holding First Mortgages need be obtained, and the percentage shall be based upon the Allocated Interests in Votes attributable to Units with respect to which Eligible Mortgagees have an interest.

28.2.5 An Eligible Holder who receives a written request to consent to an addition or amendment, delivered personally or sent by certified or registered mail with a return receipt requested, who does not deliver or post to the requesting party a negative response within thirty days shall be deemed to have consented to such request.

28.2.6 If the Condominium has received a project approval from the VA, the approval of the VA will be required for any amendment to the Declaration, Bylaws or Survey Map adopted prior to the Transition Date or after the Transition Date if VA approval is to be maintained.

Section 28.3 Exceptions to Consent Requirements. Notwithstanding anything to the contrary in this Article 28, the consent provisions of Section 28.2 shall not apply to the following amendments: (a) recordation of an amendment to the Declaration and Survey Map and Plans by the Declarant upon exercise of any development rights and/or Special Declarant Rights reserved by Declarant; (b) recordation of an amendment by the Association in the event of reallocation of Limited Common Elements, the alteration or subdivision of Units or relocation of Unit boundaries pursuant to Article 27, or the termination of the Condominium pursuant to Article 29; (c) recordation of an amendment by an Owner in the event of reallocation of Limited Common Elements between two Units, alteration or subdivision of Units or relocation of Unit boundaries pursuant to Article 27, or the termination of the Condominium; or (d) recordation of an amendment to the Declaration and the Survey Map and Plans as provided in Article 24 or Article 25 in the case of damage to or condemnation of the Property.

Section 28.4 Declarant's Consent. No amendment may restrict, eliminate or otherwise modify any Special Declarant Right provided in the Declaration without the consent of Declarant and any Mortgagee of record with a security interest in the Special Declarant Right or in any real property subject thereto, excluding Mortgagees of Units owned by Persons other than Declarant.

Section 28.5 Limitation. No action to challenge the validity of an amendment adopted by the Association pursuant to this Section 28 may be brought more than one year after the amendment is recorded.

ARTICLE 29. ABANDONMENT OR TERMINATION OF CONDOMINIUM STATUS.

Section 29.1 Required Consent. Except in the case of a taking of all the Units by condemnation, the Condominium may be terminated only by agreement of Owners to which at least eighty percent of the votes in the Association are allocated and the consent of Eligible Holders of Mortgages on Units that have at least sixty-seven percent of the voting power of Units subject to Mortgages.

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Section 29.2 Termination Agreement. An agreement to terminate must be evidenced by the execution of a termination agreement or ratifications thereof, in the same manner as a deed, by the requisite number of Owners. The termination agreement must specify a date after which the agreement will be void unless it is recorded before that date and shall contain a description of the manner in which the creditors of the Association will be paid or provided for. A termination agreement and all ratifications thereof must be recorded in every county in which a portion of the Condominium is situated and is effective only upon recording. A termination agreement may be amended by complying with all of the requirements of this Article 29.

Section 29.3 Sale of Property. A termination agreement may provide that all of the Common Elements and Units of the Condominium shall be sold following termination. If, pursuant to the agreement, any real property in the Condominium is to be sold following termination, the termination agreement must set forth the minimum terms of the sale.

Section 29.4 Approval of Unit Owners. The Association, on behalf of the Owners, may contract for the sale of real property in the Condominium, but the contract is not binding on the Owners until approved pursuant to Sections 29.1 and 29.2. If any real property in the Condominium is to be sold following termination, title to that real property, upon termination, vests in the Association as trustee for the holders of all interests in the Units. Thereafter, the Association has all powers necessary and appropriate to effect the sale. Until the sale has been concluded and the proceeds thereof distributed, the Association continues in existence with all powers it had before termination. Proceeds of the sale must be distributed to Owners and lien holders as their interests may appear, in proportion to the respective interests of Owners as provided in Section 29.7. Unless otherwise specified in the termination agreement, as long as the Association holds title to the real property, each Owner and the Owner's successors in interest have an exclusive right to occupancy of the portion of the real property that formerly constituted the Owner's Unit. During the period of that occupancy, each Owner and the Owner's successors in interest remain liable for all Assessments and other obligations imposed on Owners by the Condominium Act or the Declaration.

