

Return Address:

496404 Washington, Inc.
1004 Commercial #109
Anacortes, WA 98221



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Skagit County Auditor

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Document Title: Declaration for Portalis Island Homes Condominium

Grantor: 496404 Washington, Inc.

Grantee: Portalis Island Homes Condominium

Legal Description: Lot 1, City of Anacortes Short Plat No. ANA 04-005, recorded under No. 200411030031

Assessor's Property Tax Parcel Account Number(s):

350122-0-021-0007 P31655; 350122-0-013-0007 P31580; 350122-0-020-0000 P31588

**Declaration For
Portalis Island Homes Condominium**

496404 Washington, Inc., a Washington corporation (herein referred to as Declarant), desires to establish a plan for the ownership of the real property herein described as a condominium in accordance with the Washington Condominium Act, Ch. 64.34 of the Revised Code of Washington (herein called the Act). Therefore, in order to accomplish the foregoing, Declarant has simultaneously recorded this Declaration with a survey map and plans (herein referred to as the plans) for the units created by this Declaration under Recording No. 20042080101 records of Skagit County, Washington, and makes this Declaration for Island Homes Condominium as follows.

1 DEFINITIONS

1.1 Definitions. Terms Used in this Declaration shall have the same meaning as defined in the Act. Masculine words shall include the feminine and neuter counterparts. If the context requires, the singular shall include the plural and the plural shall include the singular. Portalis Limited Liability Co., a limited liability company, is a "designee" of Declarant. "Board of directors" refers to the board of directors of the Association.

2 RIGHTS CREATED

2.1 Name. The name of the condominium is Portalis Island Homes Condominium. The name of the unit owners' association is the Portalis Island Homes Condominium Association, a nonprofit corporation, which has been organized by Declarant under the laws of the State of Washington. It is herein referred to as the Association.

2.2 Real Property. The real property included in the condominium is described as situate in Skagit County, Washington, as follows:

Lot 1, City of Anacortes Short Plat No. ANA 04-005 approved on November 3, 2004, and recorded on November 3, 2004, Auditor's file no. 200411030031, records of Skagit County, Washington, being a portion of the southeast quarter of the southwest quarter of Section 22, Township 35 North, Range 1 East W.M.; together with those easements as established by the above described short plat.

The ownership interest in each unit created hereby and available to the owners of each unit is an interest in fee simple.

2.3 Number of Units. The number of units which the Declarant has created is thirty-three (33). No additional units may be added to the condominium.

2.4 Identifying Number for Units. The identifying number for each of the units created by this Declaration is an Arabic number 1 to 33 inclusive as located on the plans.

2.5 Unit Boundary. The unit boundaries are not as described in RCW 64.34.204. Each of the units consists of a space, the vertical boundaries of which are shown on the plans and the horizontal boundaries of which are horizontal planes shown on the plans.

2.6 Unit Details. At the time of recording this Declaration, the units have no bathrooms, whole or partial, no rooms designated primarily as bedrooms, and no built-in fireplaces. The level on which each unit is located is the lower horizontal plane described on the plans. The approximate square footage of each of the units is as follows:

Unit No.	Area	Unit No.	Area	Unit No.	Area
1	6453	12	5839	23	6200
2	7087	13	6460	24	6393
3	7654	14	6206	25	6065
4	6230	15	6667	26	6041
5	5945	16	5397	27	9031



Unit No.	Area	Unit No.	Area	Unit No.	Area
6	5995	17	5174	28	7878
7	6045	18	5972	29	6180
8	5943	19	6818	30	6493
9	5345	20	6304	31	10245
10	6046	21	13305	32	7999
11	6215	22	6920	33	7345

2.7 Parking. There are eight uncovered parking spaces in the condominium, all of which are common elements.

2.8 Limited Common Elements. There are no limited common elements in the condominium.

2.9 Allocation of Common Elements and Voting Interests. The undivided interest of each unit in the common elements shall be equal so that the undivided fractional interest of each unit in the common elements is 1/33rd. Each unit is allocated one vote in the Association. There shall be no more than 33 votes in the Association. All votes shall be held by the unit owners.

2.10 Voting by Multiple Owners. Only one person or party of multiple owners of a unit shall exercise the vote allocated to the unit. If two or more owners of a unit owned by two or more owners are present at a meeting in person or by proxy, then those owners shall identify the person who shall have the right to exercise the vote allocated to the unit, and only one person shall be entitled to exercise the vote allocated to that unit. If two or more persons who have proxy for the owner or owners of a unit or who are owners of a unit attempt to exercise the vote allocated to that unit differently, or if one of the owners of a unit which is owned by two or more owners objects to the attempt of another of the owners of that unit to exercise the vote of that unit, then the vote allocated to the unit need not be recognized, in which case the vote for the unit shall be recorded by the Association as having abstained.

2.11 Allocation of Common Expenses. The common expenses of the Association shall be allocated equally to each of the units.

2.12 Rights and Duties. The owner or owners of a unit are subject to all the rights and duties assigned to the owners under the terms of this Declaration and the articles of incorporation and bylaws of the Association. The Declarant and its designee also enjoy the same rights and assumes the same duties with respect to any units of which Declarant or its designee is the owner. Without limitation on the right of the Association to grant certain rights under RCW 64.34.300(1)(i), any conveyance, encumbrance, judicial sale, or other transfer (voluntary or involuntary) of any interest in the common elements shall be void unless the unit to which that interest is allocated is also transferred.

