

After Recording Return To:
William Stiles, Jr.
8286 Stiles Lane
Sedro-Woolley, WA 98284



200311030251
Skagit County Auditor

11/3/2003 Page 1 of 45 11:18AM

TITLE OF DOCUMENT:

Declaration of Covenants, Conditions, Restrictions and
Reservations For Cascade Palms, an Adult Condominium

GRANTORS:

William A. Stiles, Jr. and Betty M. Stiles,
and Trail Investments, LLC

GRANTEES:

The General Public

ABBR. LEGAL:

MF Sub Lots 1 - 4, Cascade Palms BSP #02-973,
togetherwith common areas.

TAX PARCEL NOS.

P119761 - P119768, ET. AL.

**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND RESERVATIONS
FOR**

CASCADE PALMS

An Adult Condominium

Pursuant to the Act defined in Section 1.9.1 and for the purpose of submitting the Property hereinafter described to the provisions of said Act, the undersigned, WILLIAM A. STILES and BETTY M. STILES, husband and wife, and TRAIL INVESTMENTS, LLC, a Washington Limited Liability Company, being the owners of the said real property and improvements thereon, respectively, do hereby make this Declaration for CASCADE PALMS, an adult condominium.

**DECLARATION AND COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATIONS FOR CASCADE PALMS CONDOMINIUM**

Table of Contents

	<u>Page</u>
ARTICLE 1. INTERPRETATION	
1.1 Liberal Construction	5
1.2 Consistent with the Act	5
1.3 Covenants Running with Land	5
1.4 Lot Boundaries	5
1.5 Percentage of Mortgagees	5
1.6 Declarant is Original Owner	5
1.7 Increase in Dollar Limits	5
1.8 Singular Shall Include Plural	5
1.9 Definitions	5
ARTICLE 2. DESCRIPTION OF LAND; EFFECT OF THIS DECLARATION.	
2.1 Description of Land	10
2.2 Effect of this Declaration	10
2.3 Age of Occupants	10
ARTICLE 3. DESCRIPTION OF BUILDING AND IMPROVEMENTS	
3.1 Description of Buildings and Improvements	11
3.2 Recreational Facilities	11
ARTICLE 4. DESCRIPTION OF LOTS	
4.1 Lot Location	11
4.2 Lot Identification	11
4.3 Unit Description	11
ARTICLE 5. ACCESS	
5.1 Access to Common Ways	11
5.2 Access to Public Streets	11
ARTICLE 6. DESCRIPTION OF COMMON AREAS AND FACILITIES; CERTAIN TYPES MAY BE MADE OWNER'S RESPONSIBILITY	11
ARTICLE 7. DESCRIPTION OF COMMON AREAS; EASEMENTS FOR EXCLUSIVE USE RESERVED FOR CERTAIN LOTS	
7.1 Limited Common Areas	12
7.2 Parking, Etc., Assignment	12
ARTICLE 8. PERCENTAGE OF UNDIVIDED INTEREST IN COMMON AREAS	13
ARTICLE 9. ASSOCIATION OF UNIT OWNERS; SUB ASSOCIATIONS	
9.1 Form of Association	13
9.2 Membership	13
9.3 Voting	14
9.4 Meetings, Audits, Notices of Meetings, Bylaws of Association	14
9.5 Bylaws of Association	15
ARTICLE 10. MANAGEMENT OF THE CASCADE PALMS CONDOMINIUM	
10.1 Management by Declarant	15
10.2 Management by Board	15
10.3 Authority of the Board	15



ARTICLE 11. USE; REGULATION OF USE; ARCHITECTURAL UNIFORMITY

11.1	Residential Use	18
11.2	Age of Occupants	18
11.3	Commercial/Office use	19
11.4	Sales Facilities of Declarant	19
11.5	Vehicle Parking	20
11.6	Common Drives and Walks	20
11.7	Interior Building Maintenance	20
11.8	Exterior Appearance	21
11.9	Effect on Insurance	21
11.10	Signs	21
11.11	Pets	21
11.12	Offensive Activity	22
11.13	Common Areas Alterations	22
11.14	"House Rules	22

ARTICLE 12. COMMON EXPENSES AND ASSESSMENTS

12.1	Estimated Expenses.	22
12.2	Payment by Owners	22
12.3	Purpose	22
12.4	Separate Accounts	23
12.5	Based on Percentage	23
12.6	Omission of Assessment	23
12.7	Records	23
12.8	Declarant Liability	23
12.9	Lien Indebtedness	23
12.10	Certificate of Assessment	23
12.11	Assessment Deposit	24
12.12	Foreclosure and Assessment Lien; and Attorney's Fees & Costs	24
12.13	Rental Value	24
12.14	Rental Units	24
12.15	Remedies Cumulative	24

ARTICLE 13. INSURANCE

13.1	Insurance Coverage	25
13.2	Owner's Additional Insurance	26
13.3	Insurance Proceeds and Claims	26

ARTICLE 14. DAMAGE OR DESTRUCTION; RECONSTRUCTION

14.1	Initial Board Determinations	26
14.2	Notice of Damage or Destruction	26
14.3	Definitions; Restoration; Emergency Work	27
14.4	Restoration by Board	27
14.5	Damage	27
14.6	Decision Not to Restore; Disposition	28
14.7	Miscellaneous	28

ARTICLE 15. CONDEMNATION

15.1	Consequences of Condemnation	29
15.2	Proceeds	29
15.3	Complete Taking	29
15.4	Partial Taking	29
15.5	Reduction of Property Upon Partial Taking	30



15.6	Reconstruction and Repair	30
ARTICLE 16.	COMPLIANCE WITH DECLARATION	
16.1	Enforcement	30
16.2	No Waiver of Strict Performance	30
ARTICLE 17.	LIMITATION OF LIABILITY	
17.1	Liability for Utility Failure, Etc.	31
17.2	No Personal Liability	31
17.3	Indemnification of Board Members.	31
ARTICLE 18.	MORTGAGEE PROTECTION	
18.1	Priority of Mortgages	31
18.2	Change in Manager	32
18.3	Partitions and Subdivisions .	32
18.4	Change in Percentages	32
18.5	Hazard Insurance	32
18.6	Copies of Notices	32
18.7	Effect of Declaration Amendments.	32
18.8	Insurance	32
18.9	Inspection of Books	33
18.10	Obtaining Declarant's Powers.	33
18.11	Extension of Declarant's Powers	33
ARTICLE 19.	EASEMENTS	
19.1	In General	34
19.2	Association Functions	34
19.3	Encroachments	34
ARTICLE 20.	PROCEDURES FOR SUBDIVIDING OR COMBINING	
20.1	Procedure	34
ARTICLE 21.	DECLARATION OF DEVELOPMENT IN PHASES; DESCRIPTION OF LAND	
21.1	Intention to Develop in Phases	35
21.2	The Expansion into Subsequent Phases	35
21.3	Improvements in Subsequent Phases	35
21.4	Election Not to Expand to One or More Subsequent Phases	35
21.5	Unit Percentage Interest	36
21.6	Improvements	36
21.7	Insurance	36
21.8	Minimum Interest of Units in Phase I	36
21.9	Subsequent Phases — Amendment	36
21.10	Easements Reserved for Subsequent Phases	36
ARTICLE 22.	AMENDMENT OF DECLARATION, SURVEY MAP, PLANS	
22.1	Declaration Amendment	36
22.2	Binding Site Plan Map and Amendments	37
22.3	Amendments by Declarant	37
22.4	Amendments to Conform to Construction	37
ARTICLE 23.	MISCELLANEOUS	
23.1	Service of Process	37
23.2	Notices for All Purposes	37
23.3	Mortgagee's Acceptance	38



23.4	Severability	38
23.5	Effective Date	38
23.6	Reference to Survey Map and Plans	38
SCHEDULE A	Legal Description	40
SCHEDULE B	Allocated Interests (Percentages)	41
SCHEDULE C	Description of Buildings, Improvements and Recreation Facilities	42
SCHEDULE D	Service of Process	44
SCHEDULE E	Proposed Budgets for Association and Sub Associations	45

ARTICLE 1 INTERPRETATION

1.1 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of this condominium under the provisions of the laws of the United States of America, the State of Washington and the City of Sedro-Woolley.

1.2 Consistent with the Act. The terms used herein are intended to have the same meaning as given in the Act unless the context clearly indicates otherwise or to so define the terms would produce an illegal or improper result.

1.3 Covenants Running with Land. It is intended that this Declaration shall be operated as a set of covenants running with the land and binding on the Declarant, its successors and assigns, together with all subsequent Owners of the Property, their successors and assigns.

1.4 Lot Boundaries. The boundary of each lot and sub-lot is as shown on the Binding Site Plan Survey Map.

1.5 Percentage of Mortgagees. For purposes of determining the percentage of first mortgagees approving a proposed decision or course of action in cases where a mortgagee holds first mortgages on more than one dwelling unit, such mortgagee shall be deemed a separate mortgagee for each such first mortgage so held.

1.6 Declarant is Original Owner. Declarant is the original owner of all lots and property and will continue to be deemed the owner thereof except as conveyances or documents changing such ownership regarding specifically described lots are filed of record.

1.7 Increase in Dollar Limits. The dollar amounts specified in Articles 10, 13, 14 and 18 may, in the discretion of the Board, be increased due to inflation over time.

1.8 Singular Shall Include Plural. Reference to the singular shall include the plural and vice versa; and reference to the masculine shall include the feminine and vice versa.

1.9 Definitions. In the Declaration and Bylaws, unless specifically provided otherwise or the context requires otherwise, and in this chapter:

1.9.1 "Act" shall mean the Washington Condominium Act or Condominium Act as set forth in the laws of the State of Washington of 1989, Chapter 43 (RCW Chapter 64.34), as amended.

1.9.2 "Affiliate of a Declarant" means any person who controls, is controlled by, or is under common control with a Declarant. A person "controls" a Declarant if the person: (a) Is a general partner, officer, director, or employer of the Declarant; (b) directly or indirectly or acting in



concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than twenty percent of the voting interest in the Declarant; (c) controls in any manner the election of a majority of the directors of the Declarant; or (d) has contributed more than twenty percent of the capital of the Declarant. A person "is controlled by" a Declarant if the Declarant: (i) is a general partner, officer, director, or employer of the person; (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than twenty percent of the voting interest in the person; (iii) controls in any manner the election of a majority of the directors of the person; or (iv) has contributed more than twenty percent of the capital of the person. Control does not exist if the powers described in this subsection are held solely as security for an obligation and are not exercised.

1.9.3 "Allocated interests" means the undivided interests in the Common Areas and Common Elements, the Limited Common Areas, the Common Expense Liability, and votes in the Association of Unit Owners and Sub Associations allocated to each Unit.

1.9.4 "Assessment" means all sums chargeable by the association against a unit including, without limitation: (a) Regular and special assessments for common expenses, charges, and fines imposed by the association; (b) interest and late charges on any delinquent account; and (c) costs of collection, including reasonable attorneys' fees, incurred by the association in connection with the collection of a delinquent owner's account.

1.9.5 "Association" shall mean the Cascade Palms Association of Unit Owners as provided for in Article 9 and organized under RCW 64.34.300.

1.9.6 "Board of Directors" means the body, regardless of name, with primary authority to manage the affairs of the Association as provided for in Section 10.1.

1.9.7 "Bylaws" shall mean Bylaws of the Association provide for in Section 9.5.

1.9.8 "Building" means a separate and distinct building comprised of residential dwelling units (4-plexes) or mixed residential and office units ("live-work" building).

1.9.8.1 "Four-Plex Building" means at least two dwelling units (duplex), situated on one multi-family sub lot, constructed adjoining a common wall between two duplexes, each building therefore comprising four (4) individual dwelling units situated on two multi-family sub lots. There will be eight (8) such buildings in the finished project totaling thirty-two (32) residential dwelling units.

1.9.8.2 "Live-Work' Building" means a building having up to 7 residential dwelling units constructed over 7 professional office spaces, each combination unit situated on a single professional office sub lot. The office space in each separate unit can be used for residential purposes at the discretion of the owner. The combined units, regardless of the configuration, are considered a single unit and can not be partitioned.

1.9.9 "Common Areas" shall mean those portions of the property owned and maintained by the Association of Unit Owners as provided in Article 6 and as limited by Article 7.

1.9.10 "Common Elements" means all portions of a condominium other than the units and the "Limited Common Elements" and includes the following unless otherwise provided in the Declaration as duly recorded or as it may be lawfully amended, includes: (a) landscaping and parking areas; (b) the installations of central services such as power, telephone, TV cable, natural gas, water, storm water drainage and sanitary sewer lines, etc. leading to each lot; (c) the streets, curbs and sidewalks existing for common ingress, egress and parking areas; (d) the garbage disposal pick up area; (e) equipment and supplies for the maintenance of the common area and



facilities; and (f) any recreational facilities or equipment to be provided by the Declarant or the Association.

1.9.11 "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves, which expenditures may include: (a) all sums lawfully assessed against the unit owners by the Association of Unit Owners; (b) expenses of administration, maintenance, repair, or replacement of the common and limited common areas and facilities; (c) expenses agreed upon as common expenses by the Association of Unit Owners; (d) expenses for providing outside lighting for the common areas and facilities; (e) expenses for the cost of insuring all of the common and limited common areas and facilities; (f) and expenses for providing and maintaining fences and/or security gates to the property (if the association should elect to have the same).

1.9.12 "Common Expense Liability" means the liability for common expenses allocated to each Unit pursuant to RCW 64.34.224 by both the Association of Unit Owners and the Building Sub-Association.

1.9.13 "Common Profits" means the balance of all income, rents, profits and revenues from the common and limited common areas and facilities remaining after the deduction of the common expenses.

1.9.14 "Condominium" means real property, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of those portions. Real property is not a condominium unless the undivided interests in the Common and Limited Common Elements are vested in the unit owners, and unless a declaration and a survey map and plans have been recorded pursuant to this chapter.

1.9.15 "Conveyance" means any transfer of the ownership of a unit, including a transfer by deed or by real estate contract and, with respect to a unit in a leasehold condominium, a transfer by lease or assignment thereof, but shall not include a transfer solely for security.

1.9.16 "Dealer" means a person who owns or has a right to acquire either six or more units in a condominium or fifty percent or more of the units in a condominium containing more than two units.

