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Document Title: Declaration of Condominium for Hillcrest Condominium

Reference Number(s) of Document assigned or released: Not Applicable

Grantor(s): Home Development Company Inc. A Washington Corporation

Grantee(s): Hillcrest Condominium Owners Association

Legal Description

(abbreviated: i.e., lot, block, plat or section, township, range):
Additional legal on Exhibit A of document(s)

Lot 1, Hillcrest Landing recorded April 15, 2013 Aud. File No. 201304150001
Records of Skagit County, Washington.

Assessor's Property Tax Parcel/Account Number(s): 6012-000-000-0001/P131439

This Project is a Common Interest Community subject to the provisions of RCW 64.90.

NOTICE TO RECORDER

AS REQUIRED BY RCW CHAPTER 64.90, AT THE TIME OF RECORDING OF
THIS DECLARATION INSERT DATA FOR THE CONDOMINIUM MAP
RECORDED IN CONNECTION HEREWITH. The Condominium Map referred to
herein is filed with the Recorder of Skagit County, Washington simultaneously with
the recording of the Declaration under Skagit County Auditors File Number

202409030039

DECLARATION OF CONDOMINIUM FOR HILLCREST CONDOMINIUM

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DECLARATION OF CONDOMINIUM FOR
HILLCREST CONDOMINIUM

The parties signed as Declarants at the end hereof make **THIS DECLARATION**, to submit the property hereinafter described to the Washington Uniform Common Interest Ownership Act (Revised Code of Washington, Chapter 64.90). The name of the Condominium shall be Hillcrest Condominium. The interest of the Declarant in the Real Property included in the Condominium is fee simple.

SECTION 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 Washington law. Insofar as it affects this Declaration and Condominium, the provisions of the Act under which this Declaration is operative, shall be liberally construed to effectuate the intent of this Declaration.

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

1.3. Covenant Running with Land. This Declaration shall operate as a set of covenants running with the land, or equitable servitudes, binding on Declarant, its heirs, successors and assigns, all subsequent Owners of the Property or a Unit, together with their grantees, successors, heirs, executors, administrators, devisees or assigns, supplementing and interpreting the Act, and operating independently of the Act, should the Act or any part thereof be, in any respect, inapplicable.

1.4. Captions and Exhibits. Captions given to the various sections and sections herein are for convenience only and are not intended to modify or affect the meaning of any substantive provisions of this Declaration. The various Exhibits referred to herein and attached hereto shall be deemed incorporated herein by reference.

1.5. Percentage of Owners. For purposes of determining the percentage of Owners, or percentage of voting power for approving a proposed decision or course of action in cases where an Owner owns, more than one Unit, such Owner shall be deemed a separate Owner for each such Unit so owned.

1.6. Inflationary Increase in Dollar Limits. Any dollar amounts specified in the Declaration in connection with any proposed action or decision of the Board or Association shall be increased proportionately by the increase in the consumer price index for the city of Seattle, Washington for All Urban Consumers ("Index"), prepared by the United States Department of Labor over the base index of January 1 of the calendar year following the year in which the Declaration is recorded, to adjust for any deflation in the value of the dollar. In the event the index is discontinued, the Board shall select a comparable index for this purpose.

1.7. Definitions.

"The Act" means the Washington Uniform Common Interest Ownership Act (Revised Code of Washington, Chapter 64.90), as amended from time to time.

"Allocated Interests" means the undivided interest in the Common Elements, the Common expense liability, and votes in the Association allocated to each Unit.

"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 attorney's fees, incurred by the Association in connection with the collection of a delinquent Unit Owner's account.

"Association" means the Unit Owner's Association organized in accordance with The Act, the Bylaws and with this Declaration as it is recorded, or as they may be amended.

"Board of Directors" and "Board" means the body with primary authority to manage the affairs of the Association.

"Bylaws" means the Bylaws of the Association as initially promulgated by the Declarants, and as amended from time to time which, with this Declaration, provide for the organization of the Association and for the administration of the property.

"Common Elements" means all portion of the Condominium Map other than the Units which is owned or leased either by the Association or in common by the Unit Owners.

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

"Common Expense Liability" means the liability for Common expenses allocated to each Unit pursuant to this Declaration and the Act.

"Declarant" or "Declarants" means any person, or any group of persons acting in concert who, (a) execute(s) as declarant this Declaration, (b) reserve(s) any Special Declarant Right under the Declaration; (c) succeed, by transfer of record to any Special Declarant Rights other than simply the rights to maintain sales offices, signs for advertising, and model homes; or (d) acquire(s) more than one Unit from a Declarant for the purposes of development and by written instrument in recordable form is assigned rights and duties of a Declarant. Any Declarant may assign all or a portion of such Declarant's rights duties, interests or obligations as such, may retain any of such rights, duties, interests or obligations to the extent not assigned, and may divide any such rights, duties, interests or obligations between two or more successors (such as builders purchasing multiple Units in the Property for improvement and resale, who may be appointed as successor Declarants or co-Declarants with respect to the Units purchased by them).

"Declaration" means this instrument, as amended from time to time, by which the property is submitted to provisions of The Act.

"Declarant Control" means the right of the Declarant(s) or persons designated by the Declarant(s) to appoint or remove any officer or Board member of the Association or to veto or approve a proposed action of any board or association pursuant to RCW 64.90.415(1)(a).

"Development Right" means any right or combination of rights reserved in this Declaration, or an amendment thereto, for the benefit of the Declarant, or its successors or assigns to: (a) add real estate or improvements to the Condominium; (b) create Units, Common Elements or Limited Common Elements within any real estate initially included or subsequently added to the Condominium; (c) subdivide or combine Units or convert Units into Common Elements; (d) withdraw real estate from the Condominium; or (e) reallocate Limited Common Elements with respect to Units that have not been conveyed by the Declarant.