3. USE RESTRICTIONS

3.1 Residential Use. All of the units and this condominium are restricted as provided in this Section 3. No more than one building with related structures which is intended for single family residential use shall be constructed, maintained, reconstructed, replaced, improved, or altered and used within the unit. All improvements to a unit shall be entirely within the boundaries of the unit. No unit shall be used for any other purpose than residential, except that, subject to compliance with Section 3.11, a business may be conducted from a unit by a resident of the unit if the business is permitted under, and complies with, applicable governmental land use regulations. The Declarant, or its designee, has the right to use buildings in one or more units as models and sales offices as long as the Declarant, or its designee, owns a unit.

3.2 Improvements. No improvement, including buildings, structures of all kinds and landscaping shall be erected, altered, changed, placed or maintained in any unit unless it complies with this Section 3. For the purpose of this Section 3, "landscaping" shall include (a) layout or design of landscaping, (b) planting and removal of bushes and trees, (c) patios, pools, walkways, arbors, play areas, play structures, driveways and other artificial landscape structures, and (d) fences, walls and hedges. The Association shall have the authority to define landscaping in the



event of any question as to the meaning of the term.

3.3 Approval. Prior to making any change or alteration affecting the exterior appearance of a unit or improvements in a unit or rebuilding or replacing any improvement in a unit, plans and specifications or written information for the change or alteration which reasonably define the change or alteration shall be prepared and submitted to and approved by the board of directors in accordance with the following:

3.3.1 Advisors. The board of directors may appoint advisors or advisory committees from time to time to advise on matters pertaining to the improvements proposed for units. No director or any person acting for the board of directors shall be responsible for any defect in any plan or specification submitted or approved nor for any defect in any work done according to such plans and specifications.

3.3.2 Esthetic Considerations. In connection with the approval or disapproval of plans, specifications and information submitted to the board of directors, they shall have the authority to determine acceptable esthetic considerations of harmony of construction style and color which they determine to be in the best interest of providing for attractive appearance in the condominium. This authority shall include but shall not be limited to height, location, configuration, design and appearance of structures, fences, walls, and improvements. Such determinations shall be binding on all persons.

3.3.3 Submission of Plans. All plans, specifications and information required to be submitted to the board of directors under this Section 3 shall be submitted in duplicate by mail to the Association's address described in Section 8.1. Submitted plans, specification and information shall be in writing, shall contain the name and address of the person submitting the same and the unit involved, shall be accompanied by payment of a fee, if any, which the directors may establish for review of the plans, specifications and information and shall set forth a reasonable description of the proposed improvement including the following, as applicable, with respect to the proposed improvement: (a) the general design of the changes or alterations to the improvements; (b) the exterior finish materials and color of the improvements; and (c) such other information as may be reasonably required so that the board of directors are able to approve or disapprove the request and to determine whether such changes and alterations conform with these restrictions.

3.3.4 Approval or Disapproval. Within sixty (60) days after the board of directors receives plans, specifications or information in conformity with this Section 3 together with a request for approval, the board of directors shall either approve or disapprove the request and may disapprove the request which in its opinion does not conform to these restrictions or its esthetic or other standards. Approval of a request may be made subject to compliance with conditions. Approval, with any conditions, shall be noted by the president or secretary of the Association in writing upon one of the copies of the submitted information and returned to the address shown on the request. In the event that no disapproval of a request is given within sixty (60) days of submission in compliance herewith, the request shall be deemed approved.

3.3.5 Conform. When rebuilt, replaced, changed or altered, the improvements in a unit shall substantially conform to the plans and specifications or information as submitted to and approved by the board of directors. The Declarant, or its designee, may make original improvements in any of the various units without submission of any plans and specifications to the board of directors or obtaining their approval, and improvements as constructed by the Declarant, or its designee, on a unit shall be deemed to have been made in accordance with specifications, plans and written information approved by the board of directors.

3.4 Finish. The exterior finish of an improvement which is a structure in a unit shall be completed in materials acceptable in the construction industry for exterior finish. The general external appearance of improvements in a unit shall be kept in substantially comparable with the general appearance of surrounding existing structures in other units. No change shall be made in any part or all of the exterior color, finish appearance or finish materials of any improvement in a unit unless the color or finish change has been first approved by the board of directors given in accordance with this Section 3. The directors may withhold approval in their absolute discretion.

3.5 Permanent Construction. All improvements which are structures in a unit shall be of permanent construction. No temporary structure, trailer, mobile home, tent, garage, outbuilding or other similar device shall be placed in any unit, except that the Declarant, or its designee, reserves the right to maintain temporary structures in a unit or units during the time that the Declarant, or its designee, is engaged in the initial construction of buildings in the various units, and except that, with the prior approval of the board of directors, a temporary construction shed may be kept in a unit during the construction work on an existing permanent improvement in the unit.

3.6 Wiring, Antennas and Satellite Dishes. No lines or wires for the transmission of electric current



or television or telephone signals shall be constructed, placed or permitted to be placed outside of the buildings, unless the lines and wires shall be underground or in conduit attached to a building. No antennas, satellite dishes or other such devices for receiving or transmitting of radio or television signals shall be permitted open to view in any part of the condominium; however, such a device in an enclosure or screen which has the prior approval of the board directors and which hides the device from view is permitted.