Section 29.5 Tenancy in Common. If the real property constituting the Condominium is not to be sold following termination, title to all the real property in the Condominium vests in the Owners upon termination as tenants in common in proportion to their respective interest as provided in Section 29.7, and liens on the Units shift accordingly. While the tenancy in common exists, each Owner and the Owner's successors in interest have an exclusive right to occupancy of the portion of the real property that formerly constituted the Owner's Unit.

Section 29.6 Proceeds of Sale. Following termination of the Condominium, the proceeds of any sale of real property, together with the assets of the Association, are held by the Association as trustee for Owners and holders of liens on the Units and creditors of the Association as their interests may appear. No such proceeds or assets may be disbursed to the Owners until all of the creditors of the Association have been paid or provided for. Following termination, creditors of the Association holding liens on the Units, which were recorded or perfected under RCW 4.64.020 before termination, may enforce those liens in the same manner as any lien holder.

Section 29.7 Interests of Unit Owners. The respective interests of Unit Owners referred to in Sections 29.4, 29.5 and 29.6 are as follows:

29.7.1 Except as provided in subsection 29.7.2, the respective interests of Owners are the fair market values of their Units, Limited Common Elements, and Common Element interests immediately before the termination, as determined by one or more independent appraisers selected by the Association. The decision of the independent appraisers shall be distributed to the Owners and becomes final unless disapproved, within thirty days after distribution, by Owners to which twenty-five percent of the votes in the Association are allocated. The proportion of any Owner's interest to that of all Owners is determined by dividing the fair market value of that Owner's Unit and Common Element interest by the total fair market values of all the Units and Common Elements.

29.7.2 If any Unit or any Limited Common Element is destroyed to the extent that an appraisal of the fair market value thereof before destruction cannot be made, the interests of all Owners are their respective Common Element interests immediately before the termination.

Section 29.8 Foreclosure. Except as provided in Section 29.9, foreclosure or enforcement of a lien or encumbrance against the entire Condominium does not of itself terminate the Condominium, and foreclosure or enforcement of a lien or encumbrance against a portion of the Condominium, other than withdrawable real property, does not withdraw that portion from the Condominium. Foreclosure or enforcement of a lien or encumbrance against withdrawable real property does not of itself withdraw that real property from the Condominium, but the Person taking title thereto has the right to require from the Association, upon request, an amendment excluding the real property from the Condominium.

Section 29.9 Exclusion of Property From Condominium. If a lien or encumbrance against a portion of the real property that is withdrawable from the Condominium has priority over the Declaration, and the lien or encumbrance has not been partially released as to a Unit, the parties foreclosing the lien or encumbrance may, upon foreclosure, record an

instrument excluding the real property subject to that lien or encumbrance from the Condominium. The Board shall reallocate interests as if the foreclosed portion was condemned.

Section 29.10 Right of Partition. The right of partition under chapter 7.52 RCW shall be suspended if an agreement to sell the Property is provided for in the termination agreement pursuant to Section 29.3. The suspension of the right to partition shall continue unless and until no binding obligation to sell exists three months after the recording of the termination agreement, the binding sale agreement is terminated, or one year after the termination agreement is recorded, whichever first occurs.

ARTICLE 30. MORTGAGEE'S ACCEPTANCE.

This Declaration shall not initially be binding upon any holder of a Mortgage of record at the time of recording of this Declaration. At the time of the first conveyance of each Unit, every Mortgage affecting the Unit shall be paid or satisfied of record or the Mortgagee of the Unit shall have agreed to release the Unit and its Allocated Interests in Common Elements and Common Expenses from the Mortgage for the payment of a partial release price. The issuance and recording of the first partial release by any Mortgagee shall constitute: its acceptance of the provisions of this Declaration and the condominium status of any Unit remaining subject to its mortgage; and its acknowledgment that appropriate arrangements for partial release of any other Unit subject to its Mortgage have been made.