"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 consent of Mortgagees. For the purposes of this Declaration the term "Eligible Mortgagee" includes insurers and guarantors of mortgages. With respect to any action requiring the consent of a specified number or percentage of mortgages, the consent of only Eligible Mortgagees holding a first lien mortgage need be obtained and the percentage shall be based upon the votes attributable to the Units with respect to which eligible mortgages have an interest.

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

"Identifying Number" means the number, letter, or combination thereof, designating only one Unit in this Declaration as it is recorded or as it may be amended.

"Limited Common Elements" means a portion of the Common Elements allocated by this Declaration or by operation of the act for the exclusive use of one or more but less than all of the Units.

"Majority" or "Majority of Unit Owners" means, for the purposes of this Declaration, the Unit Owners with one hundred percent (100%) or more of the votes in accordance with the allocated interests assigned to the Units by this Declaration. In the event of a 50-50 tie the issue shall be resolved pursuant to the Mediation/Arbitration provisions of this Declaration of Condominium.

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

"Mortgagee" means the secured party under a mortgage, deed of trust, or other real property security interest covering a Unit. For the purposes of this Declaration the term "mortgagee" includes the vendor under a real estate contract.

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

"Purchaser" means a person, other than a Declarant or a Dealer, which by means of a voluntary transfer acquires a legal or equitable interest in a Unit other than as security for an obligation.

"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 thereof 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.

"Special Declarant Rights" means all rights identified in Section 20, together with as any right or combination of rights reserved in this Declaration for the benefit of the Declarant to: (a) complete improvements indicated on the Plat, described in the Declaration or the public offering statements; (b) exercise any Development Rights; (c) maintain sales offices, management offices, signs advertising the Condominium and models; (d) use easements through the Common Elements for the purpose of making improvements within the Condominium or within real estate that may be added to the Condominium; (e) make the Condominium subject to a master association; (f) merge or consolidate the Condominium with any other community of the same type; (g) appoint or remove any director or officer of the Association or any master association, or veto or approve a proposed action of any Board or Association; (h) control any construction, design review, or aesthetic standards committee or process; (i) attend meetings of the Unit Owners and, except during an executive session, the Board; or (j) have access to the records of the Association to the same extent as a Unit Owner.

"Unit" means a part of the property intended for residential use and occupancy, as provided herein, referred to as a "Unit" in The Act. The term Unit includes the dwelling and structures, any yard and improvements within the airspace Unit.

"Unit Owner" means the Declarant or other person or persons owning a Unit 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. This definition shall not include persons who, on a month-to-month or other basis, rent or lease their Unit from a Unit Owner.

1.8. Nature of the Units. The Units created as part of this Condominium are of the kind commonly referred to as "airspace units", meaning that the boundaries of each Unit are not defined by any portion of a particular building, but rather by reference to planes in space established by the Condominium Map.

SECTION 2 - DESCRIPTION OF REAL PROPERTY

2.1. Legal Description. The Real Property included in the Condominium is described on Exhibit A hereto which by this referenced is incorporated herein.

2.2. Legal Description of Phases. Declarant does not reserve the right to phase the development.

2.3. Description of Real Property (except Real Property subject to Development Rights) that may be allocated subsequently as Limited Common Elements (other than Limited Common Elements described in this Declaration). None at present, however Declarant reserves the right under Section 20.2.3 to create Limited Common Elements on the land described in Section 2.1 above.

2.4. Description of Real Property to which any Development Right or Special Declarant Right applies: The land described in Section 2.1 above.

SECTION 3 - DESCRIPTION OF UNITS

3.1. Number of Units. There are two (2) Units to be developed. Each Unit is identified by the house number 1781 and 1783.

3.2. Additional Units to be Created. Declarant does not reserve the right to add additional units.

3.3. Unit Description. Exhibit C sets forth the approximate square footage of each Unit and the identifying number or letter of the Unit. Because the Unit is an envelope of defined space (which may in the future, but not necessarily on the Declaration's recording date, contain a dwelling structure) the Declaration may not include the number of bathrooms, bedrooms and fireplaces within a Unit or the building levels on which the Unit is located.

Unless otherwise stated in the Declaration on Exhibit C, there are no recreational facilities, assigned parking spaces or moorage slips.

3.4. Unit Boundaries.

3.4.1. Units shall consist of an envelope of space, the perimeter boundaries of which on the surface of the land are as located and depicted on the Condominium Map and which boundaries extend above and below the ground elevation for each Unit as shown on the Condominium Map. A Unit shall include all structures, improvements, and fixtures now or hereafter located within said space.

3.4.2. The physical boundaries of the Unit as they actually exist, either as originally constructed or as reconstructed in substantial accordance with the original plans shall be conclusively presumed to be the Unit's boundaries rather than metes and bounds expressed or

depicted in this Declaration, or the boundaries as so described or as depicted in the Condominium Map, regardless of settling or lateral movement of the building, or minor variances between boundaries shown in the Declaration, Condominium Map.

3.5. Access to Common Elements. There are no Common Elements for access.

3.6. Access to Public Streets. Both Units have direct access to the public street.

SECTION 4 - COMMON ELEMENTS

4.1. Description. Common Elements means all portions of the Condominium other than the Units. The following items are illustrative of Common Elements but are not all inclusive:

4.1.1. The real property described in Section 2.1 not included within a Unit.

4.1.2. Any fence constructed by Declarant along the outside perimeter of the Units or the Property.

4.1.3. The Common Elements shown on the Condominium Map as walkways or roadway.

4.1.4. Any utility lines providing service to more than one Unit, including the drainage facilities and private sewer main within the project.