3.7 Permits and Licenses. No work on any improvements in a unit shall be started without first obtaining any and all necessary permits from the proper and applicable governmental agency or agencies. No construction of improvements in a unit shall be made except by a person or firm holding a valid contractor's license.

3.8 Completion. Once started, the work on any improvement in a unit shall be diligently prosecuted until completion thereof. In any event, the exterior of any improvement which is a building or structure shall be completed and finished within six months after the work first commences.

3.9 Animals. No animals shall be raised, bred or kept in any unit, except that usual small household pets such as small dogs, cats and small birds may be kept as family pets in a Unit. The board of directors may define "small." However, in no event shall any animal be kept in a unit if the animal unreasonably interferes with the use and enjoyment of any part of the condominium nor shall any animals, pets or otherwise, be kept, bred or maintained in a unit for commercial purposes. Any animal which is kept or brought onto the condominium shall be physically restrained within a unit at all times or be under physical control of a lead so that the animal may not freely roam in the condominium. No pet excrement shall be permitted to remain on the ground within any part of the condominium except in designated areas specifically provided therefor as "dog runs" where excrement shall be picked up by pet owner at least weekly or more frequently if so determined by the board of directors. Pet excrement which is not in that designated area shall be immediately picked up by the owner of the pet and properly and sanitarily disposed of.

3.10 Signs. No sign, billboard or other advertising structure or device of any kind shall be displayed to the public view in any unit except for any of the following signs which have been approved by the board of directors before installation. One professional sign of not more than one square foot which is located in a unit and one sign of not more than five (5) square feet which is located in a unit advertising the unit for sale or rent. Signs and other marketing displays used by the Declarant, its designee or other builders of a residence in a unit in order to identify the Declarant, its designee or builder and to advertise the unit during the initial construction and sales period may be displayed without approval of the board of directors. To defray cost of review, the directors may establish a fee which shall be paid as condition for approval of a sign.

3.11 Nuisances. No unit shall be used in whole or in part for storage of anything which will cause the unit to appear in an unclean, disorderly or untidy condition. No part of the condominium shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste materials shall not be kept in a unit except in suitable sanitary containers. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition and put out of sight. No noxious activity or thing shall be permitted in a unit. Nothing shall be done or permitted in any unit which may be or become a nuisance or unreasonably interfere with the use and enjoyment of any part of the condominium or to the neighborhood.

3.12 Clothes Drying. No clothes, linens, rugs, tarpaulins or other fabrics or fabric like materials shall be hung or placed out to dry or air in a Unit unless fully screened from view from the streets and other Units in the condominium.

3.13 Businesses. No trade, craft, business, profession, manufacturing, commercial enterprise or other commercial activity of any kind (a) which shall interfere with the quiet and peaceful use and enjoyment of any part of the condominium, (b) the evidence of which, other than a permitted professional sign, shall be visible from the unit, or (c) which shall increase traffic to more than usual residential volumes in the condominium, shall be conducted or carried in any unit.

3.14 Rental. No part of any unit shall be leased or rented for a period of less than six (6) months. The lease or rental of a unit shall be subject to the provisions of this Declaration.

3.15 Storage. No property, goods, materials, or supplies, no equipment, no boats, and no trucks, motorcycles, busses, motor homes, campers, trailers, or vehicles of any description, shall be kept, stored, dismantled or repaired in any of the common elements or in any unit outside of an approved structure.

3.16 Firearms. No firearms or other weapons, whether for hunting or target practice, shall be discharged in the condominium.



3.17 Common Elements. The common elements shall not be used in any way inconsistent with the rules and regulations adopted from time to time by the Association. No part of the common elements shall be obstructed, impeded or otherwise used for keeping of things by any person, except as otherwise permitted by this Declaration or by the Association.

3.18 Appearance of Yard and Driveway. Nothing other than barbecue equipment and customary outdoor furniture or furnishings shall be kept or stored outside of an enclosure in any yard, patio or deck of a unit. If there is any question about the meaning of "customary furniture or furnishings," the determination of the board of directors shall be conclusive. Driveways shall be kept clean, oil leaks from vehicles shall be contained, and oil stains immediately removed by the unit owner.

3.19 Views. No trees, bushes or other vegetation which unreasonably interfere with the view from any residential building in a unit toward Guemes Channel shall be permitted in the condominium. The board of directors shall determine whether vegetation unreasonably interferes with such a view in the event of any dispute. The Association shall have the right to remove such a view interference as a common expense.

3.20 Parking. Each unit shall be improved to provide at least two (2) off-street parking spaces by providing a minimum of 20 feet in front of each garage off of the sidewalk or curb as the case may be. No outdoor vehicle parking, other than guest parking, shall be permitted overnight. No vehicle parking shall be permitted on Channel Marker Lane. Signs designating Channel Marker Lane as "Fire Lane, No Parking" shall be maintained by the Association.