ARTICLE 31. 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 Act or, as covenants, effect the common plan.

ARTICLE 32. EFFECTIVE DATE.

This Declaration shall take effect upon recording.

ARTICLE 33. 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. 9204160064, in Volume _____ of Condominiums, pages _____ through _____.

ARTICLE 34. 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.

DATED this 14th day of February, 1992

DECLARANT:

SKYLINE ~~COURT~~ ASSOCIATES, a
Washington general partnership

BY: JAF Financial, Ltd., a
Washington corporation,
general partner

By *Josephine Florence*
Its President

BY: Sherron Associates, Inc., a
Washington corporation,
general partner

By *Edward Springer*
Its President

BY: PAC-GEN ENTERPRISES, INC., a
Washington corporation,
general partner

By *Robert H. Lohr Jr.*
Its President

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 12th day of February, 1992, before me personally appeared Genine Florence, to me known to be the President of JAF FINANCIAL, LTD., a general partner of Skyline Associates, the general partnership described in the within and foregoing instrument; and he acknowledged that he executed the said instrument as the free and voluntary act and deed of said corporation as said general partner, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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



Connie R. LaRue
Notary Public in and for the
State of Washington.
My Appointment Expires: 9-17-94

STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 12th day of February, 1992, before me personally appeared C. Edward Springman, to me known to be the President of SHERRON ASSOCIATES, INC., a general partner of Skyline Associates, the general partnership described in the within and foregoing instrument; and he acknowledged that he executed the said instrument as the free and voluntary act and deed of said corporation as said general partner, for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

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

Thomas E. Armstrong
Notary Public in and for the
State of Washington.
My Appointment Expires: 6-6-95

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STATE OF WASHINGTON)
) ss.
COUNTY OF KING)

On this 14th day of February, 1992,
before me personally appeared Robert H. Tozer Jr., to me
known to be the President of PAC-GEN ENTERPRISES,
INC., a general partner of Skyline Associates, the general
partnership described in the within and foregoing instrument; and
he acknowledged that he executed the said instrument as the free
and voluntary act and deed of said corporation as said general
partner, for the uses and purposes therein mentioned, and on oath
stated that he was authorized to execute said instrument and that
the seal affixed, if any, is the corporate seal of said
corporation.

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

Thomas E. Armstrong
Notary Public in and for the
State of Washington.
My Appointment Expires: 6-6-95

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SCHEDULE A1

Description of Phase I Land

That portion of the Northwest One-Quarter of the Northeast One-Quarter of Section 28, Township 35 North, Range 1 East, W.M., in Skagit County, Washington, described as follows:

Commencing at the Northeast Corner of the Plat of Skyline No. 16, according to the plat thereof recorded in Volume 10 of Plats, pages 23 through 25, records of Skagit County, Washington; thence South 02°14'44" West (Bearings refer to the Plat of Skyline No. 16 Meridian) along the East Line of said Plat, a distance of 20.00 feet to the South Right-of-Way Line of Sunset Avenue; thence continue South 02°14'44" West along said East Line, a distance of 194.74 feet to the TRUE POINT OF BEGINNING; thence continue South 02°14'44" West along said East Line, a distance of 121.05 feet to the North Right-of-Way Line of Sands Way, said point being 30.00 feet when measured at right angles from the centerline of said Right-of-Way; thence South 87°44'54" East along said North Right-of-Way Line, a distance of 169.85 feet to the beginning of a curve to the left; thence along said curve to the left in a Northeasterly Direction, having a radius of 30.00 feet, through a central angle of 90°01'18", an arc distance of 47.14 feet to the West Right-of-Way Line of Skyline Way, said point being 50.00 feet when measured at right angles from the centerline of said Right-of-Way; thence North 02°13'47" East along said West Right-of-Way Line, a distance of 91.06 feet; thence North 87°45'16" West, a distance of 199.83 feet to the TRUE POINT OF BEGINNING.