1.9.17 "Declarant" means any person or group of persons acting in concert who (a) executes as Declarant a Declaration as defined in subsection (1.9.19) of this section, or (b) reserves or succeeds to any special Declarant right under the Declaration.

1.9.18 "Declarant Control" means the right of the Declarant or persons designated by the Declarant to appoint and remove officers and members of the Board of Directors, or to veto or approve a proposed action of the Board or Association, pursuant to RCW 64.34.308 (4) or (5).

1.9.19 "Declaration" means this document, however denominated, that created the Cascade Palms adult condominium by setting forth the information required by RCW 64.34.216 and any amendments to this document.

1.9.20 "Development Rights" means any right or combination of rights reserved by a Declarant in the Declaration to: (a) Add real property or improvements to a condominium; (b) create units, common elements, or limited common elements within real property included or added to a condominium; (c) subdivide units or convert units into common elements; (d) withdraw real property from a condominium; or (e) reallocate limited common elements with respect to units that have not been conveyed by the Declarant.



1.9.21 "Dispose" or "Disposition" means a voluntary transfer or conveyance to a purchaser or lessee of any legal or equitable interest in a unit, but does not include the transfer or release of a security interest.

1.9.22 "Eligible Mortgagee" means the holder of a mortgage on a unit that has filed with the secretary of the Association a written request that it be given copies of notices of any action by the Association that requires the consent of mortgagees.

1.9.23 "Exterior Surfaces" (where the phrase is used in defining the boundaries of units or limited common areas) shall include siding, trim and paint or other such decorative surface coverings or finishes.

1.9.24 "Foreclosure" means a forfeiture or judicial or nonjudicial foreclosure of a mortgage or a deed in lieu thereof.

1.9.25 "Identifying Number" means the designation of each unit in a condominium. In the case of Cascade Palms each unit has a separate and distinct postal address which is therefore considered the Identifying Number.

1.9.26 "Individual Dwelling Unit" means a single residential dwelling unit.

1.9.27 "Limited Common Areas and Facilities" includes those areas and facilities designated on the Binding Site Plan, as it is duly recorded or as it may be lawfully amended, as reserved for use of certain lots or units to the exclusions of other lots or units. The limited common area is that area of each designated sub lot outside of the building foundation footprint.

1.9.28 "Limited Common Elements" means a portion of the common elements allocated by the Declaration or by operation of RCW 64.34.204 (2) or (4) for the exclusive use of one or more but fewer than all of the units.

1.9.29 "Live-Work Unit" means a mixed-use unit on a single or multiple professional office sub lots designated for that purpose on the Binding Site Plan, which units have both a single residential dwelling unit and a separate professional or similar office space. "Live-work" units are to be considered single units and can not be partitioned.

1.9.30 "Lot" means one of the lots, sub-lots or tracts shown on the map (Binding Site Plan Map of Cascade Palms). The boundary of each lot, sub-lot or tract is as shown on said map.

1.9.31 "Lot Number" means the number or letter, delineating the lot, sub-lot or tract on the Binding Site Plan as duly recorded or as it may be lawfully amended.

1.9.32 "Lot Owner" means the person or persons owning a sub-lot, as herein defined, in fee simple absolute or qualified, by way of leasehold or by way of a periodic estate, or in any other manner in which real property may be owned, leased or possessed in this state, together with an undivided interest in a like estate of the Common Areas and Facilities and the Limited Common Areas in the percentage(s) specified and established in the Declaration as duly recorded or as it may be lawfully amended

1.9.33 "Majority" or "Majority of Unit Owners" means the Owners with fifty-one percent or more of the individual dwelling units in accordance with the percentages assigned in the declaration, as duly recorded or as it may be lawfully amended, to the unit for voting purposes.

1.9.34 "Mortgage" means a mortgage, deed of trust or real estate contract.



1.9.35 "Occupant" shall mean a person or persons residing in a unit, or occupying the business portion of a "live-work" unit, whether as an Owner or tenant. Occupants of all residential units must meet the age restrictions and limitations as established and defined in Article 2.3 and Article 11.2.

1.9.36 "Owner" shall mean the Owner of an individual dwelling unit or units or the owner of a "live-work" unit.

1.9.37 "Person" means a natural person, corporation, partnership, limited partnership, trust, governmental subdivision or agency, or other legal entity.

1.9.88 "Project" means the Cascade Palms Adult Condominium situated on the Property, said project being the subject matter of this Declaration.

1.9.39 "Property" means the land, the buildings, all improvements and structures thereon, all owned in fee simple absolute or qualified, by way of leasehold or by way of a periodic estate, or in any other manner in which real property may be owned, leased or possessed in this state, and all easements, rights and appurtenances belonging thereto, none of which shall be considered as a security or security interest, and all articles of personalty intended for use in connection therewith, which have been or are intended to be submitted to the provisions of this Declaration.

1.9.40 "Purchaser" means any person, other than a Declarant or a Dealer, who by means of a Disposition acquires a legal or equitable interest in a unit other than (a) a leasehold interest, including renewal options, of less than twenty years at the time of creation of the unit, or (b) as security for an obligation.

1.9.41 "Real Property" means any fee, leasehold or other estate or interest in, over, or under land, including structures, fixtures, and other improvements thereon and easements, rights and interests appurtenant thereto which by custom, usage, or law pass with a conveyance of land although not described in the contract of sale or instrument of conveyance. "Real property" includes parcels, with or without upper or lower boundaries, and spaces that may be filled with air or water.

1.9.42 "Residential purposes" means use for dwelling or recreational purposes, or both.

1.9.43 "Special Declarant Rights" means rights reserved for the benefit of a Declarant to: (a) Complete improvements indicated on survey maps and plans filed with the Declaration under RCW 64.34.232; (b) exercise any development right under RCW 64.34.236; (c) maintain sales offices, management offices, signs advertising the condominium, and models under RCW 64.34.256; (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 under RCW 64.34.260; (e) make the condominium part of a larger condominium or a development under RCW 64.34.280; (f) make the condominium subject to a master association under RCW 64.34.276; or (g) appoint or remove any officer of the association or any master association or any member of the board of directors, or to veto or approve a proposed action of the Board or Association, during any period of Declarant control under RCW 64.34.308(4).

1.9.44 "Sub-Association" shall mean a separate Association, established under the Association of Unit Owners, for each of the individual buildings within the Condominium. Example: Building No. 1 shall have a Sub-Association for the maintenance and repairs related specifically to that building for such items as the structure, siding, roof, exterior paint, fire and liability insurance, etc.



1.9.45 "Timeshare" shall have the meaning specified in the timeshare act, RCW 64.36.010(11).

1.9.46 "Unit" means a physical portion of the condominium designated for separate ownership, the boundaries of which are described pursuant to RCW 64.34.216(1)(d). "Separate ownership" includes leasing a Unit in a leasehold condominium under a lease that expires contemporaneously with any lease, the expiration or termination of which will remove the Unit from the Condominium.

1.9.47 "Unit Owner" means a Declarant or other person who owns a Unit or leases a Unit in a leasehold Condominium under a lease that expires simultaneously with any lease, the expiration or termination of which will remove the Unit from the Condominium, but does not include a Person who has an interest in a Unit solely as security for an obligation. "Unit Owner" means the vendee, not the vendor, of a Unit under a real estate contract.

ARTICLE 2

DESCRIPTION OF LAND; EFFECT OF THIS DECLARATION

2.1 Description of Land. The land on which the building(s) and improvements provided for in this Declaration are located as described in Schedule A attached hereto.

2.2 Effect of this Declaration. By acceptance of a conveyance, contract for sale, lease, rental agreement, any form of security agreement or instrument, or any privilege of use or enjoyment, respecting the property of any Lot(s) or Unit(s) in the property subject to this Declaration, it is agreed that this Declaration, together with the Map referred to herein and incorporated herein by reference, states, covenants, conditions, restrictions, and reservations effecting a common plan for the Cascade Palms Condominium / Binding Site Plan mutually beneficial to all of the described Lots and Units, and that the covenants, conditions, restrictions, reservations and plan are binding upon the entire property and upon each such Unit as a parcel of realty, and upon the Unit Owner or possessor, and his heirs, personal representative, successors and assigns, through all successive transfers of all or part of the property or any of security, interest(s) therein, without requirement of further specific reference or inclusion in deeds, contracts or security instruments, and regardless of any subsequent forfeitures, foreclosures, or sales of Units under security instruments.

2.3 Age of Occupants. Eighty (80%) percent of the occupied dwelling units at CASCADE PALMS shall be occupied by at least one (1) person fifty-five (55) years of age or older. All other permanent residents and Occupants of each Unit shall be at least eighteen (18) years old or older, it being the intention of the Declarant that THE CASCADE PALMS ADULT COMDOMINIUM be a community for adults; provided that newborn babies, born to occupants, may continue to live in a Unit only until they reach the age of one (1) year, at which time they shall be required to cease residency and occupancy of the Unit. Children under the age of eighteen (18) shall be allowed to visit Owners or Occupants of Units, but only for periods of time not to exceed two (2) weeks out of any eight (8) week period as to each particular child who may be visiting. The Board may adopt additional rules regarding such visitation and may require that any visitor under eighteen (18) years of age that it finds to be disturbing other Owners unreasonably, in the Board's determination, be required to leave the premises, and may exercise its authority for specific visitors under age eighteen (18) even though other visitors under age eighteen (18) are permitted to remain. No dwelling unit shall be sold, rented or leased to any person or persons unless the standards established in this paragraph are complied with. The Declarant, and after its formation, CASCADE PALMS ASSOCIATION OF UNIT OWNERS, shall have the specific legal right to seek injunctive relief from the Superior Court of the State of Washington in Skagit County.

Cascade Palms Declaration – Page 10 of 45



200311030251

Skagit County Auditor

with respect to any Owner or Occupant on account of noncompliance with this paragraph. A Non-complying Owner and/or Occupants may be evicted. The prevailing party in such an action shall be entitled to reasonable attorney's fees and costs of suit.

ARTICLE 3

DESCRIPTION OF BUILDINGS AND IMPROVEMENTS

- 3.1 See Schedule C** for a description of proposed buildings and improvements.
- 3.2 Recreational Facilities.** A description of the recreational facilities, if any, included within the Binding Site Plan is set forth in Schedule C attached hereto.

ARTICLE 4

DESCRIPTION OF LOTS AND UNITS

- 4.1 Lot Location.** Each Lot and each sub-lot is delineated and shown on the Binding Site Plan Map No. 02-973, filed and recorded in conjunction with this Declaration.
- 4.2 Lot Identification.** Each Lot, sub-lot and tract is identified by a distinct number or letter and designated as either a "Multi-family sub-lot", a "Professional Office sub-lot", or a Common Area tract. The exact location of each Lot, sub-lot and tract is shown on the Binding Site Plan Map filed and recorded in conjunction herewith.
- 4.3 Unit Description.** All Units, including residential dwelling Units and "Live-work" Units, are described in Schedules B and C and are specifically shown on the Building Plans filed and recorded, or to be filed and recorded, in conjunction with this Condominium Declaration. All Units, including the professional office Units, have a distinct postal address describing the Unit as set forth in Addendum E attached hereto.

ARTICLE 5

ACCESS

- 5.1 Access to Common Ways.** Each Unit has direct access to the common area, sidewalks, parking areas and driveways. All streets, curbs and gutters and sidewalks are private and are part of the Common Area to be maintained by the Association of Unit Owners.
- 5.2 Access to Public Streets.** The interior street within the condominium is a private street known as Cascade Palms Court. This private street has a direct access to a public street identified and commonly known as Trail Road.

ARTICLE 6

DESCRIPTION OF COMMON AREAS AND FACILITIES CERTAIN ITEMS MAY BE MADE OWNER'S RESPONSIBILITY

- 6.1** Except as otherwise specifically reserved, assigned or limited by the provisions of Article 7 hereof, the Common Areas and facilities consist of the following:



6.1.1 The land described in Schedule A; with the exception of the land contained in each individual sub-lot outside of the building foot print, which land is considered "limited common area".

6.1.2 Installations of central services such as power, telephone, TV cable, natural gas, water, storm water drainage and sanitary sewer lines, etc., and the pipes, conduits and wires up to the boundary of each sub-lot.

6.1.3 The driving areas which provide access to the Common and Limited Common Areas for parking and any guest parking or other parking areas not assigned to sub-lots or Units.

6.1.4 The landscaped areas and sidewalks or other walkways which provide access to the building(s) or are used for recreational purposes.

6.1.5 Premises for the loading, unloading or necessary use of persons in charge of, or maintaining, the property, if any.

6.1.6 The recreational facilities, if any, described in Schedule C attached hereto.

6.1.7 All other of the parts necessary or convenient to its existence, maintenance and safety, or normally in common use.

6.1.8 Certain items which could ordinarily be considered Limited Common Elements, such as but not limited to screen doors, window screens, awnings, storm windows, planter boxes and the like, may, pursuant to the decision of a majority of Owners and subject to specification in the Bylaws or administrative rules, be designated as items to be furnished and maintained by Unit Owners at their individual expense, in good order, according to standards and requirements set by the Board by rule, regulation or Bylaw.

ARTICLE 7

DESCRIPTION OF LIMITED COMMON AREAS; EASEMENTS FOR EXCLUSIVE USE RESERVED FOR CERTAIN SUB LOTS

7.1 **Limited Common Areas.** The Limited Common Areas and Facilities are reserved for the exclusive use of the Owner or Owners of the sub-lots or Units to which they are adjacent or assigned and consist of:

7.1.1 The patio, deck or lanai, if any, individual entrance way and individual stairway, if any, which is adjacent to or included within or adjoining each building.

7.1.2 The yards, landscaping, and driveway approaches contained within the boundaries of the individual sub-lots as delineated on the face of the Final Binding Site Plan.

7.1.3 The Limited Common Areas shall be maintained by the Association of Unit Owners.

7.2 **Parking, Etc., Assignment.** Declarant reserves the right to make the initial assignment of parking space(s) to each Unit, such assignment either being made on an attached schedule to this Declaration; by amendment to this Declaration; as shown on the Binding Site Plan Map; or by designation contained in the Unit deed, contract or other conveyance executed by the Declarant. With respect to each Unit(s), Declarant shall make such assignment prior to or contemporaneously with the closing of the sale of such Unit(s) by Declarant. The balance of any parking space(s), if any, not assigned to specific Units



shall constitute part of the Common Area to be used in accordance with the rules and regulations established from time to time by the Board.