3.21 Compliance. Each owner and person using the property subject to this Declaration or any part thereof shall comply strictly with the provisions of this Declaration, including specifically without limitation this Section 3, and with the rules and regulations governing use of the condominium as the same may be adopted by the Association from time to time. Such performance may be enforced by an action to recover damages and for injunctive relief or either, which action may be maintained by the Association or by an aggrieved owner. Unit owners shall have a right of action against the Association for failure to comply with the provision of this Declaration or the articles of incorporation or bylaws of the Association. Failure to enforce any rule or restriction shall not constitute a waiver thereof. Wherever the board of directors shall have the authority to make a determination to resolve a dispute as provided in this Declaration, the board shall afford all interested parties a reasonable opportunity to be heard on the issue before a decision is made. The decision of the board of directors shall be fully enforceable in the same manner as a rule adopted by the Association.

4 MANAGEMENT AND MAINTENANCE

4.1 The Community. It is the intent of the Declarant and its designee that, for the purpose of general external appearance of the completed development of the real property within the City of Anacortes Short Plat of which this condominium is a part shall be treated and maintained as a single community. The development is intended to be accomplished through at least two different condominium projects including this condominium. No binding obligation will be imposed on these projects to act in cooperation to the intended end; however, it is the wish of the Declarant and its designee that such cooperation be forthcoming through the directors of the condominium associations involved. This Association is authorized to make expenditures for the overall benefit of this community even though the expenditure may improve property which is not within this condominium.

4.2 Authority of the Association. The Association shall have all of the power and authority conferred by RCW 64.34.304, except that the Association shall not assign its right to future income. In addition and without limitation on the foregoing, the Association shall have the exclusive authority for administration and management of the condominium; the exclusive right to contract for goods and services for the operation and management of the condominium; to pay for all goods and services contracted by the Association; to maintain one or more bank accounts in the name of the Association and, subject to limitations elsewhere in this Declaration, to authorize persons to draw on such accounts; to delegate authority to its employees and agents and to contract for management of the condominium; to participate in the community as provided in paragraph 4.1; and to do any and all things necessary and convenient to the administration and care-taking management of the condominium and to carry out the provisions of this Declaration. However, the Association shall not have the authority to enter into any agreement for professional management of the condominium on behalf of the Association unless by its terms the agreement may be terminable by the Association for cause upon not more than 30 days' notice and the term of the agreement shall not exceed more than one year; provided that the agreement may be renewable for successive one-year periods by agreement of the



parties. Under no circumstances shall the Association be authorized to or actually conduct, manage or engage in any business for profit for or resulting in return to the unit owners, including without limitation the business of management of any of the units for hire; provided that nothing herein shall prevent the Association from placing its funds at interest. The board of directors shall act in all instances on behalf of the Association.

4.3 Declarant's Right to Control. The Declarant or its designee shall have the exclusive right to control the Association from the time when this Declaration is recorded until the earlier of (a) 60 days after the date by which 75 percent of the units which may be created have been conveyed to unit owners other than Declarant's designee or (b) two years after the first conveyance or transfer of record of a unit by Declarant's designee except as security for a debt. Subject to the limitations of RCW 64.34.308(5) requiring the election of certain members of the board of directors by the unit owners, during the period of Declarant control, the Declarant's designee may appoint and remove officers of the Association and members of the board of directors. The Declarant's designee may voluntarily surrender the right to appoint and remove officers and members of the board of directors before the expiration of the period defined by (a) or (b) of this paragraph and require that, for the remainder of that period, specified action by the Association or the board of directors as described in an instrument recorded and executed by the Declarant be approved by the Declarant before the action becomes effective. However, in no event shall the Declarant or its designee have authority to cause the Association to enter into a management or employment contract calling for performance over a term of more than 90 days or a lease on behalf of the Association unless by its terms the contract or lease may be terminated on not more than 90 days' notice without penalty and without cause. In no event shall the Declarant or its designee have the authority to cause the Association to enter into a contract for professional management of the condominium unless the contract gives the Association the right to terminate the contract without cause at any time after the period during which the Declarant has the right of control expires as provided in this paragraph or the Declarant or its designee voluntarily surrenders control of the Association, whichever is first.

4.4 Maintenance Duty. The Association shall have the duty to maintain the common elements. Each unit owner shall have the right at the owner's cost and expense to alter, add to, change, remove and otherwise make improvements within the owner's unit subject only to the restrictions herein provided for. Except to the extent that the Association shall assume the obligation to maintain the exterior yards and routine maintenance of the exteriors of improvements in a unit, each unit owner shall have the duty to maintain the improvements in the owner's unit in good repair and condition and shall not interfere with the use and enjoyment of the common elements. The Association shall have no duty to maintain any of the improvements which are within any unit. Notwithstanding the foregoing, as a common expense, the Association shall have the right to cause the landscaped lawns and planting beds in all units to be tended, maintained, mowed and irrigated and to provide routine maintenance for the exteriors, including roofs, of the improvements made in all units as a common expense of the condominium. The Association may provide repairs to improvements in a unit which repairs are not routine maintenance; however, if such repairs are provided the cost thereof shall be a special assessment against the unit where the repairs were provided. For that purpose, the Association, its agents and contractors shall have the right to enter upon each unit. The board of directors shall have the authority to determine what maintenance is "routine" in the event of a dispute. Until the Association shall determine otherwise, it shall maintain the lawns and planting and the exteriors of the improvements. The Association shall not discontinue such services without first giving each unit owner three months' prior written notice.