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

4.2. Use. Each Owner shall have the right to use the Common Elements (except Limited Common Elements reserved for other Units) in common with all other Owners. The right to use the Common Elements shall extend not only to each Owner, but also to his agents, servants, tenants, family members, invitees, and licensees. The right to use the Common Elements, including the Limited Common Elements, shall be governed by and subject to the provisions of the Act, this Declaration, the Bylaws and the Rules and Regulations of the Association. The Common Elements are subject to the conditions of approval of the site plan for the project.

4.3. Maintenance. The Common Elements shall be maintained and regulated by the Owners' Association in a manner consistent with good building and nursery practices, and in compliance with all applicable codes and regulations.

Easements are hereby granted for the installation, inspection, and maintenance of utilities and drainage facilities as delineated on the Condominium Map (if any). No encroachment will be placed within the easements shown on the Condominium Map, which may damage or interfere with the installation, inspection and maintenance of utilities. Maintenance and expense thereof of the utilities and drainage facilities shall be the responsibility of the Association as established herein.

4.4. Construction Work - Common Elements. The Common Elements shall not be reconstructed, rebuilt, altered, removed or replaced except by the Association acting through the Board, or as and in the manner the Association acting by the Board may authorize, and such action and authorization must also be in accordance with The Act, this Declaration, and the Bylaws.

4.5. Governmentally Required Maintenance, etc. Any insurance, maintenance, repair, replacement, alteration or other work, or the monitoring of such work, which is required by any governmental entity (including without limitation, federal, state or local government, public or private utility provider, local improvement district, or other governmental or quasi-governmental entity or agency), and regardless of whether such requirement is now or hereafter established, and whether imposed in connection with a building permit or other governmental approval or requirement, and whether involving land within public rights of way or subject to ownership or exclusive use of one Owner, shall be the sole and exclusive responsibility of the Association (not the Declarant) and any cost incurred in connection therewith shall be a Common Expense. In the event the Association, in the judgment of a governmental authority, fails to maintain drainage facilities within the Common Elements or other Common Elements, or if the Unit Owners willfully or accidentally reduce the capacity of the drainage system or render any part of the drainage system unusable, or damage or destroy any part of the Common Elements (including NGPA areas, if any) the Unit Owners and the Association agree to be responsible for any costs or fees incurred from sanctions imposed by the governmental authority, including attorney's fees and expert's fees should legal action be required to collect monies owed. In furtherance of the generality of the foregoing, and not by way of limitation, such work shall include: maintenance of any grass-lined swales and proper disposal of clippings; replacement of landscape plantings that die during any required maintenance period; maintenance of public and private storm sewer and retention systems and maintenance and/or non-disturbance of Native Growth Protection Areas/Easements. Declarant shall have the right, but not the obligation, to perform any such work if the Association fails to do so. The Association shall promptly upon demand reimburse Declarant for any costs directly or indirectly incurred by Declarant as a result of the Declarant performing, or the Association's failure to perform, such work (including any work necessary to obtain a release, or avoid a forfeiture, or any cash deposit or other bond made by Declarant).

4.6. Limited Common Elements. There are presently no Limited Common Elements.

SECTION 5 - ALLOCATION OF COMMON ELEMENT INTERESTS, VOTES, AND COMMON EXPENSE LIABILITIES

5.1. General. The allocated interests in (a) the Common Elements and (b) in the common expenses of the Association and (c) the portion of votes in the Association are allocated to each Unit as set forth below in Exhibit C hereto. The established allocated interests are not separate from the Unit and shall be deemed to be conveyed and encumbered with the Unit, although not mentioned in the instrument evidencing the encumbrance or conveyance.

5.2. Formula. The Allocated Interests of each Unit in (a) Common Elements, (b) Common

expenses of the Association and (c) votes in the Association is determined as follows: Each Unit shall have a percentage vote and an Allocated Interest in the Common Elements and Common Expense Liability equal to a fraction, the numerator of which is one (1) and the denominator of which is the total number of Units then in the Condominium. This formula is used solely to establish the required allocated interests. The formula is not based upon the respective values or sizes of the Units.

SECTION 6 - PARKING

6.1. Parking. Unit Owners shall park within their Unit in the garage or on the Concrete Drive within their Unit. Parking in Concrete Drive shall not block or impede vehicular access to the other Unit or extend into the sidewalk or traveled portion of the public road.

No inoperable vehicles of any kind shall be parked, stored, maintained, or constructed on any Unit or street unless stored in a garage. No goods, equipment or vehicle (including buses, trailers, recreational vehicles, etc.) shall be dismantled or repaired outside any building or residential Unit. The Association or a Unit Owner may require removal of any inoperative or unsightly vehicle, and any other vehicle, equipment or item not stored in accordance with this provision.

SECTION 7 - MAINTENANCE, ALTERATIONS - COVENANTS, AND RESTRICTIONS

7.1. Residential Occupancy. The buildings and Units shall be restricted to single-family occupancy only, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable activities normally incident to such use not inconsistent with the provisions of this Declaration nor applicable zoning and for the purposes of operating the Association and managing the Condominium if required.