7.2.1 Parking space(s) which are assigned to each Unit are shown generally on the Binding Site Plan Map and set forth specifically in Schedule B, the boundaries of said parking spaces being defined by the striping or other indication enclosing said parking spaces and the number designating said spaces.

ARTICLE 8

PERCENTAGE OF UNDIVIDED INTEREST IN COMMON AREAS

The percentage interest of each Unit in and to the Common Areas and Common Elements are stated in Schedule B attached hereto. Each Unit (except for the "Live-work" Units) also includes a one half (1/2) undivided interest in and to the Limited Common Areas appurtenant to the Lot on which the Units are located. "Live-work" Units each have an equal undivided interest (based on the number of "Live-work" Units) in and to the Limited Common Area appurtenant to their "Professional Office Sub-lot".

ARTICLE 9

ASSOCIATION OF UNIT OWNERS; SUB ASSOCIATIONS

9.1 Form of Association. Initially the Association of Unit Owners, and the Sub Associations for each separate building, may be unincorporated Associations. Alternatively, they may initially be incorporated not-for-profit Associations. The Board, or Declarant, until such a time as the initial Board is selected, may at any time it deems advisable in the exercise of its sole discretion, without the necessity of prior approval or other action by the members, cause such unincorporated Associations to be converted to non-profit corporations, the rights and duties of the members and of such corporation shall continue to be governed by the provisions of the Act and of this Declaration.

9.2 Membership.

9.2.1 Qualifications. Each Owner (including Declarant) shall be a member of the Association and a member of the Sub Association(s) for the building(s) in which they own a Unit or Units. Each Owner shall be entitled to one membership for each individual dwelling Unit so owned; provided, that if a Unit has been sold on contract, the contract purchaser shall exercise the rights of the Unit Owner for purposes of the Association, the designated Sub Association, this Declaration and the Bylaws, except as hereinafter limited, and shall be the voting representative for the Unit unless otherwise specified. Ownership of a Unit shall be the sole and exclusive qualification for membership in the Association and Sub Association.

9.2.2 Transfer of Membership. The Association and Sub Association(s) membership of each owner (including Declarant) shall be appurtenant to the Unit giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Unit and then only to the transferee of title to such 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 of the Association and Sub Association appurtenant to the Unit to the new Owner thereof.



9.3 Voting.

9.3.1 Number of Votes. The total voting power of the Association of Unit Owners shall be thirty-nine (39) votes and the total number of votes available to Owner(s) of any one Unit shall be equal to one thirty-ninth (1/39th) of the undivided interest in the Common Areas and Facilities appertaining to such Unit. The total voting power of each Sub Association shall be equal to the number of Units in each building and the total number of votes available to Owner(s) of any one Unit shall be equal to a like percentage of the undivided interest in the Limited Common Areas and facilities appertaining to such building.

9.3.2 Voting Owner. There shall be one (1) voting representative of each Unit. Declarant shall be considered an "Owner" as that term is used herein, and shall be the voting representative with respect to any Units owned by Declarant. If a person (including Declarant) owns more than one Unit, he shall have the votes for each Unit owned. The voting representative shall be designated by the owner of each Unit by written notice to the Board, and need not be an Owner. The designation shall be revocable at any time by actual notice to the Board from a party having an ownership interest in the Unit, or by actual notice to the Board of the death or judicially declared incompetence of any party having an ownership interest in the Unit. This power of designation and revocation may be exercised by the guardian of a Unit Owner, and the administrator or executor of an Owner's estate. Where no designation has been made, the voting representative of each Unit shall be the group composed of all its Owners. All Owners may be present at any meeting of the Association and all Owners of Units within a building may be present at any meeting of the Sub Association members for that building.

9.3.3 Joint Owner Disputes. The vote for a Unit must be cast as a single vote and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote shall be cast, the majority of said joint Owners shall prevail and the vote allocated to such Unit shall be cast accordingly. In the event more than one vote is cast for a particular Unit, none of said votes shall be counted and said votes shall be deemed void.

9.3.4 Pledged Votes. In the event the record Owner has pledged in writing his vote regarding specified matters to a mortgagee under a duly recorded Mortgage, or to the vendor under a duly recorded real estate contract, only the vote of such Mortgagee or vendor shall be recognized in regard to the specified matters upon which the vote is so pledged, and only during a period of Foreclosure involving a Mortgage and only during a period of Forfeiture involving a real estate contract and only if a copy of the instrument with this pledge has been filed with the Board. Amendments to this subsection shall only be effective upon the written consent of all the voting Owners and their respective Mortgagees and vendors, if any.

9.4 Meetings, Audits, Notices of Meetings.

9.4.1 Annual Meetings, Audits. There shall be an annual meeting of the Association of Unit Owners and building Sub Associations in the first quarter of each fiscal year at such reasonable place and time as may be designated by written notice of the Board delivered to the Owner no less than ten (10) nor more than thirty (30) days prior to the date fixed for said meeting. At the annual meeting, there shall be presented an audit of the Common Expenses, itemizing receipts and disbursements for the preceding fiscal year, and the allocation thereof to each Owner, and the estimated Common Expenses for the coming fiscal year. The Board at any time, or at the written request of Owners having at least forty percent (40%) of the total votes, may require that an audit of the Association and/or Sub Association and management books be presented at a special meeting. An Owner, at his own expense, may at any reasonable time make an audit of the books of the Board, the Association and/ Sub Association. The annual audit of Common Expenses to be presented at the annual meeting may be conducted by a person or entity outside of



and removed from the Association and/or Sub Association as may be selected by the Board of Directors at their discretion.

9.4.2 Special Meetings. Special meetings of the Association of Unit Owners or Sub Association(s) may be called at any time for the purpose of considering matters which, by the terms of the Act or of this Declaration, require the approval of all or some of the Owners, or for any other reasonable purpose. Such meetings shall be called by written notice of the president, or after request signed by a majority of the Board, or by written request by Owners having at least forty percent (40%) of the total votes, which notice shall be delivered not less than ten (10) nor more than thirty (30) days prior to the date fixed for said meeting. The notice shall specify the date, time and place of the meeting, and the matters to be considered. No business other than that set forth in the notice shall be transacted at the meeting.

9.5 Bylaws of Association

9.5.1 Adoption of Bylaws. Bylaws for the administration of the Association and the real and personal property, the Sub Associations, and for other purposes not inconsistent with the Act or with the intent of this Declaration, may be adopted at a regular or special meeting by the Association and Sub Associations upon the vote of Owners holding at least sixty percent (60%) of the total voting power as set forth in Section 9.3.1. Notice of the time, place and purpose of such meeting shall be delivered to each Owner not less than ten (10) nor more than thirty (30) days prior to such meeting. Amendments to the Bylaws may be adopted in the same manner as provided for the original adoption of the Bylaws by the Owners pursuant to this Section 9.5.1. Declarant may adopt initial Bylaws.

9.5.2 Bylaw Provisions. The Bylaws may contain provisions identical to those provided in this Article 9, and may contain supplementary, not inconsistent, provisions regarding the operation of the Cascade Palms Adult Condominium, the Sub Associations and the administration of the property. The Bylaws shall establish such provisions for quorum, ordering of meeting and details regarding the giving of notice as may be required for the proper administration of the Association, Sub Associations and the property.

ARTICLE 10

MANAGEMENT OF THE CASCADE PALMS CONDOMINIUM

10.1 Management by Declarant. Until a date two years from the date of recording this Declaration, or the date on which Declarant shall have closed the sales of dwelling Units having seventy-five percent (75%) of the voting power as set forth in Section 9.3.1, or the date on which Declarant elects to permanently relinquish all of its authority under this Section 10.1 by written notice to all Owners, whichever date first occurs, the property shall be managed and the Association organized as follows, in the exercise of the sole discretion of the Declarant:

10.1.1 So long as no temporary Board is then entitled to exercise management authority under Section 10.1.2 Declarant, or a managing agent selected by Declarant shall have the power and authority to exercise all the rights, duties and functions of the Board, including but not limited to enacting reasonable administrative rules, contracting for required services, property and insurance, and collecting and expending all assessments and Association and Sub Association funds. The Declarant, or any such managing agent, shall have the exclusive right to contract for all goods and services, payment for which is to be made from any common or maintenance funds.

10.1.2 Declarant may at such times as Declarant deems appropriate select as a temporary Board three (3) to seven (7) persons who own or are Owners of dwelling units, or are



officers of corporations, trusts, partnerships or other entities owning or purchasing such Units. This temporary Board shall have full authority and all rights, responsibilities, privileges and duties to manage the Condominium under this Declaration and the Bylaws, and shall be subject to all provisions of this Declaration and the Bylaws; provided, that after selecting any such temporary Board, Declarant in the exercise of its sole discretion may at any time terminate such temporary Board, and reassume its management authority under Section 10.1.1 or select a new temporary Board under this Section 10.1.2.

10.1.3 These requirements and covenants are made in order to assure that the property and the Condominium will be adequately administered in the initial phases of development, and to assure an orderly transition to Association operation.

10.2 Management by Board. At the expiration of Declarant's management authority under Section 10.1, administrative power and authority shall vest in a Board of five (5) directors elected from among the Owners. A meeting shall be called to elect the directors unless said meeting and election have been previously held. The Board may delegate all or any portion of its administrative duties to a manager, managing agent, or officer of the Association, or in such manner as may be provided by the Bylaws. All Board positions shall be opened for election at the first annual meeting after the termination of Declarant's authority under Section 10.1.2. The Board shall elect a president from among its members, who shall preside over meetings of the Board and the meetings of the Association.

10.3 Authority of the Board.

10.3.1 The Board (or Declarant or Declarants managing agent as provided in Section 10.1 hereof), for the benefit of the Condominium and the Owners, shall enforce the provisions of this Declaration and of the Bylaws, shall have the duties, powers, authority and responsibility set forth under the Act, this Declaration and the Bylaws; and shall acquire and pay for out of the Common Expense fund hereinafter provided for all goods and services requisite to the proper functioning of the Condominium including but not limited to the following:

10.3.1.1 Maintenance of the roadways, curbs, sidewalks and parking and recreation areas, as well as the maintenance of the sanitary sewer and storm water drainage systems which are privately owned by the Association, and for the electrical, telephone, gas and other necessary utility service(s) as required for the operation and maintenance of lighting and other systems within the Common and Limited Common Areas. The Association shall also provide for garbage collection for the entire Condominium.

10.3.1.2 Policies of insurance or bonds providing coverage for fire and other hazards, liability for personal injury and property damage for the Common Areas, and for the fidelity of Association officers and other employees, as the same are more fully required hereafter and in the Bylaws.

10.3.1.3 The services of persons or firms as required to properly manage the affairs of the Condominium to the extent deemed advisable by the Board as well as such other personnel as the Board shall determine are necessary; such personnel are employed directly by the Board or are furnished by the manager or management firm or agent.

10.3.1.4 Legal and accounting services necessary or proper to the operation of the Association's affairs, administration of the common areas, or the enforcement of this Declaration.



10.3.1.5 Painting, maintenance, repair and all landscaping and gardening work for the Common and Limited Common areas, and such furnishings and equipment for the Common Area(s) as the Board shall determine are necessary and proper, and the Board shall have the exclusive right and duty to acquire the same for the Common Area(s).

10.3.1.6 Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, tax or assessments which the Board is required to secure by law, or which in its opinion shall be necessary or proper for the operation of the Common Areas or for the enforcement of this Declaration.

10.3.1.7 The Board may also pay any amount necessary to discharge any lien or encumbrance levied against the entire property or any part thereof which is claimed to or may, in the opinion of the Board, constitute a lien against the property or against the Common Areas, rather than merely against the interest therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it, and any costs and expenses (including court costs and attorney's fees) incurred by the Board by reason of such lien or liens shall be specially charged against the Owners and their Lots responsible to the extent of there responsibility.

10.3.1.8 The Board's powers hereinabove enumerated shall be limited in that the Board shall have no authority to acquire and pay for out of the maintenance fund capital additions and improvements (other than for purposes of restoring, repairing or replacing portions of the Common Areas and other than for the cost of restoring, repairing and maintaining the exterior of the buildings) having a total cost in excess of Ten Thousand Dollars (\$10,000.00) without first obtaining the affirmative vote of the Owners holding a majority of the voting power present or represented at a meeting called for such purpose, or if no such meeting is held, then the written consent of Owners having a majority of the voting power; provided that any expenditure or contract for each capital addition or improvement in excess of Twenty-five Thousand Dollars (\$25,000.00) must be approved by Owners having not less than seventy-five percent (75%) of the voting power.

10.3.1.9 The Board shall have the exclusive right to contract for all goods and services, payment of which is to be made from the maintenance fund. The Board may delegate such powers subject to the terms hereof.

10.3.1.10 The Board may, from common funds of the Association, acquire and hold in the name of the Association for the benefit of the Owners, tangible and intangible personal property and real property and interests therein, and may dispose of the same by sale or otherwise, and the beneficial interest in such property shall be owned by the Owners in the same proportion as their respective interest in the Common Areas, and such property shall thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for any benefit of the common fund of the Association as the Board may direct. The Board shall not, however, in any case acquire by lease or purchase real or personal property valued in excess of Ten Thousand Dollars (\$10,000.00) except upon a majority vote of the Owners, or valued in excess of Twenty-five Thousand Dollars (\$25,000.00) except upon a seventy-five percent (75%) affirmative vote of the Owners, the manner specified in subsection

10.3.1.11 The Board and its agents or employees may enter any Lot or Limited Common Area when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible or in the event of emergency. Such entry shall be made with as little inconvenience to the owner as practicable, and any damage



caused thereby shall be repaid by the Board out of the Common Expense fund if the entry was due to any emergency or for the purpose of maintenance or repairs. If the repairs or maintenance were necessitated by or for the Lot entered or its Owner, or requested by its Owner, the costs thereof shall be specially charged to such Owner.

10.3.1.12 Each Owner, by the mere act of becoming an Owner or contract purchaser of a Unit, shall irrevocably appoint the Association as his attorney—in—fact, with full power of substitution, to take such action as may be reasonably necessary to promptly perform the duties of the Association and Board hereunder, including but not limited to the duties to maintain, repair and improve the property, to deal with Owner's Unit upon damage or destruction, and to secure insurance proceeds.