4.5 Indemnity of Officers and Directors. Every officer and director of the Association shall be indemnified by it against all liabilities and expenses, including attorneys' fees, which may be incurred by or imposed upon the officer or director in connection with any matter or proceeding in which the officer or director may become involved by reason of being or having been an officer or director of the Association, except in actions by or on behalf of the Association in which the officer or director is adjudged guilty of a breach of duty toward the Association. Such indemnification shall include settlement of any such matter when the Association approves such settlement. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which the officer or director may be entitled.

4.6 Rules and Regulations. Acting for the Association, the board of directors shall have the authority to adopt, change, amend and repeal rules and regulations governing the use of the condominium and common elements by the unit owners and others, provided that such rules and regulations shall be uniformly applicable to all unit owners. All rules and regulations adopted pursuant hereto shall be complied with by the users of the condominium and shall be enforceable as provided by law. Any rule or regulation may be amended, altered, changed or repealed at a meeting of the Association, provided procedures, if any, therefor as set forth in the bylaws are complied with.



5 ASSESSMENTS

5.1 Budget. The board of directors shall cause a budget to be prepared in advance for each calendar year setting forth the annual common expenses which the board of directors estimate will be incurred for the calendar year. Common expenses shall include the estimated costs of the following:

5.1.1 Utilities. Water, refuse, electricity, telephone, and other utilities to the extent they are a liability of the Association, and are not separately metered or otherwise charged as the direct liability of the respective unit owners.

5.1.2 Goods. Goods, supplies and services required to maintain and repair the common elements, to maintain the exterior yards in the units and to provide routine maintenance of improvements in a unit.

5.1.3 Insurance. Insurance and bonds required by law and this Declaration and the Association.

5.1.4 Professional. Legal and accounting services needed for operation of the real property and enforcement of this Declaration, the rules and regulations adopted pursuant thereto, and the Association.

5.1.5 Reserves. An adequate reserve fund necessary for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis so that the cost thereof shall be payable in the regular assessments rather than by special assessment.

5.1.6 Other. Other costs and expenses as may be paid as common expenses as elsewhere provided for herein, including contribution to maintenance of the community as provided in paragraph 4.1.

5.1.8 Contingency. A reasonable sum for contingencies.

The budget shall contain a reduction for any surplus of assessments over actual expenditures and reserves for prior years and for any receipts expected from sources other than from assessments for the current year. Common expenses may include such other goods and services and reserves as the board of directors deem advisable for the benefit of the condominium, except that, unless the holders of 60 percent of the votes in the Association shall first approve, no expenditures for capital improvements or addition shall be budgeted or made if the aggregate cost of such capital improvements and addition for the calendar year exceed the sum of \$16,500. The exception shall not apply to expenditures for repair, reconstruction and restoration of common elements as provided for herein. Since the budget is adjusted as provided in paragraph 5.3 below, budgets shall be prepared assuming that improvements have been completed in all of the units.

5.2 Assessments. As of the first day of each calendar month during the calendar year, one-twelfth of the budgeted common expenses divided by the number of units shall be assessed against each unit as the Monthly Assessment. Notwithstanding the foregoing, to the extent that any common expense is caused by the misconduct of any unit owner, the Association may assess that expense against the owner's unit at any time. The board of directors shall have the responsibility for levying and collecting assessments for common expenses in the manner provided for herein.

5.3 Credit to Assessment. During the time when Declarant or its designee is the owner of a unit and the unit is not improved with a completed residential building, a credit shall be allowed against the common maintenance expense assessments which would otherwise be due on the unit. The assessment on the unit shall be reduced by the credit. The credit shall be determined with respect to each assessment using the budget which was adopted by the Association and on which the assessment is calculated. The credit shall be equal to that proportion of the assessment which the sum of the amounts for items included in the budget for yard maintenance, house exterior maintenance and reserves for house exterior replacement bears to the total budget. In the event of dispute under this section, the determination made by the directors shall be conclusive.

5.4 Assessments Due. A statement for the monthly assessment against the owner's unit shall be mailed or delivered to each unit owner addressed to the owner's address shown in the Association's records. Notwithstanding the actual time the statement is rendered or the budget is adopted, the board of directors may determine the period or periods for which an assessment has been made and its due date. Any assessment not paid within 30 days after the statement therefor is mailed or delivered to a unit owner shall be delinquent and bear interest as provided in RCW 64.34.364(13) from the due date specified until paid. However, no assessment may be delinquent and bear interest before such a statement is mailed or delivered as herein provided. Statements for the monthly assessment may be in the form of a coupon book.

5.5 Funds. The common expenses shall be paid from funds received because of such assessments and from other Association funds not specifically designated for other purposes, and such sums, together with any other

receipts on behalf of the property, shall belong to the Association. Funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with funds of any manager of the Association or any other person responsible for the custody of the Association's funds. Any reserve funds of the Association shall be kept in a segregated account. Any transaction affecting Association funds, including the issuance of checks, shall require the signature of at least one person who is an officer or director of the Association.

5.6 Surplus Funds. Surplus funds of the Association shall not be refunded to the unit owners or used to reduce future assessments but shall be held as funds of the Association and recognized in the budget as provided for in paragraph 5.1.

5.7 First Assessment. The Association shall make the first assessment for common expenses on the first calendar day of the calendar month following the first conveyance of a unit by the Declarant or its designee to a third party other than Declarant's designee. Until the first assessment is made, the Declarant or its designee shall pay all common expenses, provided that common expenses shall be prorated and adjusted between the Association and the Declarant or its designee as of the date that the first common expense assessment is made.