7.2. Leases. No Owner or other person shall be permitted to lease or otherwise rent a Unit for a term less than ninety (90) days. No lease or rental of a Unit may be of less than the entire Unit. Any lease or rental agreement must provide that its terms shall be subject in all respects to the provisions of the Declaration and Bylaws and the Rules and Regulations of the Association and that any failure by the tenant to comply with the terms of said documents, Rules and Regulations shall be a default under the lease or rental agreement and that the Owner grants to the Board and the managing agent the authority to evict the tenant on the Owner's behalf for such default, upon only such notice as is required by law; if any lease does not contain the foregoing provisions, such provisions nevertheless be deemed to be a part of the lease and binding upon the Owner and the tenant by reason of their being stated in the Declaration. Neither the Board nor the managing agent shall be liable to the Owner or the tenant for any eviction under this section that is made in good faith. All leases and rental agreements shall be in writing. Copies of all leases and rental agreements shall be delivered to the Association before the tenancy commences.

Timesharing (as defined in RCW 64.36.010(11) and Airbnb rentals are prohibited.

7.3. Maintenance and Repair of Units

7.3.1. Owners Duties. Each Unit Owner, at his or her sole expense, have the right and the duty to keep the interior and exterior of his building, landscaping and all other improvements within the Unit including the Building structure, all 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 his Unit. Each Owner shall be responsible for the maintenance, repair or replacement of any plumbing fixtures, water heaters, fans, heating or other equipment, electrical fixtures or appliances which may be in or connected with his Unit. Each Unit Owner shall maintain their deck continuously in a good, clean, attractive, safe and sanitary condition in full compliance with any Rules and Regulations adopted by the Board.

7.3.2. Repair or Replacement. If the Association maintains insurance on the building then pursuant to Section 12 the Association shall supervise and cause to be performed any repairs resulting from an insured loss using available insurance proceeds. Otherwise, the Unit Owner is responsible for the replacement or repair of the Building in each Unit if all, or any portion thereof, is destroyed by fire or any other cause. Such work shall be completed within six (6) months from the date of damage. In the event that the Unit Owner fails to repair or replace the Unit within said six months, then the Association shall have the right (but not the obligation) to undertake and complete said repairs or replacement. Upon demand, any insurance proceeds with respect to the damage or borrowed funds shall be paid to the Association by the Unit Owner or insurer. Any funds expended by the Association on the repair or replacement of the Unit shall constitute a special assessment against the damaged Unit and a lien under the provisions of the Declaration, together with applicable interest and attorney fees. This right to rebuild is not intended to constitute the sole remedy of the Association for the failure of a damaged or destroyed Unit Owner to repair or rebuild, but all rights for such breach are preserved. In the event that the Association fails to exercise its right to rebuild under this section, the owner of the Unit adjoining the damaged Unit shall have the right to do so and shall have all rights granted to the Association hereunder.

7.3.3. Roofing and Exterior Painting. Replacement roofing and siding material shall be the same, as far as possible, in color and style as the original roofing and siding materials on residences within the development. Building exteriors shall be painted at least once every ten years. Utilization of different exterior materials including, without limitation, roofing materials, building siding materials and fencing must be approved by both Unit Owners before installation.

7.3.4. Common Assessments. The Association is authorized and empowered to (but in its discretion is not required to) assess monies for the maintenance, repair and replacement of the roof(s) and for exterior painting of the buildings. This includes the right to establish reserve accounts for said work. The Association shall supervise and manage all work on the roofs and all exterior painting.

7.3.5. Failure to Maintain. If a Unit Owner fails, in the reasonable judgment of the

Board, to adequately perform the above-described maintenance work, then the Association may itself perform (or arrange to have performed) such work after the Board has issued a written demand to the Unit Owner and following a reasonable period of time following delivery of the demand. In such event, after notice and an opportunity to be heard to the Unit Owner, the entire cost of such maintenance and/or repair work shall be specially charged to the Unit for which such maintenance and/or repair work was performed in the manner provided under Section 11.

7.4. Party Walls. Each Unit within the Condominium contains a common Party Wall with an adjacent Unit. For purposes of this Declaration, a "Party Wall" shall mean any wall which is located on a Unit boundary line and which serves as a common wall between residences located within the Building. Included in this definition is any fence separating said Units. Each of the Unit Owners shall be deemed to own the one-half of the Party Wall the exterior surface of which forms the interior surface of their residence located within the Building (the "Living Unit"), whether or not the actual center of the Party Wall corresponds exactly to the common Unit Boundary.

7.4.1. Use. Each Owner may use the Party Wall for any and all purposes that do not interfere with the use of the Party Wall by the other Owner. Notwithstanding the foregoing, neither Owner may cut openings through the Party Wall, do anything to impair the structural integrity or strength of the Party Wall, or do anything to alter, damage, or deface the exterior surface of the Party Wall located on the other Owner's Unit (whether such exterior surface is on the inside or outside of the Unit).

7.4.2. Repair; Maintenance. Each Owner shall maintain the exterior surface of the Party Wall located on their Unit and shall maintain all utilities serving their Unit, which are located within the Party Wall, if any. In the event that the structural components of the Party Wall are damaged or destroyed, each Owner shall pay for one-half of the cost of the repair or rebuilding of such structural components; provided that if the damage or destruction occurs as a result of the negligence or willful misconduct of one Owner or the invitee of an Owner then such Owner shall pay all of the costs of the repair or rebuilding of the Party Wall. In the event that the Party Wall needs to be repaired or rebuilt, it shall be repaired or rebuilt using the same standards or construction and shall be the same size and configuration of the Party Wall that exists immediately prior to the repair or rebuilding except as provided in Section 7.4.3 hereof.