10.3.1.13 In the discharge of its duties and the exercise of its powers as set forth in Section 10.3.1.8 and 10.3.1.11, the Board may borrow funds on behalf of the Association and to secure the repayment thereof, encumber, subject to the limitations set forth in this Declaration (including Section 18.4), the Common Areas and facilities and Association's funds and the undivided interest of each Unit Owner therein; provided, that the Owner of a Unit may remove said Unit and the percentage of the undivided interest in the Common Areas appurtenant to such Unit from the lien of such encumbrance by payment of the fractional or proportional amount of the lien attributable to such Unit. Such individual payments shall be computed by reference to the percentage interests appearing in this Declaration. Subsequent to any such payment, discharge or satisfaction, the Unit and the percentage of undivided interest in the Common Areas and facilities appurtenant thereto shall thereafter be free and clear of the lien so paid, satisfied or discharged. Such partial payment, satisfaction or discharge shall not prevent the lienor from proceeding to enforce his rights against any Unit or Lot and the percentage of undivided interest in the Common Areas and facilities appurtenant thereto with respect to which the lien has not been so paid, satisfied or discharged.

ARTICLE 11

USE; REGULATION OF USE; ARCHITECTURAL UNIFORMITY

11.1 Residential Use. The Building(s), and the dwelling Units contained therein, shall be used for single-family residential purposes only, on an ownership, rental or lease basis; and for the common social, recreational and other reasonable uses normally incident to such purposes, and also for such additional uses or purposes as are from time to time determined to be appropriate by the Board. The Building(s) and the Units contained therein may be used for the purposes of operating the Association, the Sub Associations and for the management of the Condominium, if required.

11.1.1 Timesharing. Timesharing, as defined in RCW 64.36.010(11), shall not be permitted for any residential Unit in the Condominium.

11.2 Age of Occupants. The Cascade Palms Adult Condominium has been designed and constructed as housing for older persons and is intended and shall be operated for occupancy by persons fifty-five (55) years of age or older. Occupants shall be subject to the following requirements:

11.2.1 Needs of Older Persons Addressed. Significant facilities and services are planned to meet the physical and social needs of older persons including, but not limited to:

11.2.1.1 One half of all dwelling units are on ground level so the use of steps may be avoided by those Occupants. All but two of the 2nd floor residential Units have a shared private lift (elevator) so there is no need to climb stairs. In addition, all Units are



200311030251

Skagit County Auditor

11/3/2003 Page

18 of

45 11:18AM

wheel chair accessible and there are options for wheel chair accessible showers, tubs, etc.

11.2.1.2 Extensive landscaping, an exterior pavilion, common open space and walking paths are provided within the development for exercise, enjoyment and relaxation.

11.2.1.3 Common exterior maintenance and landscaping services are provided by the Association so that older people who do not wish to or who cannot handle such chores will be provided for.

11.2.1.4 The density and proximity of Units have been specifically designed to serve older persons.

11.2.2 Age Requirements and Restrictions. Eighty (80%) percent of the occupied dwelling units at CASCADE PALMS shall be occupied by at least one person fifty-five (55) years of age or older. All permanent residents and Occupants of each Unit shall be at least eighteen (18) years old or older, it being the intention of the Declarant that THE CASCADE PALMS ADULT CONDOMINIUM be a community for adults; provided that newborn babies, born to Occupants, may continue to live in a Unit only until they reach the age of one (1) year, at which time they shall be required to cease residency and occupancy of the Unit.

Children under the age of eighteen (18) shall be allowed to visit Owners or Occupants of Units, but only for periods of time not to exceed two (2) weeks out of any eight (8) week period as to each particular child who may be visiting. The Board may adopt additional rules regarding such visitation and may require that any visitor under eighteen (18) years of age that it finds to be disturbing other Owners unreasonably, in the Board's determination, be required to leave the premises, and may exercise its authority for specific visitors under age eighteen (18) even though other visitors under age eighteen (18) are permitted to remain. No dwelling unit shall be sold, rented or leased to any person or persons unless the standards established in this paragraph are complied with. The Declarant, and after its formation, CASCADE PALMS HOMEOWNER'S ASSOCIATION, shall have the specific legal rights to seek injunctive relief from the Superior Court of the State of Washington in Skagit County with respect to any Owner or Occupant on account of noncompliance with this paragraph. A Non-complying Owner and/or Occupants may be evicted. The prevailing party in such an action shall be entitled to reasonable attorney's fees and costs of suit.

11.2.3 Intention: Power to Amend. It is the intention of the Declarant that the CASCADE PALMS ADULT CONDOMINIUM provide housing for older persons in accordance with the Fair Housing Standards Act and regulations later promulgated by the Secretary of HUD thereunder. So long as Declarant continues to own one or more Units, or any land subject to this Declaration, the Declarant, upon Declarant's sole signature, and as attorney-in-fact for all Lot and/or dwelling or "live/work" Unit Owners with an irrevocable power coupled with an interest, may at any time amend this Declaration to conform to the requirements of the Fair Housing Standards Act, and other law so that the Condominium may be maintained as a project for senior adults according to law.

11.3 Commercial/Office Use. Those Units or Building(s) defined as "Live-work" Units have space set aside specifically for professional office uses. Those uses are limited by the permitted uses in the Multi Family zoning (MF2) classification of the City of Sedro-Woolley Municipal Code. Any other use, including a home occupation, would require a conditional use permit from the City.

11.4 Sales Facilities of Declarant. Notwithstanding any provision in Section 11.1, Declarant, its agents, employees and contractors shall be permitted to maintain during the period of sale of the Lots and/or Units, upon such portion of the property as Declarant may choose, such facilities as in



the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction, sale or rental of Lots and/or Units and including but not limited to, a business office, storage area, signs, model units, sales office, construction office and parking areas for all prospective tenants or purchasers of Declarant.

11.5 Vehicle Parking. Parking spaces are restricted to use for parking of operative motor vehicles; other items and equipment may be parked or kept therein only subject to the rules and regulations of the Board. The Board may require removal of any inoperative or improperly licensed vehicle, or any unsightly vehicle, and any other equipment or item improperly stored in parking spaces. If the same is not removed within 24 hours of the Board's giving notice to the owner of the vehicle, the Board may cause removal at the risk and expense of the owner thereof. Garages will be kept so that they will accommodate one (1) car, and Occupants, for overnight parking purposes, shall park their car in the garage. Use of all parking areas may be regulated and is subject to the provisions of Article 7 of this Declaration and the assignment of parking spaces as set forth in Schedule B. No vehicle shall be parked in any Common Area, Limited Common Area, or outside of a garage except in the areas designated for the outside parking of vehicles and except in accordance with the rules of the Association.

11.6 Common Drives and Walks. Common drives, walks, walkways, stairways and other areas commonly used for transit shall be used exclusively for normal transit and no obstructions shall be placed thereon or therein or caused to be placed thereon or therein, and such areas shall be used for no purpose other than their normal and intended purposes, except by express written consent of the Board.

11.7 Interior Building Maintenance.

11.7.1 Each owner shall at his sole expense have the right and duty to keep the interior of his Building or Unit (home) and its equipment, appliances and appurtenances 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 the Unit. Each Owner shall be responsible for the maintenance, repair and/or replacement of any plumbing fixtures, water heaters, fans, heating or other equipment, and electrical fixtures or appliances which may be exclusively connected with his Unit.

11.7.2 Without limiting the generality of the foregoing, each Owner shall have the right and the duty at his sole cost and expense, to maintain, repair, the Unit and shall not permit or commit waste of his Unit or the Common or Limited Common Areas. This section shall not be construed to permit an interference with or damage to the structural integrity of the Building or interference with the use and enjoyment of the Common and Limited Common Areas or of the other Occupants, nor shall it be construed to limit the powers or obligations of the Board hereunder. No Owner shall install any electrical outlet or any other device in a common wall.

11.7.3 Limited Common Areas as defined in Article 7 are for the sole and exclusive use of the Lot(s) and Units thereon for which they are reserved or assigned; provided, that the use, condition and appearance thereof may be regulated under provisions of the Bylaws, rules or this Declaration including the following:

11.7.3.1 Decisions with respect to the standard of appearance and condition of Limited Common Areas, and with respect to the necessity for and manner of, caring for, maintaining, repairing, repainting and/or redecorating Limited Common Areas ("maintenance work" herein), shall be made by the Board.

11.7.3.2 Performance of such maintenance work shall be carried out by the Board on behalf of the Owner or Owners of Lot(s) to which the Limited Common Area in question is assigned or reserved; provided, that by written notice, the Board may permit



such Owner or Owners to perform such maintenance work themselves, and such permission shall reasonably be given.

11.7.3.3 Owners may not, however, modify, paint or otherwise decorate, or in any way alter their respective Limited Common Areas without prior written approval of the Board, which approval shall not be unreasonably withheld.

11.7.3.4 The Association shall be responsible for the cost of landscape maintenance work for the Limited Common Areas reserved for or assigned to each Lot.

11.7.3.5 Owners shall not be responsible for the repair, maintenance and replacement of structural portions of each Unit occasioned by defects, damage, destruction or normal wear and tear (not caused by said Owners), and the Board of the Sub Association of the effected Building shall pay for the same as a Common Expense.

11.7.3.6 Owners having patios, whether open or enclosed, shall maintain the interior and the exterior thereof at their own expense.

11.8 Exterior Appearance. In order to preserve a uniform exterior appearance to the Building(s) and the Common and Limited Common Areas visible to the public, the Board shall require that all Buildings and Units therein maintain a common exterior appearance in terms of siding, gutters, windows, blinds, roof and other visual aspects of the Building exteriors. This power of the Board extends to screens, doors, awnings, rails and other visible portions of each Building. The Board may also require use of a uniform color and style of blinds, draperies, under draperies or drapery lining for all Buildings. No satellite dishes, television or radio poles, antennae, flag poles, clotheslines, or other external fixtures other than those originally installed by Declarant or approved by the Board and any replacement shall be constructed, erected, or maintained on or within the Units or the Limited Common Area. No wiring, insulation, air—conditioning, or other machinery or exterior mechanical equipment other than originally installed by Declarant or the Board, and their replacement shall be constructed or maintained on or within the Limited Common Area or any structures on it. No activities shall be carried on, nor condition maintained, by any Owner which despoils or otherwise adversely effects the appearance of the project.

11.9 Effect on Insurance. Nothing shall be done or kept in any Building or in the Common or Limited Common Areas which will increase the rate of insurance on the Common areas or Buildings without prior written consent of the Board. No Owner shall permit anything to be done or kept in his Unit or in the Common or Limited Common Areas which will result in the cancellation of insurance on any Building or any part of the Common or Limited Common Areas, or which would be in violation of any law, ordinance, rule or regulation of a governmental agency or body having jurisdiction over the Condominium property, Lots and Units.

11.10 Signs. No signs of any kind shall be displayed to the public view on or from any Unit, Common Area or Limited Common Area except as may be provided in the Bylaws or upon the prior consent of the Board; provided, that such consent shall not be unreasonably withheld; and provided, that this section shall not apply to Declarant or Declarant's agents.

11.11 Pets. No animals, which term includes livestock, domestic animals, poultry, reptiles or living creatures of any kind, shall be raised, bred or kept on any Lot, Unit, Limited Common Area or Common Area, whether as pets or otherwise, except subject to the rules and regulations adopted by the Board or Bylaws adopted by the Association. The Board may at any time require the removal of any animal which it finds is dangerous or is disturbing other Owners unreasonably, in the Board's determination, and may exercise this authority for specific animals even though other animals are permitted to remain. No savage or dangerous animal shall be kept at any time. No pets may be permitted to run loose upon the Condominium property and any Owner who causes any animal to be brought or kept upon the Condominium property shall indemnify the Association and hold it harmless from and



against any loss, damage or liability which the Association may sustain as a result of the acts or presence of such animal whether or not the Association may sustain as a result of the acts or presence of such animal whether or not the Association has given its permission therefor.

11.12 Offensive Activity. No noxious or offensive activity shall be carried on in any Unit, Building, Limited Common Area or Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance to the other Owners.

11.13 Common Areas Alterations. Nothing shall be altered or constructed in or removed from the Limited Common Areas except upon the written consent of the Board and pursuant to procedures required herein or by law.

11.14 House Rules. The Board and/or the Owners are empowered to adopt, amend and revoke necessary or convenient detailed administrative rules and regulations, ("house rules") from time to time in order to insure compliance with the general guidelines of this Article and the other provisions of this Declaration.

ARTICLE 12

COMMON EXPENSES AND ASSESSMENTS

12.1 Estimated Expenses. Within thirty (30) days prior to the beginning of each fiscal year the Board shall estimate the charges (including Common Expenses and any special charges for particular Units or Buildings) to be paid during such year; shall make provisions for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for repair, replacement and acquisition of Common Areas and facilities and shall take into account any expected income and any surplus available from the prior year's operating fund. Without limiting the generality of the foregoing but in furtherance thereof, the Board shall create and maintain from regular monthly assessments a reserve fund for the replacement of those common items which can reasonably be expected to require replacement prior to the end of the useful life of the Common Areas or facilities. The Board shall calculate the contributions to said reserve fund so that there are sufficient funds therein to replace such common items covered by the fund at the end of the estimated useful life of each such common item. The Declarant or initial Board may at any suitable time establish the first such estimate. If the sum estimated and budgeted at any time proves inadequate for any reason (including non-payment for any reason of any Owner's assessment), the Board may at any time levy a further assessment, which shall be assessed to the Owners in like proportions.

12.1.1 Initial Contribution. At the time of the initial sale of each Unit by Declarant, the original purchaser shall pay to the Association an amount equal to one (1) monthly assessment which shall be non-refundable and non-transferable. Said payment will include the first monthly assessment.

12.2 Payment by Owners. Each Owner shall be obligated to pay his share of Common Expenses and special charges made pursuant to this Article to the Treasurer for the Association in equal monthly installments on or before the first day of each month during such year, or in such other reasonable manner as the Board shall designate. Any unpaid assessment or charge shall bear interest at the rate of twelve percent (12%) per annum from the due date until paid. The budget may be reviewed and revised by the membership at the annual meeting, or at a special meeting called for such purpose, but if not so reviewed or if no change is made, shall be deemed approved.