5.8 Contribution. In addition to the assessments herein provided for, at the time that the Declarant's designee shall have conveyed a unit to a third party, a sum equal to two times the amount of the first Monthly Assessment made against the unit shall be paid or shall have been paid to the Association by the owner of the unit, provided that in any event at the time that the Declarant's right to control the Association terminates, such a sum shall be paid to the Association by the owner of each unit for which no such sum had been previously paid. Such sum shall be a contribution to working capital of the Association belonging to it, shall not be deemed an advance payment or security for common expense assessments, and is referred to as a "Contribution" herein. Immediately on receipt, Contributions shall be deposited to a segregated fund in the name of the Association. While the Declarant or its designee has control of the Association, no part of any Contribution may be used by the Declarant or its designee to defray any of Declarant's or its designee's expenses, reserve contributions, or construction costs or make up any deficits in the budget. Nothing shall prohibit the Declarant or its designee from taking reimbursement for Contributions previously made by either of them for a unit from funds collected from a purchaser of the unit. This contribution shall be calculated on the amount of the Monthly Assessment without adjustment as provided in paragraph 5.3.

5.9 Lien. Unpaid assessments and interest thereon shall constitute a lien on each unit against which the assessment was made, and the owner of the unit against which the assessment is made shall pay the assessment before it is delinquent. The lien shall have the priority and may be enforced by the Association as provided by RCW 64.34.364, the provisions of which are incorporated herein as though here fully set forth. The lien shall not be affected by the sale or transfer of the unit, except that where foreclosure of a mortgage is involved, lien rights shall be affected as provided by statute.

5.10 Non-judicial Foreclosure. In order that the lien for unpaid assessments may be enforced non-judicially, the Declarant grants the condominium to First American Title Insurance Company, a corporation, as trustee, with power of sale of any unit in the condominium, for the benefit of the Association, as security for the payment of assessments. The units are not used principally for agricultural or farming purposes. The power of sale herein is operative in the case of default in the obligation to pay assessments. This Declaration may be amended as elsewhere provided for herein and as provided by law without the necessity of action, consent, joinder, or execution of the trustee; nonetheless, the trustee is instructed to join in and execute any such amendment to this Declaration at the request of the Association.

5.11 Unit Owner Liability. Each party who is an owner of a unit shall be jointly and severally obligated to pay the assessments which were assessed against the unit while the party was an owner of the unit. "Assessment" includes charges and fines, interest and late charges on a delinquent account, and costs of collection, including reasonable attorneys' fees in connection with the collection of a delinquent account. The personal obligation for assessments shall not pass to a successor in title unless the obligation is assumed by the successor. No unit owner may waive or otherwise escape liability for assessments by non-use of the common elements or abandonment of the owner's unit.

6 INSURANCE

6.1 Coverage. As a common expense, the Association shall maintain a policy or policies of insurance and bonds at all times to provide:

6.1.1 Liability. Insurance against liability incident to the ownership and use of the condominium



for personal injury and property damage with limits of not less than \$2,000,000 for each occurrence. Liability insurance shall include medical payment insurance in the amount determined by the Association.

6.1.2 Worker's Compensation. Worker's compensation insurance to the extent required by applicable law.

6.1.3 Personal Property. Insurance against loss of personal property of the Association by fire, theft and other losses in amounts and with deductibles as the Association deems advisable.

6.1.4 Fidelity Bond. As insurance, a fidelity bond or bonds with the Association as obligee for officers and agents of the Association handling its funds. For each officer and agent of the Association and for each other person who is responsible for the funds of the Association or for funds on behalf of the Association, a fidelity bond shall be maintained in an amount deemed advisable by the Association but in any event not less than the aggregate amount equal to the semiannual assessments payable to the Association plus the amount of any reserves of the Association.

6.1.5 Other. Such other insurance as may be required by law or as the Association deems advisable.

Since the common areas do not include any improvements which may be insured against loss or damage to real property, no such insurance is required for the Association. The improvements made within the units by each unit owner shall be insured by the unit owner. Each unit owner shall be an insured person under the liability policy with respect to liability arising out of the owner's interest in the common elements or membership in the Association. Each insurer shall waive its right to subrogation under its policy against any unit owner, member of the owner's household, and lessee of the owner. The insurance shall provide that it is the primary insurance in the event that there is other insurance in the name of a unit owner. All insurance policies shall provide that the policy may not be canceled by the insurer without ten days' prior notice to the Association and the mortgagees scheduled in the policy. No insurance against property loss or liability shall be required of the Association to insure the contents of a unit, an event occurring within a unit, or any improvement which the owner of a unit may make within the unit. Such excluded coverage shall be the responsibility of each unit owner with respect to that owner's respective unit. Neither the Association nor the condominium shall have any interest in insurance or proceeds of insurance on improvements within a unit.