7.4.3. Change of Size or Configuration. In the event that the Party Wall needs to be repaired or rebuilt, the size, configuration, or standards of construction of the Party Wall may be changed upon the request of one Owner and the prior written approval of the other Owner, which approval shall not be unreasonably withheld. In the event that any such change in size, configuration, or standards of construction results in a higher cost than a repair or rebuilding of the Party Wall based upon the size, configuration, and standards of construction that existed as of the date of this Declaration, then the Owner requesting the change shall be responsible to pay all of the increased costs associated with any such change. In the event that either Owner wishes to change the size, configuration, or standards of construction of the Party Wall when the Party Wall is not in need of repair or rebuilding, such Owner may do so at its sole cost and

expense with the prior written approval of the other Owner, which approval shall not be unreasonably withheld.

7.4.4. Payment. In the event that the Party Wall is in need of repair or rebuilding, the Owners shall attempt to agree on all aspects of the repair and rebuilding, including the contractor to be used, the timing of the repair and rebuilding, and the allocation of costs pursuant to Sections 7.4.2 and 7.4.3 hereof. In the event that the Owners cannot reach agreement within 10 days from the date of the damage or destruction to the Party Wall resulting in the need for repair or rebuilding, then either Owner may cause the repair or rebuilding to be done and shall have the right to reimbursement from the other Owner for such Owner's proportionate share of the costs of the repair and rebuilding, together with interest at a floating rate of interest equal to the prime rate of U.S. Bank of Washington plus 3 percent per annum until such costs are reimbursed in full. Either Owner may submit a dispute regarding payment or any other dispute with respect to the Party Wall to the Board, whose decision shall be binding on the Owners in dispute.

7.4.5. Cross-Easement. Declarant hereby reserves for the benefit of each Owner an easement in the Unit of the other Owner upon which any portion of the Party Wall is located for each Owner's use of the Party Wall as provided for in this Section 7.4 of this Declaration.

7.5. Owner Caused Damage. If any Owner shall damage a Unit, Limited Common Element or Common Element by its negligence or willful misconduct and does not repair the damage within 30 days following receipt from the Board of notification to repair or, where the damage cannot be repaired within the 30-day period the Owner does not commence repair of the damage within the 30 day period and thereafter diligently prosecute the same, the Board may repair the damage and specially assess the Owner for the costs of such repair. Any disputes between Owners arising from this Section 7.5 shall be decided by Mediation/Arbitration pursuant to Section 21 of this Declaration that shall be binding upon the Owners in dispute.

7.6. Maintenance, Repair and Replacement of Common Element and Enforcement of Maintenance, Repairs and Replacement Obligations of Unit Owners. The Association shall be responsible for the maintenance, repair and replacement of all Common Elements. Subject to Section 7.5 and as otherwise provided in this Declaration, the Association shall have the right to enforce the obligations of the Unit Owners to maintain and repair the Unit Structures, and other improvements in their respective Units as required by this Declaration, in the event any Unit Owner fails to perform said obligations. In the event of a dispute by Owner over the requirement for and scope of work, the dispute shall be decided by Mediation/ Arbitration pursuant to Section 21 of this Declaration that shall be binding upon the Owners in dispute. If the Unit Owner fails to pay said expense, any financial award shall constitute a lien against the Unit in the same manner as an Assessment pursuant to Section 11 of this Declaration.

7.7. Effect on Insurance. The Unit Owners shall not permit anything to be done or kept in the Units or in the Common Elements which will increase the fire insurance premiums thereon or result in the cancellation of such insurance on any Unit or any part of the Common Elements, without the consent of the Board or pursuant to rules and regulations adopted thereby.

7.8. Signs. No sign of any kind shall be displayed to the public view on or from any Unit or from the Common Elements without the consent of the Board or pursuant to rules and regulations adopted thereby; provided, that this section shall not apply to sales or rental activities of the Declarant permitted pursuant to Section 20.

7.9. Pets. The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited within any unit or upon the common elements, except that the keeping of orderly domestic pets (e.g., dogs, cats or caged birds) not to exceed three per unit without the approval of the Board of Directors, and guard dogs, service animals (typically dogs), emotional support animals and aquarium fish (and other limited species of animals that do not normally leave the unit and that do not make noise) is permitted, subject to the rules and regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding; and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the Property upon ten days written notice from the Board of Directors. Such pets shall not be permitted upon the common elements unless accompanied by someone who can control the pet and unless carried or leashed. Any unit owner who keeps or maintains any pet upon any portion of the Property shall defend, indemnify and hold the Association, each unit owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets that may leave the unit shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law. The Board of Directors may establish reasonable fees for registration of pets not to exceed the additional costs incurred by the Association resulting from the presence of such pets.

7.10. Offensive Activity. No noxious or offensive activity shall be carried on in any Unit, Common Elements or Limited Common Elements nor shall anything be done therein which may be or become an annoyance or nuisance to other Unit Owners, or which would be in violation of any laws. Owners shall not permit any condition to exist that will induce, breed or harbor infectious plant diseases, or noxious insects or vermin.

7.11. Oil and Mining Requirements. No oil drilling, oil development, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in any Unit; nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Unit. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Unit.

7.12. Mobile or Manufactured Housing. There shall be no mobile or manufactured housing.

7.13. Utilities. All utilities shall be installed underground. No fuel tank shall be maintained above ground unless properly screened. Unless otherwise approved by the Association, the cost of restoration of any yard landscaped area(s) disturbed by private utility work shall be borne solely by the Unit Owner(s) so benefited by the utility work. In the event the Unit Owner(s) does not restore the yard landscaping within a reasonable time, upon due notice to the non-

complying Unit Owner(s), the Association shall have the authority to complete the restoration on behalf of the Unit Owner(s) and to specially assess them for the cost.