12.3 Purpose. All funds collected hereunder shall be expended for the purposes designated in this Declaration.



12.4 Separate Accounts. The Board shall require that the Association and Sub Associations maintain separate accounts for current operation, reserves and separate reserve accounts for payment of insurance and real estate taxes. Each month the Board shall first deposit to the Real Estate Property Tax Reserve Account that portion of the Common Expense assessment necessary to pay at least one-twelfth of the total cost of all the real estate and personal property taxes regarding the Condominium and such Real Estate Property Tax Reserve Account shall be held separate and inviolate until utilized for payment of the real estate and personal property taxes. The Board shall secondly deposit to the separate insurance reserve account that portion of the Common Expense assessment necessary to pay at least one-twelfth of the total cost of all the insurance policies provided regarding the Condominium and such insurance reserve account shall be held separate and inviolate until utilized for payment of insurance premiums. Thereafter the remainder of the assessments and charges collected may be utilized for payment of other expenses or deposited or credited to other accounts. All such assessments and charges shall be collected and held in trust for, and administered and expended for the benefit of the Owners.

12.5 Based on Percentage. Except for certain special charges which may be levied against particular Lots or Units under the provisions of this Declaration, all assessments for Common Expenses shall be assessed to Units and the Owners thereof on the basis of the percentages set forth in Schedule B hereof and any amendments thereto.

12.6 Omission of Assessment. The omission by the Board or the Association before the expiration of any year to fix the estimate for assessments and charges hereunder for that or the next year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owner from the obligation to pay the assessment and charges, or any installment thereof, for that or any subsequent year; but the assessment and charge fixed for the preceding year shall continue until a new assessment or charge is fixed.

12.7 Records. The Board shall cause to be kept detailed and accurate records, in the form established by the Association's accountant, of the receipts and expenditures of the Association and the Sub Associations, specifying and itemizing the maintenance and repair expense and any other expenses incurred. Such records and any resolutions authorizing the payment involved shall be available for examination by any Owner at convenient hours of weekdays.

12.8 Declarant Liability. The assessment provided for in this Declaration shall be imposed on Lots and owned by Declarant on the same basis as imposed on all other Lots and Units, regardless of whether Declarant-Owned lots are vacant or have been sold, leased, or rented.

12.9 Lien Indebtedness. In the event any monthly assessment or special charge attributable to a particular Lot or Unit remains delinquent for more than thirty (30) days, the Board shall upon fifteen (15) days written notice to the Owner of such Lot or Unit accelerate and demand immediate payment of all, or such portion as the Board determines, of the monthly assessments and special charges which the Board reasonably determines will become due during the next succeeding twelve (12) months with respect to such Lot or Unit. Each monthly Common Expenses assessment and each special charge shall be a joint and several personal debt and obligation of the fee Owner and contract purchaser of the Lot or Unit for which the same are assessed or charged as of the time the assessment or charge is made and shall be collectible as such. The amount of any assessment or charge, whether regular or special, assessed or charged to any Lot or Unit and the Owner and purchaser of any unit, plus interest at the rate of twelve percent (12%) per annum, and costs, including reasonable attorney's fees, shall be a lien upon such Lot or Unit, the appurtenant and charge shall have priority over all other liens and encumbrances, recorded or provided in Article 18. Suit shall be maintainable without foreclosure or waiving the lien.

12.10 Certificate of Assessment. A certificate executed and acknowledged by the treasurer or the president of the Board, or an authorized agent thereof if neither charges (or lack thereof) secured by the assessment lien upon any Lot or Unit, shall be conclusive upon the Board and the Owner and purchaser as to the amount of such indebtedness on the date of the certificate, in favor of the persons



who rely thereon in good faith. Such a certificate shall be furnished to any Owner, purchaser or encumbrancer of a Lot or Unit within a reasonable time after request, in recordable form, at a reasonable fee. Unless otherwise prohibited by law, any encumbrancer holding a lien on a Lot or Unit may pay any unpaid assessment or charges with respect to such Lot or Unit, and upon such payment, such encumbrancer shall have a lien on such Lot or Unit for the amount paid of the same rank as the lien of his encumbrance.

12.11 Assessment Deposit. An Owner may be required from time to time by the Board or managing agent to make and maintain a deposit not in excess of three (3) months estimated monthly assessments and charges, which may be collected as are other assessments and charges. Such deposit shall be held in a separate fund, credited to such owner, and resort may be had thereto by the Association at any time when such Owner is ten (10) days or more delinquent in paying his monthly or other assessments and charges. All or any portion of such deposit may at any time be refunded to the Owner by the Association in the discretion of the Board, such refund being made as a cash refund or credit against assessments subsequently to become due or a combination thereof.

12.12 Foreclosure and Assessment Lien; Attorney's Fees and Costs. The Declarant, manager or Board on behalf of the Association may initiate an action to foreclose the lien of any assessment. In any action to foreclose a lien against any Lot or Unit for non-payment of delinquent assessments or charges, any judgment rendered against the Owner of such Lot or Unit in favor of the Association shall include a reasonable sum for attorney's fees and all costs and expenses reasonably incurred in preparation for or in the prosecution of said action, in addition to taxable costs permitted by law.

12.13 Rental Value. From the time of commencement of any action to foreclose a lien against a Lot or Unit for non-payment of delinquent assessments or charges, the Owner or purchaser of such Lot or Unit shall pay to the Association the reasonable rental value of the Lot or Unit, which rental value shall be fixed by the Board. The plaintiff in any such foreclosure action shall be entitled to the appointment of a receiver to collect the rents, who may, if said rental is not paid, obtain possession of the Lot or Unit, refurbish it for rental up to a reasonable standard for rental Units in this type of Condominium, rent the Unit or permit its rental to others, and apply rents first to costs of the receivership and attorney's fees incurred therein, then to costs of refurbishing the Unit, then to costs, fees and charges (including attorney's fees) of the foreclosure action, and then to the payment of the delinquent assessments or charges.

12.14 Rental Units. With respect to the leasing and renting (including the creation of any kind of tenancy) of a Unit by its Owner, such Owner shall be prohibited from leasing or renting less than the entire Unit or for a term of less than thirty (30) days; and all leases or rental agreements shall be in writing and subject to this Declaration and the Bylaws, including but limited to the age restriction set forth in Articles 2.3 and 11.2, and a default by the tenant in complying with this Declaration and the Bylaws shall constitute a default under the lease or rental agreement. If a Unit is rented or leased by its Owner, the Board may collect, and the tenant or lessee shall pay over to the Board, so much of the rent for such Unit as is required to pay any amounts due the Board hereunder, plus interest and costs, if the same are in default over thirty (30) days. The renter or lessee shall not have the right to question payment over to the Board, and such payment shall discharge the lessee's or renter's duty of payment or rent to the Owner, to the extent such rent is paid to the Association, but shall not discharge the liability of the Owner and the Unit under this Declaration for assessments and charges or operate as an approval of the lease or has been appointed with respect to the Unit or its Owner; nor in derogation of any rights which a Mortgagee of such Unit may have with respect to such rents.

12.15 Remedies Cumulative. The remedies provided are cumulative, and the Board may pursue them separately or concurrently, as well as any other remedies which may be available under law or in equity although not expressed herein.



ARTICLE 13

INSURANCE

13.1 Insurance Coverage. The Board shall obtain and maintain at all times as a Common Expense a policy or policies and bond(s) required to provide:

13.1.1 Fire insurance, with an extended coverage endorsement (including vandalism, malicious mischief, sprinkler leakage, debris removal, cost of demolition, windstorm and water damage), in an amount as near as practicable to the full insurable replacement value (without deduction for depreciation) of the Common Areas with the Board named as insured as trustee for the benefit of the Owners and Mortgagees as their interest may appear, or such other fire and casualty insurance as the Board shall determine to give substantially equal or greater protection insuring the Owners and their Mortgagees as their interest may appear. Said policy or policies shall provide for separate protection to the full insurable replacement value thereof (limited as above provided), and a separate loss payable endorsement, in favor of the mortgagee of the Condominium, if any. All insurance shall be obtained from an insurance carrier rated Triple A (and rated as in Class XI or better financial condition) by Best's Insurance Reports or equivalent rating service, and licensed to do business in the State of Washington.

13.1.2 General comprehensive liability insurance insuring the Board, the Association, the Sub Associations, the Owners, Declarant and managing agent against any liability to the public or to the Owners or Occupants of the Units, and their invitees or tenants, incident to the ownership or use of the Common and Limited Common Areas (including but not limited to Owned and non-owned automobile liability, water damage, host liquor liability for property of others and, if applicable, elevator collision or garage-keeper's liability) the liability under such insurance shall be in an amount determined by the Board after consultation with insurance consultants, but not less than One Million Dollars (\$1,000,000.00) covering all claims for personal injury and/or property damage arising out of a single occurrence (such policy limits to be reviewed at least annually by the Board and increased in its discretion). Such insurance shall contain appropriate provisions or endorsements precluding the insurer from denying the claim of an Owner because of the negligent act of the Association or another Owner.

13.1.3 Workman's compensation insurance to the extent required by applicable laws.

13.1.4 Fidelity bond(s) naming the members of the Board, the manager and its employees and such other persons as may be designated by the Board as principals, and the Association as obligee, in an amount equal to at least the total estimated cash (including reserves) to be collected as assessments each year. Such fidelity bond(s) shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

13.1.5 Insurance against loss of personal property of the Association by fire, theft and other losses with deductible provisions as the Board deems advisable.

13.1.6 Such other insurance as the Board deems advisable; provided, that notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for Condominium projects established by the Federal National Mortgage Association, Federal Home Loan Mortgage corporation or Government National Mortgage Association, so long as any of them is a Mortgagee or Owner of a Lot or Unit within the project, except to the extent such coverage is not available or has been waived in by the Federal National Mortgage Association, Federal Home Loan Corporation or Government National Mortgage Association.



13.2 Owner's Additional Insurance. The Owner(s) of Units within each Building shall obtain additional insurance respecting said Building as contemplated under RCW 64.32.20 at his/her own expense through the Building Sub Association; no Owner or group of Owners shall, however, be entitled to exercise his/her right to maintain insurance coverage in any manner which would decrease the amount which the Board, or any trustee for the Board, on behalf of all of the Owners will realize under any insurance policy which the Board may have in force on the development at any particular time. Each Sub Association is required to and agrees to notify the Board of all improvements by the Sub Association to its Building the value of which is in excess of One Thousand Dollars (\$1,000.00). Each Building Sub Association is hereby required to file a copy of such individual policy or policies with the Board within thirty (30) days after purchase of such insurance, and the Board shall immediately review its effect with the Board's insurance broker, agent or carrier.

13.3 Insurance Proceeds and Claims. Insurance proceeds for damage or destruction to any part of the Common Areas shall be paid to the Board on behalf of the Association, and the Board shall segregate such proceeds from other funds of the Association for use and payment as provided for in Article 14. The Association acting through its Board shall have the authority to settle and compromise any claim under insurance obtained by the Association and the insurer may accept a release and discharge of liability made by the Board on behalf of the named insureds under the policy.

ARTICLE 14

DAMAGE OR DESTRUCTION; RECONSTRUCTION

14.1 Initial Board Determinations. In the event of damage or destruction to any part of the Common Areas, the Board shall promptly, and in all events within twenty (20) days after the date of damage or destruction, make the following determination with respect thereto, employing such advice as the Board deems advisable:

14.1.1 The nature and extent of the damage or destruction, together with an inventory of the improvements and property effected thereby.

14.1.2 A reasonably reliable estimate of the cost to repair and restore the damage and destruction, which estimate shall, if reasonably practicable, be based upon two or more firm bids obtained from reasonable contractors.

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

14.1.4 The amount, if any, that the estimated cost of repair and restoration exceeds the anticipated insurance proceeds therefor and the amount of assessment to each lot if such excess were to be paid as a maintenance expense and specially assessed against all the Lots or Units in proportion to their percentage of interest in the Common Areas.

14.1.5 The Board's recommendation as to whether such damage or destruction should be repaired or restored.

14.2 Notice of Damage or Destruction. The Board shall promptly, and in all events within thirty (30) days after the date of damage or destruction, provide each Owner, and each Mortgagee who has theretofore requested special notice, with a written notice summarizing the initial Board determination made under Section 14.1. If the Board fails to do so within said thirty (30) days, then any Owner or Mortgagee may make the determination required under Section 14.1 and give the notice required under this Section 14.2.



14.3 Definitions; Restoration; Emergency Work.

14.3.1 As used in this Article 14, the words "repair," "reconstruct," "rebuild," and "restore" shall mean restoring the improvements to substantially the same condition in which they existed prior to the damage or destruction, with each Lot, Unit and the Common and Limited Common Areas having substantially the same vertical and horizontal boundaries as before. Modifications to conform to then applicable governmental rules and regulations or available means of construction may be made.

14.3.2 As used in this Article 14, the term "emergency work" shall mean that work which the Board deems reasonably necessary to avoid further damage, destruction or substantial diminution in value to the improvements and to reasonably protect the Owners from liability due to the condition of the site.

14.4 Restoration by Board.

14.4.1 Unless prior to the commencement of repair and restoration work (other than emergency work referred to in subsection 14.3.2) the Owners shall have decided not to repair and reconstruct in accordance with the provisions of either subsection 14.5.2 or 14.6.3, the Board shall promptly repair and restore the damage and destruction, use the available insurance proceeds therefor, and pay for the actual cost of repair and restoration in excess of insurance proceeds, such cost in excess of the insurance proceeds to be secured as a Common Expense which shall be specially assessed against all Lots or Units in proportion to their percentages of interest in the Common Areas.

14.4.2 The Board shall have the authority to employ architects, attorneys and other agents, advertise for bids, let contracts to contractors and others and to take such other action as is reasonably necessary to effectuate the repair and restoration. Contracts for such repair and restoration shall be awarded when the Board, by means of insurance proceeds and sufficient assessments, has provision for the cost thereof. The Board may further authorize the insurance carrier to proceed with repair and restoration upon satisfaction of the Board that such work will be appropriately carried out.

14.4.3 The Board may enter into a written agreement in recordable form with any reputable financial institution, trust or escrow company that such firm or institution shall act as an insurance trustee to adjust and settle any claim for such loss in excess of Fifty Thousand Dollars (\$50,000.00), or for such firm or institution to collect the insurance process and carry out the provisions of this Article.