6.2 Proceeds. Insurance proceeds for damage to personal property shall be paid to and belong to the Association which shall not be required to segregate such proceeds from other funds of the Association or hold the proceeds as trustee for unit owners. No lienholder shall have any right in such proceeds. No unit owner or lienholder shall be entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored or the condominium is terminated. Insurance shall not be payable to any mortgagee. The Association shall have the authority to settle and compromise any claim under insurance obtained for the Association, and the insurer may accept a release and discharge of liability made by the Association on behalf of the named insured including owners under the policy. The Association is hereby appointed as the attorney-in-fact for each owner in order to implement the intent of this paragraph.

6.3 Damage or Destruction. In the event that any portion of the common elements of the condominium is damaged or destroyed, then the Association shall promptly cause the damage or destruction to be repaired, replaced or restored as a common expense which shall be assessed against all of the units unless the unit owners agree otherwise with the consent of all eligible mortgagees.

7 MORTGAGEE'S PROTECTION

7.1 Definitions. As used in this Declaration, "mortgage", includes any deed of trust or other security instrument, "mortgagee" includes the beneficiary of a deed of trust, a secured party or other holder of a security interest, "foreclosure" includes a notice and sale proceeding pursuant to a deed of trust or sale on default under a security agreement and "eligible mortgagee" means a mortgagee of a unit that has filed with the secretary of the Association a written request that the mortgagee be given copies of notices of any action by the Association that requires the consent of mortgagees. Rights are expressly granted to holders of first-lien mortgages and other mortgagees and to insurers and guarantors of mortgages under the provisions of this Declaration. No amendment to this Declaration shall be effective to modify, change, limit or alter any right or rights expressly conferred upon such parties unless the amendment shall have first been consented to by the holder of each such mortgage which has been given for value, which has been recorded in the county where this Declaration is recorded and which is unsatisfied.

7.2 Assignment of Voting Rights. An owner may pledge or assign his voting rights to a mortgagee to



be effective only during the period when the mortgage is in default and subject to foreclosure. In such a case, the mortgagee or the mortgagee's designated representative shall be entitled to receive all notices to which the owner is entitled hereunder and to exercise the owner's voting rights during the effective period from and after the time that the mortgagee shall give written notice of such pledge or assignment to the secretary of the Association.

7.3 Curing Defaults. Nothing contained herein shall limit or restrict the right of the Association to cure any default under mortgages to which the liens created hereby may be subordinate. The Association is expressly authorized to cure any and all such defaults by payments to the mortgagee or mortgagees of a defaulting owner from common expense funds, and any such payments and expenses incurred incident thereto shall be forthwith repaid by the defaulting owner with interest as a special assessment against the owner's unit.

7.4 Notice to Mortgagees. Upon written request to the Association identifying the name and address of the holder, insurer or guarantor of a mortgage of a unit and identifying the number of the unit on which the mortgage has been given, the mortgagee or the insurer or guarantor of a mortgage shall be given timely written notice of:

7.4.1 Condemnation or Loss. Any loss by condemnation or casualty affecting a material portion of the condominium subject to the mortgage;

7.4.2 Delinquencies. Any delinquency in payment of obligations owed to the Association by the owner of the unit subject to the mortgage remaining uncured for a period of 60 days;

7.4.3 Insurance. Any lapse, cancellation or material modification of any insurance or fidelity bond maintained by the Association;

7.4.4 Action Requiring Consent. Any proposed action which requires the consent of the holder of the mortgage; and

7.4.5 Meetings. All meetings of the Association.

7.5 Rights of Mortgagees. Mortgagees and insurers or guarantors of mortgages shall be entitled to the following:

7.5.1 Required Consent. The consent shall be required of holders of mortgages which have requested notice under section 7.4 and which have mortgages on units which have at least 51 percent of the votes held by the owners of all of the units subject to such mortgages for the following action:

7.5.1.1 No Restoration. Other action than restoration or repair of the condominium substantially in accordance with the original Declaration and the original plans and specifications of the property in the event of partial condemnation or insurable casualty;

7.5.1.2 Termination. Election to terminate the status of the property as a condominium after substantial destruction or taking in condemnation;

7.5.1.3 Self-Management. A decision to establish self-management by the Association in lieu of professional management;

7.5.1.4 Amendments. Any addition or amendment to any material provision of this Declaration or the Association bylaws which establish, provide for, govern or regulate any of the following: voting; assessments, assessment liens or subordination of such liens; reduction in reserves for maintenance, repair or replacement of the common elements or units; reallocation of interests in the common elements or in the right to their use; insurance or fidelity bonds; rights to use common elements; responsibility for maintenance and repair of the several portions of the condominium; expansion or contraction of the condominium or the addition, annexation or withdrawal of any portion of the condominium; ability to convert units into common elements or of common elements into units; boundaries of any unit; interests in the common elements; leasing of units; or imposition of rights of first refusal or similar restriction of a unit owner to sell, transfer or otherwise convey the owner's unit. If a holder of a mortgage is requested to approve any such addition or amendment and fails to deliver or mail a negative response within 30 days after it receives notice of the request, the holder shall be deemed to have approved the requested addition or amendment; provided that the notice was delivered by certified or registered mail with a "return receipt" requested.

7.5.2 Change in Common Elements. Unless the holders of at least 67 percent of the first mortgages of units have given their prior written approval, the Association shall not be entitled by act or omission, to seek to partition, subdivide, encumber, sell or transfer the common elements or to partition or subdivide any unit or to terminate the condominium. The granting of easements for public utilities or for other public purposes consistent with the intended use of the common elements shall not be deemed a transfer within the meaning of this clause.