Containing an area of 24,000 square feet more or less.

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SCHEDULE A2

Description of Phase II Land

That portion of the Northwest One-Quarter of the Northeast One-Quarter of Section 28, Township 35 North, Range 1 East, W.M., in Skagit County, Washington, described as follows:

Commencing at the Northeast Corner of the Plat of Skyline No. 16, according to the plat thereof recorded in Volume 10 of Plats, pages 23 through 25, records of Skagit County, Washington; thence South 02°14'44" West (Bearings refer to the Plat of Skyline No. 16 Meridian) along the East Line of said Plat, a distance of 20.00 feet to the South Right-of-Way Line of Sunset Avenue and the TRUE POINT OF BEGINNING; thence continue South 02°14'44" West along said East Line, a distance of 194.74 feet; thence South 87°45'16" East, a distance of 199.83 feet to the West Right-of-Way Line of Skyline Way, said point being 50.00 feet when measured at right angles from the centerline of said Right-of-Way; thence North 02°13'47" East along said west Right-of-Way Line, a distance of 80.00 feet; thence North 87°46'13" West, a distance of 38.00 feet; thence North 02°13'47" East, parallel with said West Right-of-Way Line, a distance of 34.18 feet; thence North 88°36'51" West, parallel with said South Right-of-Way Line of Sunset Avenue, a distance of 141.81 feet to the point that is 20.00 feet East of said East Line of Skyline No. 16 when measured at right angles; thence North 02°14'44" East parallel with said East Line, a distance of 83.00 feet to said South Right-of-Way Line of Sunset Avenue; thence North 88°36'51" West along said South Right-of-Way Line, a distance of 20.00 feet to the TRUE POINT OF BEGINNING.

Containing an area of 22,977 square feet more or less.

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SCHEDULE A3

Description of Phase III Land

That portion of the Northwest One-Quarter of the Northeast One-Quarter of Section 28, Township 35 North, Range 1 East, W.M., in Skagit County, Washington, described as follows:

Commencing at the Northeast Corner of the Plat of Skyline No. 16, according to the plat thereof recorded in Volume 10 of Plats, pages 23 through 25, records of Skagit County, Washington; thence South 02°14'44" West (Bearings refer to the Plat of Skyline No. 16 Meridian) along the East Line of said Plat, a distance of 20.00 feet to the South Right-of-Way Line of Sunset Avenue; thence South 88°36'51" east along said South Right-of-Way Line, a distance of 20.00 feet to the TRUE POINT OF BEGINNING; thence continue South 88°36'51" East along said south Right-of-Way Line, a distance of 149.35 feet to the beginning of a curve to the right, thence along said to the right in a Southeasterly direction, having a radius of 30.00 feet, through a central angle of 90°50'38", an arc distance of 47.57 feet to the West Right-of-Way Line of Skyline Way, said point being 50.00 feet when measured at right angles from the centerline of said Right-of-Way; thence South 02°13'47" West along said West Right-of-Way Line, a distance of 87.29 feet; thence North 87°46'13" West, a distance of 38.00 feet; thence North 02°13'47" East, parallel with said West right-of-Way Line, a distance of 34.18 feet; thence North 88°36'51" West, parallel with said South Right-of-Way Line of Sunset Avenue, a distance of 141.81 feet to a point that is 20.00 feet East of said East Line of Skyline No. 16, when measured at right angles; thence North 02°14'44" East, parallel with said East Line, a distance of 83.00 feet to the TRUE POINT OF BEGINNING.

Containing an area of 16,032 square feet more or less.