7.14. Games and Play Structures. Basketball hoops shall not be allowed on the Units or Common Elements. No portable basketball hoops shall be used, stored or located on any Unit or common area or upon the public streets adjacent thereto.

7.15. Deleted.

7.16. Clothes Lines, Other Structures. No clotheslines or other structures of a similar nature shall be visible from the Common Elements or other Units.

7.17. Garbage and Refuse. No garbage, refuse, rubbish, cuttings, debris, inoperable vehicles, equipment or waste of any kind shall be deposited on or left upon any Unit unless placed in an attractive container suitably located and screened from the view of any other Unit Owner. The Board/Association has the right to place garbage cans back to Owners Unit if Unit Owner doesn't do so. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. No building material of any kind shall be placed or stored on any property within the development until the Unit Owner is ready to commence construction, and then such materials shall be placed within the boundary lines of the Unit upon which it is intended. Garbage cans may only be placed in public view on the day of garbage pickup. The proper removal and disposal of all such materials shall be the sole responsibility of the individual Unit Owners. Upon Notice and an Opportunity to be Heard, the Association, acting by and through the Board, shall have the authority to assess any Unit Owner responsible for disposing of such materials upon the Common Elements with said assessment equal to the costs of clean up, restoration, repair and replacement of any and all damaged or affected Common Elements or facilities.

7.18. Alterations of Buildings. A Unit Owner:

7.18.1. May not change the appearance of the Common Elements or the exterior appearance of a Building within the Owner's Unit including but not limited to the exterior materials and colors without the approval of both Unit Owners.

7.18.2. May not convert the garage or any portion thereof to living area.

7.18.3. May not make any alteration or improvement to his Unit Structure (except interior improvement that do not affect support of the building) without the approval of both Unit Owners.

7.18.4. May not install radio, television or satellite dish antenna outside the Building in any Unit except a satellite dish antenna thirty (30) inches in diameter or less. The location of any such dish shall be subject to the rules and regulations of the Board.

7.19. Additional Structures Outside Any Buildings. No decks, patio, fence or any other structure shall be constructed or installed outside any Building without the approval of both Unit Owners, except for items installed by Declarant prior to sale of a Unit or in compliance with the terms of a purchase agreement with an initial purchaser.

7.20. Bylaws and Rules and Regulations. The Association may from time to time amend the Bylaws or create and amend rules and regulations of the Association as may be necessary or advisable to ensure compliance with or to supplement the covenants, conditions and restrictions in this Declaration or its amendments, and the Unit Owners shall comply in all respects therewith.

7.21. Invalidation Not Affecting Remaining Provisions. Invalidation of any one of these covenants by judgment or court order shall in no way affect any of the other provisions that shall remain in full force and effect.

7.22. Conveyances; Notice Required. The right of a Unit Owner to sell, transfer, or otherwise convey a Unit shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or Board, or anyone acting on their behalf. Promptly upon conveyance of a Unit to anyone other than a Declarant, the new Unit Owner shall notify the Association of the date of the conveyance and the Unit Owner's name and address. The Association shall notify each insurance company that has issued an insurance policy to the Association for the benefit of the Unit Owners of the name and address of the new Unit Owner and request that the new Unit Owner be made a named insured under such policy. Any Unit Owner intending to sell a Unit may deliver written notice to the Board prior to closing, specifying the Unit being offered for sale, the closing agent, title insurance company insuring the purchaser's interest, the estimated closing date, and the name and address of the purchaser. The Board shall have the right to notify such parties of the amount of unpaid assessments and charges outstanding against the Unit, whether or not such information is requested.

7.23. Quiet Enjoyment. No Owner shall permit anything to be done or kept in the Owner's Unit that would interfere with the right of quiet enjoyment of the other residents of the Condominium. In particular, sound system loudspeakers shall not be rigidly attached to any party wall shared with another Unit or the ceilings, walls, shelves or cabinets in a Unit in a manner that will induce vibrations into the structure of the building.

7.24. Hazardous Substances. The Owner of each Unit shall not permit any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of on, under, in or through the Owner's Unit or the Property, and each Owner shall indemnify, defend and hold harmless the other Owner or Owners and the Association from all fines, suits, procedures, claims and actions of any kind arising out of or in any way connected with any spills or discharges of Hazardous Substances or wastes arising from the operation or use of the Unit or Property by the Owner or the tenants or invitees of the Unit. As used herein, the terms "Hazardous Substances" means any hazardous, toxic or dangerous substance, waste or material which is or becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection.

contamination or cleanup, including without limitation any substance, waste or material which now or hereafter is designated as a "Hazardous Substance" under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), or any local or state rule or regulation; without limiting the foregoing, Hazardous Substance shall include, but not be limited to, any substance which after being released into the environment or indirectly by ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

SECTION 8 - OWNERS ASSOCIATION - MEMBERSHIP - VOTING - BYLAWS

8.1. Owners Association. Management of the Condominium and maintenance, repair and replacement of the Common Elements is vested in Hillcrest Condominium Owners Association ("the Owners Association"). The following provisions govern membership in and voting and Bylaws for the Owners Association. The Association shall administer the Condominium, through actions of its Board and officers.

8.2. Membership.

8.2.1. Qualification. Each Unit Owner (including Declarant) shall be a member of the Association and shall be entitled to one membership for each Unit so owned. Ownership of a Unit shall be the sole qualification for membership in the Association.

8.2.2. Transfer of Membership. The Association membership of each Unit Owner (including Declarant) shall be appurtenant to the Unit giving rise to such membership, and shall not be assigned, pledged, hypothecated, conveyed or alienated in any way except upon 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 in the Association appurtenant thereto to the new Owner thereof.