7.5.3 No Change in Priority. Nothing herein contained shall be construed to give any owner or



any other party priority over any rights of the mortgagee of a unit pursuant to its mortgage in case of a distribution to such owner of insurance proceeds or condemnation awards for losses to or a taking of units and common elements or either.

7.5.4 Financial Statements. If requested, a mortgagee or a guarantor or insurer of a mortgage of a unit will be provided with the last annual audited financial statement of the operation of the Association within a reasonable time after the request and will be permitted to designate a representative who shall be entitled to attend all Association meetings.

8 MISCELLANEOUS

8.1 Notices. Notices required hereunder shall be in writing and shall be effective when deposited in the mail, postage prepaid, and addressed to the person entitled thereto at the address shown on the records of the Association except as specifically otherwise provided in paragraph 7.4. Notices to the Association may be addressed to the secretary of the Association either to its published business address or in care of its registered agent.

8.2 Waiver. The failure of the Association or any owner to insist upon strict performance or compliance with the provisions hereof, or to exercise any right or option herein conferred, shall not be construed as a waiver or release of the strict performance of or compliance with such provision thereafter or of any other provisions hereof.

8.3 Entry. The Association and its agents, representatives, or contractors shall have the right to enter any unit and do such things as deemed necessary or advisable in connection with the maintenance, operation, repair or reconstruction for which the Association is responsible. Such entry shall be made with as little inconvenience to the owners or occupiers of the unit as practical, and any damage occasioned thereby shall be repaired as a common expense.

8.4 Records. The Association shall keep financial records sufficiently detailed to comply with RCW 64.34.425. At least annually, the Association shall prepare or cause to be prepared a financial statement of the Association in accordance with generally accepted accounting principles. On request, under reasonable circumstances and during all normal business hours, the Association shall make available to the manager of the Association, to any unit owner, to the owners' authorized agents, to holders, insurers or guarantors of mortgages, or to prospective purchasers for inspection, current copies of the Declaration, the articles of incorporation of the Association, bylaws of the Association and the rules and regulations and the books, records and financial statements of the Association, including but not limited to checks, bank records, invoices and audited financial statements. The Association shall furnish the information required by RCW 64.34.425.

8.5 Audit. At any time at the expense of an owner or a mortgagee, the owner or mortgagee may cause an audit of the books and records of the Association to be made. The financial statements of the Association shall be audited by a certified public accountant at least annually at the expense of the Association. The audited financial statement, if required, shall be available within 120 days after the end of the Association's fiscal year. The annual audit of the Association may be waived annually by vote of 60 percent of the unit owners other than Declarant or its designee and excluding units owned by Declarant or its designee.

8.6 Subdivision and Combination of Units. Units may not be subdivided. Units may be combined, provided that the aggregate interest in the common elements and the common expense liability of the resulting unit or units shall be equal to the combined interest and common expense liability of the units involved prior to their combination. No common element may be included in any combination of units.

8.7 Condemnation. The Association shall have the exclusive right, power and authority to represent all of the unit owners in any proceedings whereby all or any part of the common elements are subjected to the right of eminent domain and to negotiate, settle and enter into any agreements with respect thereto. The Association is hereby appointed as the attorney-in-fact for each owner in order to implement the intent of this paragraph. In the event of any taking of all or any part of the common elements under the right of eminent domain or threat thereof, unless otherwise ordered by a court of jurisdiction, the proceeds shall be paid over to the Association which shall segregate and hold such proceeds for the benefit of the owners and lienholders as their interests may appear.

8.8 Amendment. Subject to the express provisions hereof and consistent with the provisions of the Act, this Declaration and the survey map and plans referred to herein may be amended by the vote or agreement of the unit owners to whom 67 percent of the votes (being 23 votes) in the Association have been allocated; provided that any amendment which increases the number of units, changes the boundary of any units, the allocated interests of the unit, or the uses to which any unit is restricted shall require the affirmative vote of the owners of the units affected and a

vote of 90 percent of the votes (being 30 votes) in the Association allocated to units other than the Declarant or its designee. When an amendment has been approved by the owners, then the Association shall forthwith cause a written instrument to be prepared, signed and acknowledged by the president of the Association and recorded in the county where this Declaration is recorded, setting forth the amendment and certifying that the amendment was duly adopted. Upon such recording, the amendment shall become effective.

8.9 Termination. Any distribution of funds in connection with the termination of the condominium shall be in accordance with the provisions of RCW 64.34.268, which is incorporated herein by this reference as though here fully set forth.

Dated this 8th day of December, 2004.

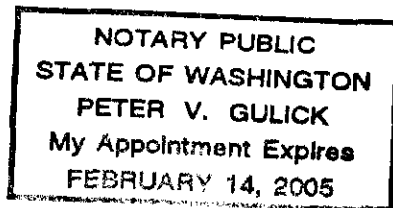
496404 Washington, Inc.

By *Allan Schroeder*
Allan Schroeder, President

State of Washington
County of Skagit

I certify that I know or have satisfactory evidence that Allan Schroeder is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the president of 496404 Washington, Inc., a Washington corporation, to be the free and voluntary action of such corporation for the use and purposes mentioned in the instrument.

Dated: December 8, 2004 .



Peter V. Gulick
Notary Public
My appointment expires February 15, 2005