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SCHEDULE B

SKYLINE COURT CONDOMINIUMS

Description of Buildings

There are three buildings in the Condominium. One building contains three floors and twelve Units and has an elevator. There are two garage buildings, each with one floor and each containing six Assigned Parking Spaces. The buildings have concrete slab foundations, wood frame construction, vinyl siding and composition roofs. The Units are heated by electric heat.

Unit Descriptions, Parking Assignments,
Area and Percentages of Undivided Interest

UNIT NO.	ENCLOSED PARKING STALL	LEVELS	ROOMS	BATHROOMS	BEDROOMS	FIREPLACES	AREA SQUARE FEET
A101	A101	1st	8	2	3	1	1451
A201	A201	2nd	8	2	3	1	1450
A301	A301	3rd	8	2	3	1	1448
A102	A102	1st	7	2	2	1	1125
A202	A202	2nd	7	2	2	1	1117
A302	A302	3rd	7	2	2	1	1120
A103	A103	1st	7	2	2	1	1123
A203	A203	2nd	7	2	2	1	1121
A303	A303	3rd	7	2	2	1	1121
A104	A104	1st	7	2	2	1	1119
A204	A204	2nd	7	2	2	1	1121
A304	A304	3rd	7	2	2	1	1116

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SCHEDULE C

ALLOCATED INTEREST IN COMMON ELEMENTS AND COMMON EXPENSES

Phase I Units - 12 Units

Unit #	Phase I Only (12 Units)	If only Phase I and Phase II are Incorporated (24 Units)	If Phase I, Phase II and Phase III are Incorporated (31 Units)	If Only Phase I and Phase III are Incorporated (19 Units)
A101	11.10	5.56	4.41	7.30
A201	11.10	5.56	4.41	7.30
A301	11.11	5.60	4.45	7.32
A102	7.41	3.70	2.94	4.88
A202	7.41	3.70	2.94	4.88
A302	7.41	3.70	2.94	4.88
A103	7.41	3.70	2.94	4.88
A203	7.41	3.70	2.94	4.88
A303	7.41	3.70	2.94	4.88
A104	7.41	3.70	2.94	4.88
A204	7.41	3.70	2.94	4.88
<u>A304</u>	<u>7.41</u>	3.70	2.94	4.88
12 Units	100%			

Phase II Units - 12 Units

PHASE II IS NOT REQUIRED TO BE BUILT

Unit #	If only Phase I and Phase II are Incorporated (24 Units)	If Phase I, Phase II and Phase III are Incorporated (31 Units)
B101	5.56	4.41
B201	5.56	4.41
B301	5.56	4.41
B102	3.70	2.94
B202	3.70	2.94
B302	3.70	2.94
B103	3.70	2.94
B203	3.70	2.94
B303	3.70	2.94
B104	3.70	2.94
B204	3.70	2.94
<u>B304</u>	<u>3.70</u>	2.94
12 Units	100%	

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Phase III Units - 7 Units

PHASE III IS NOT REQUIRED TO BE BUILT

Unit #	If Phase I, Phase II and Phase III are Incorporated (31 Units)	If Only Phase I and Phase III are Incorporated (19 Units)
C101	2.94	4.88
C102	2.94	4.88
C103	2.94	4.88
C104	2.94	4.88
C105	2.94	4.88
C106	2.94	4.88
<u>C107</u>	<u>2.94</u>	<u>4.88</u>
7 Units	100%	100%

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SCHEDULE D

ALLOCATED INTERESTS IN VOTES IN THE ASSOCIATION

For so long as the Condominium comprises only Phase I, there shall be a total of twelve votes in the Association. One vote shall be allocated to each Unit.

If only Phase I and Phase II are incorporated into the Condominium, there will be a total of twenty-four votes in the Association. One vote shall be allocated to each Unit.

If Phase I, Phase II and Phase III are incorporated into the Condominium, there will be a total of thirty-one votes in the Association. One vote shall be allocated to each Unit.

If only Phase I and Phase III are incorporated into the Condominium, there will be a total of nineteen votes in the Association. One vote shall be allocated to each Unit.

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