8.3. Voting.

8.3.1. Number of Votes. The total voting power of all Owners shall equal one hundred percent (100%) and the fraction/percentage voting power allotted to each Unit is set forth in Exhibit C hereto.

8.3.2. Persons Authorized to Vote. The voting representative of each Unit shall be the group composed of all of its Owners. The Association may recognize the vote of any one or more of such Owners present in person or by proxy at any meetings of the Association as the vote of all such Owners.

8.3.3. Pledge of Power to Designate Voting Representative. The power to designate a voting representative may be pledged to the holder of a security interest in a Unit. If the power is so pledged, and if a copy of the instrument is filed with the Board, and if the secured party's designee attends the meeting and requests to exercise the vote, then the vote of such

designee shall be recognized as to the issues respecting which the pledge was given.

8.3.4. Pledge of Votes for or Ownership of More Than One Unit - Voting. A person who owns more than one Unit (including Declarants and any mortgagee) or to whom voting rights have been pledged for more than one Unit is entitled to exercise the combined total voting power of all such Units.

8.3.5. Quorum - Majority for Action. A quorum of Unit Owners at any annual or special meeting of the Association shall be the presence, in person or by proxy, of persons holding Fifty Percent (50%) or more of the total votes, unless otherwise expressly provided herein or in the Bylaws. If the quorum is present at any such meeting, any action may be taken by an affirmative vote of a majority of the total votes present at the meeting, except as otherwise expressly provided in The Act, this Declaration or the Bylaws.

8.3.6. Units owned by the Association. No votes allocated to a Unit owned by the Association may be cast, and in determining the percentage of votes required to act on any matter, the votes allocated to Units owned by the Association shall be disregarded.

8.4. Powers of the Owners' Association. The powers of the Association shall include and be governed by the following provisions:

8.4.1. The Association shall have all the powers at common law and statutory powers of an Association not for profit, which are not in conflict with the terms of this Declaration or the Articles of Incorporation.

8.4.2. The Association shall have all of the powers and duties set forth in the Act except as limited by the Articles and this Declaration and all the powers and duties reasonably necessary to operate the Condominium as set forth in this Declaration and as it may be amended from time to time.

8.5. Bylaws. The Declarants shall adopt the initial Bylaws of the Association. The Bylaws shall specify the procedures for timing and the holding of annual and special meetings of the Association and may include any other matters or specify other procedures applicable to the organization and administration of the Association not inconsistent with this Declaration. The Declarants alone may amend the Bylaws at any time prior to the election of directors by the Unit Owners and relinquishment by Declarants of managing authority. Thereafter, the Bylaws may be amended, in whole or in part by a one hundred (100%) percent vote of the Unit Owners at a meeting of the Association held for that purpose, or in such other manner as the Bylaws themselves may prescribe.

8.6. Meetings, Audits, Notices of Meetings.

8.6.1. Annual Meetings, Audits. There shall be an annual meeting of the Owners in the first quarter of each calendar year, or such other fiscal year as the Board may by resolution adopt, at such reasonable place and time as set by the Board. At the annual meeting, there shall

be presented an accounting 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 by written request of Owners having at least fifty (50%) percent of the total votes, may require that an audit of the Association and management books be presented at any special meeting. A Unit Owner, at his own expense, may at any reasonable time make an audit of the books of the Board and Association.

8.6.2. Special Meetings. Special meetings of the Owners 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 the president of the Association upon the decision of the president, or after request signed by a majority of the Board, or by written request by the Owners having at least fifty (50%) percent of the total votes.

8.6.3. Notice of Meetings. Not less than ten nor more than sixty days in advance of any meeting, the secretary or other officer specified in the Bylaws shall cause notice to be hand delivered or sent prepaid by first class United States mail to the mailing address of each Unit or to any other mailing address designated in writing by the Unit Owner. The notice of any meeting shall state the time and place of the meeting and the items on the agenda to be voted on by the members, including the general nature of any proposed amendment to the Declaration or Bylaws, changes in the previously approved budget that result in a change in assessment obligations, and any proposal to remove a director or officer.

SECTION 9 - MANAGEMENT OF CONDOMINIUM

9.1. Administration of the Condominium. The Unit Owners covenant and agree that the administration of the Condominium shall be in accordance with the provisions of this Declaration and the Articles of Incorporation and Bylaws of the Association which are incorporated herein by reference and made a part hereof.

9.2. Election and Removal of Board and Officers.

9.2.1. Declarant Control Until Transition Date. Until the Transition Date, the Declarant shall have the right to appoint and remove all members of the board and to veto or approve a proposed action by the board or association, except as provided, in Section 9.2.2. During this time the Board can consist of one or more persons appointed by Declarant.

(a) Transition Date. Declarant Control of the Association shall terminate on the Transition Date. The Transition Date shall be no later than the earlier of (a) sixty (60) days after conveyance of 75% of the Units that may be created to Owners other than the Declarant, (b) two (2) years after the last conveyance of a Unit to Owners other than a dealer, (c) two (2) years after the last exercise of a Development Right to create units, or (d) the date on which the Declarant records an amendment to this Declaration pursuant to which the Declarant voluntarily surrenders the right to further appoint and remove officers and members of the Board. If the Declarant voluntarily surrenders control pursuant to (d) above, the Declarant may require that

for the duration of the period of Declarant Control, specified actions of the Association or the Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

(b) **Audit of Records Upon Transfer.** Upon termination of the period of Declarant Control, the records of the Association shall be audited as of the date of transfer by an independent certified public accountant in accordance with generally accepted auditing standards unless the Owners, other than the Declarant, by two-thirds vote, elect to waive the audit. The costs of the audit shall be a Common Expense.