14.5 Damage. Minor damage, less than \$2,500, may be handled at the discretion of the Board. Damages determined to be in excess of \$2,500 shall be addressed in the following manner:

14.5.1 The Board shall promptly, and in all events within thirty (30) days after the date of damage or destruction, provide written notice of a special Owners' meeting to consider repair and restoration of such damage or destruction, which notice shall be delivered with the notice required to be provided under Section 14.2 above. If the Board fails to do so within the said thirty (30) day period, then notwithstanding the provisions of this Declaration or the Bylaws with respect to calling special meetings, any Owner or Mortgagee may within fifteen (15) days of the expiration of said thirty (30) day period, or receipt of the notice required to be provided by the Board under section 14.2 above, whichever is less, call a special meeting of the Owners to consider repair and restoration of such damage or destruction by providing written notice of such meeting to all Owners and Mortgagees. Any meeting held pursuant to this Section 14.6 shall be called by



written notice and shall be convened not less than ten (10) nor more than twenty (20) days from the date of such notice of meeting.

14.5.2 Except for emergency work, no repair and restoration work shall be commenced until the conclusions of the special owners' meeting required under subsection 14.6.1

14.5.3 A concurring vote of more than seventy-five percent (75%) of the total voting power of the Owners will be required to avoid the provisions of Section 14.4 and to determine not to repair and restore the damage and destruction; provided, however, that the failure to obtain said seventy-five percent (75%) vote shall be deemed a decision to rebuild and restore the damage and destruction; provided, further, that the failure of the Board, or Owners or Mortgagees to convene the special meeting required under Section 14.6.1 within ninety (90) days after the date of damage or destruction shall be deemed a unanimous decision not to undertake such repair and restoration work.

14.6 Decision Not to Restore; Disposition. In the event of a decision under either subsection 14.5.2 or 14.6.3 not to repair and restore damage and destruction, the Board may nevertheless expend such of the insurance proceeds and common funds as the Board deems reasonably necessary for emergency work (which emergency work may include but is not necessarily limited to removal of the damage or destroyed Common Elements, Building(s) and clearing, filling and grading the real property), and the remaining funds, if any, and property shall thereafter be held and distributed as follows:

14.6.1 The property shall be owned in common by the Owners and shall no longer be subject to this Declaration.

14.6.2 The undivided interest in the property owned in common which appertains to each Owner shall be the percentage of undivided interest previously owned by such Owner in the Common Elements and Common Areas and facilities.

14.6.3 Any mortgages or liens affecting any of the Lots or Units shall be deemed transferred in accordance with their existing priorities to the percentage of the undivided interest of the Owner in the property as provided herein; and,

14.7.4 The property shall be subject to an action for partition at the suit of any Owner, in which event the net proceeds of sale, together with the net proceeds of the insurance, if any, shall be considered as one fund; such fund shall be divided into separate shares one for each Owner, and each share shall be equal to the percentage of undivided interest owned by each Owner in the Property; then, after first paying out the respective share of each Owner to the extent sufficient for the purpose all first mortgages and then all other liens on the undivided interest in the property owned by such Owner, the balance remaining in each share shall then be distributed to each Owner respectively.

14.7 Miscellaneous. The provisions of this Article 14 shall constitute the procedure by which a determination is made by the Owners to repair, restore, reconstruct or rebuild as provided in the Act. By the act of accepting an interest in the Property, each Owner and party claiming by, through or under such Owner hereby consents and agrees to the provisions hereof. In the event that any provisions of this Article 14 shall be determined invalid or unenforceable by any court of competent jurisdiction, such determination shall not affect the validity of any other provision of this declaration. The purpose of this Article 14 shall be to provide a fair and equitable method of allocating the costs of repair and restoration and making a determination for repair and restoration if all or a portion of this Article 14 shall be liberally construed to accomplish such purpose. By unanimous vote, which vote shall be taken within ninety (90) days of the damage or destruction, the Owners may determine to do otherwise than provided in this Article 14.



ARTICLE 15

CONDEMNATION

15.1 Consequences of Condemnation. If at any time or times during the continuance of the Condominium ownership pursuant to this declaration, all or any part of the Common or Limited Common Area of the Property shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the provisions of this Article 15 shall apply. The Board shall provide each Owner and each Mortgagee with a written notice of the commencement of any such condemnation proceeding and of any proposed sale or disposition in lieu or in advance of such proceeding.

15.2 Proceeds. All compensation, damages and other proceeds resulting from the condemnation proceeding, sale or disposition in lieu or in avoidance of such proceedings, the sum of which is hereinafter called the "condemnation award", shall be payable to the Association.

15.3 Complete Taking. In the event that the entire Property is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the Condominium ownership of said Property shall terminate. The condemnation award shall be apportioned among the Owners in proportion to their respective undivided interests in the Common Areas; provided, that if a standard different from the value of the property as a whole is employed to measure the condemnation award in the negotiation, judicial decree, or otherwise, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On the basis of the foregoing principle, the Board shall as soon as practicable determine the share of the condemnation award to which each Owner is entitled. After first paying out of the mortgages and then all other liens and encumbrances on the interest in the property of such Owner, the balance remaining in each share shall then be distributed to each Owner respectively.

15.4 Partial Taking. In the event that less than the entire Property is taken or condemned, or sold or otherwise disposed of in lieu of or in avoidance thereof, the Condominium ownership shall not terminate. Each Owner shall be entitled to a share of the condemnation award to be determined in the following manner:

15.4.1 As soon as practicable the Board shall, reasonably and in good faith, allocate the condemnation award between compensation, damages and other proceeds.

15.4.2 The Board shall apportion the amounts so allocated to taking of or injury to the Common Areas, which in turn shall be apportioned among the Owners in proportion to their respective undivided interests in the Common Areas.

15.4.3 The total amount allocated to severance damages shall be apportioned to those Lots or Units which were not taken or condemned.

15.4.4 The respective amounts allocated to the taking of or injury to a particular Lot or Unit and/or improvements an Owner had made within his own Lot or Unit, shall be apportioned to the particular Lot or Unit involved.

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

15.4.6 If an allocation of the condemnation award is already established in negotiation, judicial decree or otherwise, then in allocating the condemnation award the Board shall employ such allocation to the extent it is relevant and applicable.

15.4.7 Distribution of apportioned proceeds shall be made to the Owners and their respective Mortgagees in the manner provided in Section 15.3.



15.5 Reduction of Property Upon Partial Taking. In the event that a partial taking occurs which pursuant to Section 15.4 does not result in a termination of all ownership hereunder, then the provisions of this Section 15.5 shall take effect immediately upon the condemning authority's taking possession of the Property so taken or condemned:

15.5.1 The Property subject to this Declaration shall be reduced to those areas not taken or condemned, sold or otherwise disposed of in lieu of or in avoidance thereof.

15.5.2 The general Common Areas subject to this Declaration shall be reduced to those Common Areas not so taken or condemned, sold or otherwise disposed of in lieu of or in avoidance thereof.

15.5.3 The Limited Common Areas, which were not taken or condemned, shall be deemed part of the general Common Areas remaining subject to this Declaration.

15.5.4 The percentage of undivided interest in the Common Areas so taken or condemned shall be recalculated on the basis that the value shall remain the same as set forth in Schedule B and that all of the entire Property not so taken or condemned shall be the aggregate of said values of said Property.

15.5.5 Except as otherwise expressly provided in Section 15.5, the rights, title, interest, privileges, duties and obligations of an Owner and Mortgagee in, to or with respect to the Association and the Common Areas and Limited Common Areas shall continue in full force and effect as provided in this Declaration.

15.5.6 The provisions of Section 15.5 shall be binding upon and inure to the benefit of all Owners and Mortgagees of (and other persons having or claiming to have any interest in) all Lots or Units which are condemned, as well as all Lots or Units which are not so taken or condemned. All such Owners, Mortgagees and other persons covenant to execute and deliver all documents, agreements or instruments (including, but not limited to appropriate amendments to this Declaration and the Binding Site Plan Map) as are reasonably necessary to effectuate the provisions of Section 15.5.

15.6 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 14 above, provided that the Board may retain and apply such portion of each Owner's share of the condemnation award as is necessary to discharge said Owner's liability for any special assessment arising from the operation of said Article 14.

ARTICLE 16

COMPLIANCE WITH DECLARATION

16.1 Enforcement. Each Owner shall comply strictly with the provisions of this Declaration and with the Bylaws and administrative rules and regulations passed hereunder, as the same may be lawfully amended from time to time, and with all decisions adopted pursuant to this Declaration and the Bylaws and administrative rules and regulations. Failure to comply shall be grounds for an action to recover sums due for damages, or injunctive relief, or both, maintainable by the board acting through its officers on behalf of the Owners, or by an aggrieved Owner on his own.

16.2 No Waiver of Strict Performance. The failure of the Board in any one or more instances to insist upon the strict performance of any of the terms, covenants, conditions or restrictions of this Declaration, or of the Bylaws, or to exercise any right or option 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 such term, covenant, condition or restriction, but such term, covenant, condition or restriction shall



remain in full force and effect. The receipt by the Board of any assessment from an Owner, with knowledge of any such breach shall not be deemed a waiver of such breach, and no waiver by the Board or any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board. This section also extends to the Declarant or Declarant's managing agent, exercising the powers of the Board during the initial period of operation of the Association and the Cascade Palms Adult Condominium.

ARTICLE 17

LIMITATION OF LIABILITY

17.1 Liability for Utility Failure, Etc. Except to the extent covered by insurance obtained by the Board (or the Declarant or Declarant's managing agent exercising the powers of the Board) pursuant to Article 13, neither the Association nor the Board shall be liable for: any failure of any utility or other service obtained or to be obtained and paid for by the Board; for injury or damage to persons or property caused by the elements or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the Building(s), from any of the Building(s) 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 order of government authority. No diminution or abatement of Common Expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

17.2 No Personal Liability. So long as a Board member, Association or Sub Association committee member, Association or Sub Association officer, Declarant or Declarant's managing agent exercising the powers of the Board, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person shall be personally liable to any Owner, or to any other party, 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 are covered by insurance obtained by the Board pursuant to Article 13.

17.3 Indemnification of Board Members. Each Board member, Association and Sub Association committee member, Association and Sub Association officer, or Declaration or Declarant's managing agent exercising the powers of the Board, shall be indemnified by the Owners against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he may be a party or in which he may become involved, by reason of being or having held such position, or any settlement thereof, whether or not he holds such position at the time such expenses or liabilities are incurred, except in such cases wherein such person is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, that in the event of a settlement, indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interests of the Association or Sub Association.

ARTICLE 18

MORTGAGEE PROTECTION

18.1 Priority of Mortgages. Notwithstanding all other provisions hereof and as provided in the Act, the liens created under this Declaration upon any Lot or Unit for assessments shall be subject to tax liens on the Lot or Unit in favor of any assessing unit and/or special district and be subject to the rights of the secured party in the case of any indebtedness secured by mortgages which were made in good faith and for value upon the Lot or Unit. Where such mortgagee of the Lot or Unit, or other purchaser of a Lot or Unit, obtains possession of a Lot or Unit as a result of mortgage foreclosure or deed in lieu thereof, such possessor and his successor and assigns shall not be liable for the share of the Common Expenses or assessments chargeable to such Lot or Unit which become due prior to such possession, but shall be



liable for the Common Expenses and assessments accruing after such possession. Such unpaid share of Common Expenses collectible from all the Owners including such possessor, his successors and assigns.

18.2 Change in Manager. In the event that professional management is employed by Association, at least thirty (30) days notice of any contemplated change in the professional manager shall be given to any first Mortgagee who has requested to be notified. The Association shall not elect to terminate professional management and assume self-management without the prior consent of seventy-five percent (75%) of all first Mortgagees of the Units (based upon one vote for each mortgage owned), who have requested to be advised of such election; provided that such prior consent shall not be required to change from one professional manager to another professional manager.

18.2.1 Any and all agreements with a professional manager shall permit cancellation by the Association for cause upon thirty (30) days written notice and shall permit cancellation by the Association without cause upon ninety (90) days written notice without the payment of any termination fee. Any such management agreement shall have a term not in excess of one (1) year, renewable by agreement of the parties for successive periods not to exceed one (1) year in duration.

18.3 Partitions and Subdivisions. Neither the Association nor any person shall combine nor subdivide any Lot, Unit or the appurtenant Limited Common Areas, nor abandon, partition, subdivide, encumber or sell any Common Area, or accept any proposal to do so, without the prior approval of seventy-five percent (75%) of all first Mortgagees of record of the Units (based upon one vote for each Unit owned), and without the unanimous approval of the first Mortgagee(s) of the Unit(s) to be combined or subdivided.

18.4 Change in Percentages. The Association shall not make any material amendment to this Declaration or the Bylaws (including changes in the percentages of interest in the Common Areas) without the prior approval of seventy-five percent (75%) of all first Mortgagees of record of the Units (based upon one vote for each first mortgage owned), and without the unanimous approval of the first Mortgagees of the Units for which the percentages would be charged.

18.5 Hazard Insurance. Except in the case of substantial loss (as provided in the Act and Section 14.5), hazard insurance proceeds shall not be used for other than the repair, replacement or reconstruction of the damaged portion of the Condominium unless consented to by seventy-five percent (75%) of all first Mortgagees of record of the Units (based upon one vote for each first mortgage owned).

18.6 Copies of Notices. Written notice that an Owner has for more than thirty (30) days failed to meet any obligation under the Condominium documents shall be given by the Association to any first Mortgagee of such Unit to receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

18.7 Effect of Declaration Amendments. No amendment to this Declaration shall be effective to modify, change, limit or alter the rights expressly conferred upon first Mortgagees in this instrument which respect to any unsatisfied mortgage duly recorded unless the amendment shall be consented in writing by the holder of such mortgage. Any provision to this Declaration conferring rights upon first Mortgagees which is inconsistent with any other provisions of this Declaration or the Bylaws shall control over such other inconsistent provision.

18.8 Insurance.

18.8.1 Where a first Mortgagee of a Lot, Unit or Building has filed a written request with the Board, the Board shall:



18.8.1.1 Furnish such Mortgagee with a copy of any insurance policy or evidence thereof which is intended to cover the Lot, Unit or Building on which such mortgage has a lien;

18.8.1.2 Require any insurance carrier to give the Board and any and all insureds (including such Mortgagee) at least thirty (30) days written notice before canceling, reducing the coverage or limits, or otherwise substantially modifying any insurance with respect to the property on which the Mortgagee has a lien (including cancellation for a premium non-payment).

18.8.1.3 Not make any settlement of any insurance claim for loss or damage to any such Unit, Lot, appurtenant Limited Common Areas or the Common Areas exceeding Five Thousand Dollars (\$5,000.00) without the approval of such Mortgagee; provided, that the withholding of such approval by the Mortgagee shall not be unreasonable or in conflict with the provisions of Article 14.

18.8.1.4 Give such Mortgagee written notice of any loss or taking affect Common Areas, if such loss or taking exceeds Ten Thousand Dollars (\$10,000.00).

18.8.1.5 Give such Mortgagee written notice of any loss, damage or taking affecting any Lot, Unit, Building or Limited Common Areas in which it has an interest, if such loss, damage or taking exceeds One Thousand Dollars (\$1,000.00).

18.8.2 In addition, the insurance policy required under Section 13.1.1 shall contain a standard Mortgagee clause which shall, if reasonably obtainable:

18.8.2.1 provide that any reference to a mortgage in such policy shall mean and include all holders of mortgages of any Lot, Unit or Building, or any Lot, Unit or Building lease or sublease, in their respective order and preference, whether or not named therein;

18.8.2.2 provide that such insurance as to the interest of any Mortgagee shall not be invalidated by any act or neglect of the Board, Owner(s) or any person under any of them;

18.8.2.3 Waive any provisions 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.

18.9 Inspection of Books. First Mortgagees shall be entitled to inspect at all reasonable hours of weekdays all of the books and records of the Association and relevant Sub Associations, and, upon request, to receive an annual audited financial statement of the Association within ninety (90) days following the end of the fiscal year of the Association.

18.10 Obtaining Declarant's Powers. In the event the Mortgagee of the developer becomes bound by this Declaration by granting one or more partial releases or otherwise, and forecloses its mortgages or acquires a deed in lieu of foreclosure, and obtains possessory rights, legal title, or certificates of sale to the unsold Unit, Lot or Building(s) and appurtenant Common Areas covered by the respective deeds of trust or mortgage liens, then the Mortgagee of the Developer may succeed to and assume, to the exclusion of the Declarant, the powers of the Declarant as set forth in this Declaration.

18.11 Extension of Declarant's Powers. In the event that the Declarant's obligation to the Mortgagee of the Developer has not been paid in full at the time the Declarant's management power has expired under Section 10.1, then said powers conferred upon the Declarant by said section and to which



the Mortgagee of the Developer may succeed, shall be extended for an additional two (2) years. The Mortgagee of the Developer shall be entitled to appoint a receiver during the pendency of any foreclosure action and said receiver shall immediately upon appointment succeed to and assume the rights and powers of the Declarant as set forth in this Declaration, and the receiver shall be entitled to sell unsold lots during the pendency of said foreclosure action, and said sales shall be subject to confirmation by court order.

ARTICLE 19

EASEMENTS

19.1 In General. It is intended that in addition to rights under the Act, each Lot or Unit has an easement in and through the Common and Limited Common Areas for all support elements and utility, piping, wiring, and service elements, and for reasonable access thereto, as required to effectuate and continue proper operation of this project. 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.

19.2 Association Functions. There is hereby reserved to Declarant, the Association, and Sub Associations, or their duly-authorized agent and representatives, such easements as are necessary to perform the duties and obligations of the Association as are set forth in this Declaration, the Bylaws and the Association rules and regulations.

19.3 Encroachments. Each Lot all Common and Limited Common Areas are hereby declared to have an easement over all adjoining Lots and Common and Limited Common Areas for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the Building, or any other similar cause, and any encroachment due to Building overhang or projection. There shall be valid easement for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of the Owners shall not be altered in any way by said encroachment, settling or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner. In the event a Building or Common or Limited Common Area is partially or totally destroyed, and then repaired or rebuilt, the Owners agree that minor encroachments over adjoining Lots and Common and Limited Common Areas shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they exist. The foregoing encroachments shall not be construed to be encumbrances affecting the marketability of title to any Unit, Lot or Building.

ARTICLE 20

PROCEDURES FOR SUBDIVIDING OR AGGREGATION

20.1 Procedure. Subdivision and/or combining of any Lot(s), Limited Common Area(s) and/or Common Area(s) is authorized only as follows:

20.1.1 Any Owner of a Lot or Unit may propose in writing to the Board any subdividing or combining of any Lot(s), Limited Common Areas and/or Common Areas, together with complete plans and specifications for accomplishing the same and a proposed amendment to this Declaration, the Survey Map and Plans covering such subdividing or combining, and the Board shall then notify all other Owners of the requested subdivision or combination.

20.1.2 Upon written approval of such proposal by Owners having seventy percent (70%) of the voting power, and upon approval of seventy-five percent (75%) of the first Mortgagees of record of the Units (based upon one vote for each first mortgage owned), and the unanimous approval of the first Mortgagee(s) of the Lot(s) to be combined or subdivided, the Owner making the proposal may proceed according to such plans and specifications; provided that the Board



may in its discretion (but it is not mandatory that the Board exercise its authority) require that the Board administer the work or that provisions for the protection of other Lots, Units or Common Areas or reasonable deadlines for completion of the work be inserted in the contracts for the work.

20.1.3 The changes in the Map, if any, and the changes in the Plans and this Declaration shall be placed of record as amendments to the Binding Site Plan Map, Plans and this Declaration in accordance with the provisions of Section 21.1.

ARTICLE 21

DECLARATION OF DEVELOPMENT IN PHASES; DESCRIPTION OF LAND

21.1 Intention to Develop in Phases. Declarants propose to develop the Cascade Palms Adult Condominium in phases as delineated on the face of the Binding Site Plan, and upon the tracts of land described in Schedule A attached hereto, and by this reference incorporated herein.

This Declaration shall be effective immediately to establish Phase I as a Condominium.

21.2 The Expansion into Subsequent Phases. Declarants expect to expand the Cascade Palms Adult Condominium into one or more subsequent phases as shown on the face of the Binding Site Plan, but is not required to expand the Condominium at all or to follow any particular sequence of phases. If Declarants elect to expand the Condominium into a subsequent phase or phases and a certificate (hereinafter referred to as a "subsequent phase certificate"), declaring that the Binding Site Plan Maps and Plans previously recorded, or recorded in the subsequent phase or phases, upon the recording of a subsequent phase certificate, the previously existing Lots (i.e., Phase I or such subsequent phase or phases as it shall have been expanded into) shall contain a schedule of the percentages of undivided interest in the Common Areas and facilities appertaining to each Lot or Unit added to the project by the subsequent phases.

21.3 Improvements in Subsequent Phases.

21.3.1 Number of Lots. Phase I consists of four (4) multi-family sub-lots (8 Units). The number of Lots in Phase II shall be four (4) multi-family sub-lots (8 Units). The number of Lots in Phase III shall be eight (8) multi-family sub-lots (16 Units). The number of Lots in Phase IV shall be up to seven (7) "Live-work" Lots. These numbers are approximate and may be changed as circumstances dictate and any such change will depend upon the approval of the City of Sedro-Woolley.

21.3.2 Character of Improvements. The improvements added to the Cascade Palms Adult Condominium by subsequent phases shall conform to the approved Binding Site Plan. Declarants may make reasonable alterations in the style, floor plan and size of the buildings added by subsequent phases as market demand may indicate, but Declarant's latitude in making such alterations shall be restricted in that all improvements added by a subsequent phase shall be comparable in style, quality, size and cost, adjusted for inflation, 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. The subsequent phase(s) shall also be in compliance with the then existing and prevailing building codes of the City of Sedro-Woolley and the State of Washington.

21.4 Election Not to Expand to One or More Subsequent Phases. If Declarants do not expand the Condominium into the final phase(s), or such subsequent phase(s) as the project shall have



been expanded into, the first phase (Phase 1) shall constitute a complete, fully operational Condominium, and the parcel or parcels of land not encompassed by the Condominium may be used for any lawful purpose. If Declarants determine that they will not expand the Condominium into a subsequent phase or phases, they may record an amendment to this Declaration, signed only by Declarants, describing the land that will not be included in the Condominium.

21.5 Unit Percentage Interest. The unit percentage interest of each Unit shall be in accordance with the attached Schedule B. When each subsequent phase(s) is added, the unit percentage interest shall be computed by taking as a basis an equal share per Unit of the total number of Units for all phases then recorded.

21.6 Improvements. If the developer has not completed all of the intended off-site facilities prior to the recording of this Declaration, the developer shall be responsible for the construction of such improvements prior to beginning Phase(s) II, III and/or IV. In addition, the developer shall be responsible for paying all expenses of maintenance of common properties that are developed in conjunction with Phase(s) II, III and/or IV until one or more of the Units in said Phase(s) is sold at which time the Association shall assume the responsibility and the Owners of the Units in said Phase(s) shall pay their appropriate assessments (including the developer for those Units owned by the developer). Any sum not so paid by the developer shall become a lien against the balance of the Property owned by the developer and may be foreclosed upon by the Association.

21.7 Insurance. During the period of construction of Phases II, III and/or IV, the developer agrees to purchase, at developer's expense, a liability insurance policy in an amount determined to be adequate by the Association Board of Directors, whichever amount is greater, to cover any liability to which Owners of previously sold Units might be exposed. This policy shall be endorsed "as owner's interest might appear."

21.8 Minimum Interest of Units in Phase I. The initial minimum interest of the Owner of each Unit in Phase I to the common property is set forth on the attached Schedule B. The percentage of ownership of each Unit Owner after the inclusion of Phase(s) II, III and/or IV is likewise set forth on the attached Schedule B. The ownership as set forth in Phase I is subject to defeasance upon the construction and inclusion of Phase II or any subsequent phases.

21.9 Subsequent Phases - Amendment. Declarant shall have the right and reserves the right to amend this Declaration without the approval of the Owners and/or the Association for the purpose of adding additional phases. In the event Declarant proceeds with the development of the proposed subsequent phase or phases, he shall do so in a numerical order having a logical connection to the numbering system in preceding phases. Whether or not additional phases are added to the project under this Declaration shall be at the sole discretion of the Declarant.

21.10 Easements Reserved for Subsequent Phases. The Declarant reserves for the benefit of the Declarant's non-developed property set forth on the attached Schedule A, easements over and across the developed properties for purposes of roadways, parking, ingress and egress and the installation of utilities as necessary for the development of subsequent phases. The easements reserved over the developed properties shall not interfere with the Buildings, Common and Limited Common Areas thereon but must be consistent with the intended use and actual use of the Property contained in the preceding phases as developed.

ARTICLE 22

AMENDMENT OF DECLARATION, SURVEY MAP, PLANS

22.1 Declaration Amendment. Amendments to this Declaration shall be made by an instrument in writing entitled "Amendment to Declaration", which shall set forth the entire amendment.

Cascade Palms Declaration – Page 36 of 45



200311030251
Skagit County Auditor

11/3/2003 Page 36 of 45 11:18AM

Except as otherwise specifically provided for in this Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Owners. Amendments may be adopted at a meeting of the Owners if seventy-five percent (75%) of the Owners vote for such amendment, or without any meeting if all Owners have been duly notified and seventy-five percent (75%) of the Owners consent in writing to such amendment. In all events the amendment when adopted shall bear the signature of the president of the Association and shall be attested by the secretary, who shall state whether the amendment was properly adopted, and shall be acknowledged by them as officers of the Association. Amendments once properly adopted shall be effective upon recordation in the appropriate government offices. Any decision charging the values and percentages of interest expressed herein, except as provided herein, shall require the unanimous consent of the Unit Owners and their first Mortgagees. It is specifically covenanted and understood that any amendment to this Declaration properly adopted shall be completely effective to amend any or all of the covenants, conditions and restrictions contained herein which may be affected, and any or all clauses of this Declaration or Survey Map and Plans, unless otherwise specifically provided in the section being amended or the amendment itself.

22.2 Binding Site Plan Map and Amendments. Except as otherwise provided herein, the Binding Site Plan Map may be amended by revised versions or revised portions thereof referred to and described as to effect in an amendment to the Declaration adopted as provided for herein. Copies of any such proposed amendment to the Binding Site Plan Map shall be made available for examination by every Owner. Such amendment to the Binding Site Plan Map shall be effective, once properly adopted, upon recordation in the appropriate county office in conjunction with the Declaration amendment. No such amendment to the Binding Site Plan Map shall be effective until approved by the City of Sedro-Woolley under then applicable regulations.

22.3 Amendments by Declarant. The Declarant may at any time until all Lots, Units or Buildings have been sold by Declarant record an amendment to the Declaration showing, changing the person who is to receive service of process, and such amendment need be acknowledged by only the Declarant and need not otherwise comply with the requirements of this Article 22.

22.4 Amendments to Conform to Construction. In addition, Declarant, upon Declarant's sole signature, may at any time until all Lots or Units have been sold by Declarant file an amendment to this Declaration and the Binding Site Plan Map and Plans to conform them to the actual location of any of the constructed improvements and to establish, vacate or relocate utility easements, access road easements or parking areas.

ARTICLE 23

MISCELLANEOUS

23.1 Service of Process. The person upon whom process may be served and his address are set forth in Schedule D. After termination of Declarant's management authority under Section 10.1, service of process for the purposes provided in the Act may also be made upon the president of the Association. After Declarant has relinquished its management power as provided for in Section 10.1, service of process shall only be made on the president of the Association whose address is set forth in Schedule D, or such person as the Board may designate. The Board may at any time designate a new or different person or agency for such purposes by filing an amendment to this Declaration limited to the sole purpose of making such change, and such amendment need only be signed and acknowledged by the then president of the Association. The Declarant may, at any time before the Board is organized, charge such designation by amendment to the Declaration signed and acknowledged only by Declarant.

23.2 Notices for All Purposes.

23.2.1 Delivery of Notice. Any notice permitted or required to be delivered under the provisions of this Declaration or the Bylaws may be delivered either personally or by mail. If



delivery is made by mail, any such notice shall be deemed to have been delivered twenty-four (24) hours after a copy has been deposited in the United States mail, postage prepaid for first class mail, addressed to the person entitled to such notice at the most recent address given in writing by such person to the Board for the purpose of service of such notice, or to the most recent address known to the Board. Notice to the Owner of any Lot or Unit shall be sufficient if mailed to the Lot or Unit of such person if no other mailing address has been given to the Board by a person so entitled. Mailing addresses may be changed from time to time by notice in writing to the Board. Notice to be given to the Board may be given to Declarant until the Association and Board have been constituted and thereafter shall be given to the president or secretary of the Board.

23.2.2 Mortgagee Notice. Upon written request, and for a period of three years (or such longer time as the Board may set) after such request, a vendor, Mortgagee or deed of trust beneficiary of any Lot, Unit or Building shall be entitled to be sent a copy of any notice respecting the Lot, Unit or Building covered by his security instrument until the request is withdrawn or the security interest discharged. Such written request may be renewed an unlimited number of times.

23.3 Mortgagee's Acceptance.

23.3.1 Priority of Mortgage. This Declaration shall not initially be binding upon any Mortgagee of record at the time of recording of said Declaration but rather shall be subject and subordinate to the mortgage of said Mortgagee.

23.3.2 Acceptance Upon First Conveyance. Declarant shall not consummate the conveyance of title of any Lot, Unit or Building until said Mortgagee shall have accepted the provisions of this Declaration and made appropriate arrangements, in accordance with the Act, for partial release of Lots, Units or Buildings with their appurtenant Limited Common Areas and percentages of interest in Common Areas from the lien of said mortgage. The issuance and recording of the first such partial release by said Mortgagee shall constitute its acceptance of the provisions of this Declaration and the Binding Site Plan status of the Lot, Unit or Building remaining subject to its mortgage as well as its acknowledgement that such appropriate arrangements for partial release of Lots, Units or Buildings have been made; provided, that except as to Lots, Units or Buildings so released, said mortgage shall remain in full effect as to the entire Property.

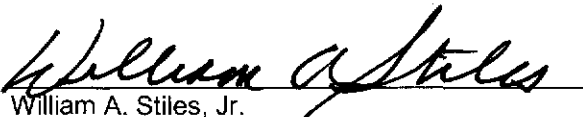
23.4 Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof, if the remainder complies with the Act or if the remainder effects the property as covenants.

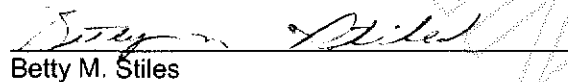
23.5 Effective Date. This Declaration shall take effect upon recording.

23.6 Reference to Survey Map Plans. The Condominium Survey Map and Plans showing the Units, Lot(s), Common and Limited Common Areas referred to herein were recorded simultaneously with the recording of this Declaration, under Auditor's File No. 200311030250.

DATED this 3rd day of ~~October~~ ^{November}, 2003.

DECLARANT:


William A. Stiles, Jr.


Betty M. Stiles



200311030251

Skagit County Auditor

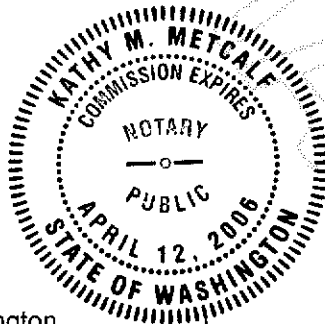
TRAIL INVESTMENTS, LLC

By: William A. Stiles
Manager

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

On this day personally appeared before me William A. Stiles, Jr. and Betty M. Stiles to me known to be the individual(s) described in and who executed the within and foregoing instrument and acknowledged that they signed the same as their free and voluntary act and deed, for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 3 day of November, 2003.



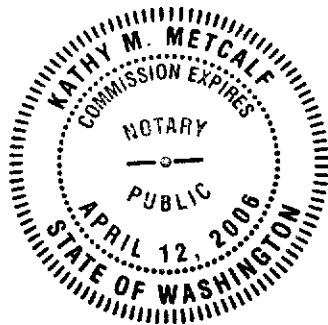
Kathy M. Metcalf
Notary Public in and for the State of Washington,
Residing at Seero-Woolley

My commission expires: 4-12-2006

State of Washington)
) ss.
County of Skagit)

On this 3 day of November, 2003 before me personally appeared William A. Stiles, Jr., to me known to be the Manager of the Limited Liability Company that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said company for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute said instrument

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



Kathy M. Metcalf
Notary Public in and for the State of Washington,
residing at Seero-Woolley
My commission expires: 4-12-2006



200311030251
Skagit County Auditor

SCHEDULE A

Description of Land

The legal description of the land upon which Phase 1 of the Cascade Palms Condominium is situated is:

Legal Description

Cascade Palms Condominium, Phase 1

Multi-Family Sub Lots 1, 2, 3 and 4, PHASE 1, CASCADE PALMS BINDING SITE PLAN NO. 02-973, recorded November 12, 2002, as Auditor's File No. 200211120149, records of Skagit County, Washington.

TOGETHER WITH an undivided interest in and to: 1) ACTIVE RECREATIONAL AREA; 2) PASSIVE RECREATIONAL AREA; 3) LANDSCAPED POND AREA; and 4) COMMON INGRESS AND EGRESS AREA, all as shown on the face of said Binding Site Plan.

Situate in the City of Sedro-Woolley, County of Skagit, State of Washington.



200311030251

Skagit County Auditor

11/3/2003 Page 40 of 45 11:18AM

SCHEDULE B

Allocated undivided interest in Common Areas per residential unit type, Phase 1:

(* = Building not completed as of the date of the Declaration - Not Required To Be Built)

Building Number	Unit Number (Address)	Unit Area (s.f.)	Floor Location	Unit Type	Declared Value	Allocated Interest (Fraction)	No. of Garage Parking Spaces	No. of Open Parking Spaces
1	733	1,230	1	Type 1	\$139,950	1/39	1	1 - #32
1	735	1,230	1	Type 1	\$139,950	1/39	1	1 - #28
1	737	1,434	2	Type 2	\$149,950	1/39	1	1 - #31
1	739	1,434	2	Type 2	\$149,950	1/39	1	1 - #29
2	721	1,246	1	Type 1	\$139,950	1/39	1	1 - #36
2	723	1,246	1	Type 1	\$143,950	1/39	1	1 - #34
2	725	1,568	2	Type 2	\$169,950	1/39	1	1 - #35
2	727	1,580	2	Type 2	\$169,950	1/39	1	1 - #33
3*	711							
3*	713							
3*	715							
3*	717							
4*	701							
4*	703							
4*	705							
4*	707							
5*	700							
5*	702							
5*	704							
5*	706							
6*	710							
6*	712							
6*	714							
6*	716							
7*	718							
7*	720							
7*	722							
7*	724							
8*	728							
8*	730							
8*	732							
8*	734							
9*	738							
9*	740							
9*	742							
9*	744							
9*	746							
9*	748							
9*	750							

PHASE 2

PHASE 3

PHASE 4



SCHEDULE C

DESCRIPTION OF BUILDINGS, IMPROVEMENTS AND RECREATION FACILITIES

C.1 Description of Buildings and Improvements. The Cascade Palms Adult Condominium is an active adult community to be comprised of up to 39 total residential dwelling units, in four (4) phases. There may be up to 32 units in eight buildings with four single-family residential dwelling units in each building. There may be up to 7 "live-work" units in a single building that will front on Trail Road. These "live-work" units will have professional offices on the street level and a dwelling unit on the upper level(s). These units are designed for semi-retired singles or couples that wish to live upstairs from their place of business much like turn-of-the-century businesses in urban areas. Businesses such as insurance, law, real estate or consulting are examples of what types of uses are permitted. Any other non-office type commercial use would require a conditional use permit from the City of Sedro-Woolley.

The buildings are designed to look like large prestigious homes. Each 4-plex building actually consists of two duplexes sharing a common wall on the center lot line. Each duplex has one unit up and one unit down. The quality of each unit will be "upscale", with tile, hardwood laminate floors and upgraded amenities throughout. A buyer can purchase one unit, one duplex or one entire building of four units. The two upstairs units in buildings 2 through 8 will share a common stairwell and private lift (elevator) and the four units in each building will share a common courtyard.

All of the units will share in the common landscape and parking areas. The central landscape area will also serve as the storm water detention area for the project. The landscaping theme utilizes palm trees as its primary planting, thus the name Cascade Palms.

At the west end of the central driveway will be a community pavilion. This structure will be a covered area with a bar-b-que area that can be used by the residents for recreation or entertaining.

The vision for the project is simple: provide quality, affordable housing for active adults in the emerging "baby-boomer" market. This project will offer value for a "lock-and-go" lifestyle.

C.1.1 Description of Individual Unit Types (All Phases):

(A) There are three distinct individual unit types. They consist of the following:

Type 1: Up to sixteen (16) ground floor residential dwelling units in eight (8) 4-plex Buildings. The ground floor units are approximately 1,230 square feet, each with a single car garage, some with private patios.

Type 2: Up to sixteen (16) second floor residential dwelling units in the same eight (8) 4-plex buildings. The second floor units range in size from 1,434 to 1,580 square feet, each has a single car garage and features a "bonus room" of from 204 to 350 square feet with an outside deck, in the space above the garages. Second floor units in buildings 2 through 8 also feature a shared private lift (elevator) in addition to the common stairwell.

Type 3: Up to 7 "Live-work" units in a single building. These units feature a professional office space on the ground floor and a residential dwelling above.

(B) The identifying number of each unit created by the Declaration is the unique postal address of each unit set forth in (D & E) below and a description of the boundaries of each unit if and to the extent they are different from the boundaries stated in RCW 64.34.204(1);



(C) With respect to each existing unit the following information is provided in (Paragraphs D & E) below:

- (i) The approximate square footage;
- (ii) The number of bathrooms, whole or partial;
- (iii) The number of rooms designated primarily as bedrooms;
- (iv) The number of built-in fireplaces; and
- (v) The level or levels on which each unit is located.

(D) 4-plex Building #1 (On Multi-family Sub Lots 1 & 2)

- 1. Unit Address 733 (M/F Sub Lot 2)
 - a. Approximate square footage - 1,230
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2
 - d. Number of Fireplaces - None
 - e. Level on which Unit is Located - Ground Level (North)
- 2. Unit Address 735 (M/F Sub Lot 1)
 - a. Approximate square footage - 1,230
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2
 - d. Number of Fireplaces - None
 - e. Level on which Unit is Located - Ground Level (South)
- 3. Unit Address 737 (M/F Sub Lot 2)
 - a. Approximate square footage - 1,434
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2 + Bonus Room
 - d. Number of Fireplaces - None
 - e. Level on which Unit is Located - 2nd Floor Level (North)
- 4. Unit Address 739 (M/F Sub Lot 1)
 - a. Approximate square footage - 1,434
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2 + Bonus Room
 - d. Number of Fireplaces - None
 - e. Level on which Unit is Located - 2nd Floor Level (South)

(E) 4-plex Building #2 (On Multi-family Sub Lots 3 & 4)

- 1. Unit Address 721 (M/F Sub Lot 4)
 - a. Approximate square footage - 1,246
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2
 - d. Number of Fireplaces - None
 - e. Level on which Unit is Located - Ground Level (East)
- 2. Unit Address 723 (M/F Sub Lot 3)
 - a. Approximate square footage - 1,246
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2
 - d. Number of Fireplaces - 1 - Gas
 - e. Level on which Unit is Located - Ground Level (West)
- 3. Unit Address 725 (M/F Sub Lot 4)
 - a. Approximate square footage - 1,568
 - b. Number of Full Bathrooms - 2
 - c. Number of Bedrooms - 2 + Bonus Room
 - d. Number of Fireplaces - None
 - e. Level on which Unit is Located - 2nd Floor Level (East)
- 4. Unit Address 727 (M/F Sub Lot 3)
 - a. Approximate square footage - 1,580



- b. Number of Full Bathrooms - 2
- c. Number of Bedrooms - 2 + Bonus Room
- d. Number of Fireplaces - 2
- e. Level on which Unit is Located - 2nd Floor Level (West)

C.2 DESCRIPTION OF RECREATIONAL FACILITIES

C.2.1 The recreational facilities consist of:

Rv / Boat storage area and the Community pavilion. The pavilion will be a covered area with a bar-b-que area that can be used by the residents for recreation or entertaining and will be constructed during Phase 3 of the Project or sooner. The RV / Boat storage area may be provided on property owned by the Declarant adjacent to the project property.

C.2.2 The rules to be adopted by the Board of Directors of the Association of Unit Owners governing the use of the recreational facilities shall include:

- (1) Only Occupants and their guests may use the areas.

SCHEDULE D

Name and address of person upon whom process may be served. Also name and address of President of Association of Unit Owners. Must be resident of the county in which the Condominium is located.

Declarants:

William A. Stiles, Jr. and Betty M. Stiles -
8286 Stiles Lane
Sedro-Woolley, WA 98284

As to the Common Areas of the Plat

Trail Investments, LLC -
715 Trail Road
Sedro-Woolley, WA 98284

As to MF Sub Lots 1 - 4.

Manager of Trail Investments, LLC:

William A. Stiles, Jr.
8286 Stiles Lane
Sedro-Woolley, WA 98284

Registered Agent of Trail Investments, LLC

William A. Stiles, Jr.
8286 Stiles Lane
Sedro-Woolley, WA 98284

Initial President of the Association of Unit Owners:

William A. Stiles, Jr.
8286 Stiles Lane
Sedro-Woolley, WA 98284



200311030251
Skagit County Auditor

SCHEDULE E

PROPOSED BUDGETS

FOR ASSOCIATION OF UNIT OWNERS AND BUILDING SUB-ASSOCIATIONS

(Assuming full build-out of entire complex including all phases.

Budgets will be adjusted if fewer units are constructed.)

Proposed Annual Operating Budgets

	<u>Income</u>	<u>Expenses</u>
Association of Unit Owners (39 Units)(25% of Total Dues)	\$11,700	
Liability Insurance		1,000
Real Estate Taxes (Common Areas)		1,200
Landscape Maintenance		4,800
Common Utilities		1,200
Reserves for Future Expenses		2,400
Miscellaneous		1,100
Projected Totals	\$11,700	\$11,700
Sub Associations (Each 4 -Plex Building) (4 Units Each Building)(75% of Total Dues)	\$ 3,600	
Fire Insurance		800
Utilities		2,000
Reserves For Future Expenses		400
Miscellaneous		400
Projected Totals	\$ 3,600	\$ 3,600
8 Buildings x \$3,600 per building =	\$28,800	\$28,800
Sub Association - "Live-Work" Building (7 Units - 75% of Total Dues to Sub Assoc.)	\$6,300	
Fire Insurance		1,400
Utilities		3,600
Reserves For Future Expenses		800
Miscellaneous		500
Projected Totals	\$ 6,300	\$ 6,300
Total All Income & Expenses	\$46,800	\$46,800