9.2.2. Election by Owners, Other Than Declarant.

(a) After Transfer of Declarant Control the affairs of the Association shall initially be governed by a Board composed of at least three (3) members. If there are less than three Units then the Board can be composed of two (2) members. The Owners can increase the number of Board Members through a bylaw amendment by vote at the initial meeting or annual meetings thereafter.

(b) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units which may be created to Unit Owners other than Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board may be elected by Unit Owners other than Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that may be created to Unit Owners other than a Declarant, not less than thirty-three and one-third percent of the members of the Board must be elected by Unit Owners other than the Declarant. Within 30 days after the termination of any period of declarant control or, the absence of such period, not later than a date that is sixty days after the conveyance of seventy-five percent of the Units that may be created to Unit Owners than Declarant, the Board must schedule a transition meeting and provide notice to the Unit Owners in accordance of RCW 64.90.445(1)(c). In any event, the period of Declarant Control shall terminate no later than seven years from the conveyance of the first Unit in the Condominium.

c) Commencing with the first Association meeting at which the Unit Owners are to elect the entire Board (other than a meeting held when Declarant still owned all of the units), and unless the Bylaws are amended at that meeting, the Board shall be composed of at least two (2) Members (not including a Board member designated by Declarant), a majority of whom must be Owners of Units in the Condominium; provided, the Declarant (or a representative of Declarant) shall have the right (which may not be terminated by amendment to the Declaration or Bylaws, and which shall continue so long as any Special Declarant Rights or Developments remain in effect or Declarant has any obligation or liability of any express or implied warranty) to serve as a full non-voting member of the Association Board (with all of the rights and powers of a Board member except for the right to vote).

9.2.3. Taking Office; Officers. The Board shall elect the officers of the Association. Such members of the Board and officers shall take office upon election.

9.2.4. Removal. The Unit Owners, by a two-thirds vote of the voting power in the Association present and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove any member of the Board with or without cause.

9.3. Management by Board.

9.3.1. On Behalf of Association. Except as otherwise provided in the Declaration, the Bylaws, or the Act, the Board shall act in all instances on behalf of the Association. In the performance of their duties, the officers and members of the Board are required to exercise ordinary and reasonable care.

9.3.2. Not on Behalf of Association. The Board shall not act on behalf of the Association to amend the Declaration in any manner that requires the vote or approval of the Unit Owners under this Declaration, to terminate the Condominium pursuant to RCW64.90.290, or to elect members of the Board or determine the qualifications, powers, and duties, or terms of office of members of the Board pursuant to section 9.2; but the Board may fill vacancies in its membership for the unexpired portion of any term.

9.3.3. Notice and an Opportunity to be Heard. Whenever this Declaration or The Act requires that an action of the Board be taken after "Notice and Opportunity to be Heard," the following procedure shall be observed: The Board shall give written notice of the proposed action to all Owners, tenants, or occupants of the Units whose interest would be significantly affected by the proposed action. The notice must contain a general statement of the proposed action as well as the date, time, and place of the hearing. The Board shall deliver notice at least five (5) days before a hearing. At the hearing, the affected person shall have the right, personally or by representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. The Board shall consider such evidence in making a decision, but such evidence does not bind the Board. The Board shall notify the affected person of the Board's decision in the same manner that notice of the hearing was given.

9.4. Authority of the Association.

9.4.1 The Association acting by and through the Board, or a Managing Agent appointed by the Board, for the benefit of the Condominium and the Owners, shall enforce the provisions of this Declaration and of the Bylaws and shall have all powers, authority and duties permitted to or required of the Association under the Act and this Declaration (except as, may be limited herein). The provisions of the Act (as it may be amended) are set forth on Exhibit B hereto.

9.4.2. The Board's power hereinabove enumerated shall be limited in that the Board shall have no authority to acquire and pay for out of the Association funds a capital addition or improvement (other than for purposes of restoring, repairing or replacing portions of the Common Elements) having a total cost in excess of Five Thousand Dollars (\$5,000), without first obtaining the affirmative vote of all Owners at a meeting called for such purpose, or if no such meeting is held, then the written consent of both Unit Owners.

9.4.3. Nothing herein contained shall be construed to give the Association authority to conduct an active business for profit on behalf of all of the Owners or any of them.

9.4.4 The Board and its agents or employees, may enter any Unit when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible or in the event of emergencies. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board paid for as a Common Expense if the entry was due to an emergency, or for the purpose of maintenance or repairs to Common Elements where the repairs were undertaken by or under the direction or authority of the Board; provided, if the repairs or maintenance were necessitated by or for the Unit entered or its Owners, or requested by its Owners, the costs thereof shall be specially charged to such Unit.

9.5. Borrowing by Association. In the discharge of its duties and the exercise of its powers as set forth above, but subject to the limitations set forth in this Declaration, the Board may borrow funds on behalf of the Association and to secure the repayment of such funds, assess each Unit (and the Owner thereof) for said Unit's pro rata share of said borrowed funds and the obligation to pay said pro rata share shall be a lien against said Unit and the undivided interest in the Common Elements appurtenant to said Unit. Provided, that the Owner of a Unit may remove said Unit and the Allocated Interest in the Common Elements appurtenant to such Unit from the lien of such assessment by payment of the Allocated Interest in Common Expense Liability attributable to such Unit. Subsequent to any such payment, discharge, or satisfaction, the Unit and the Allocated Interest in the Common Elements appurtenant thereto shall thereafter be free and clear of the liens 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 and the Allocated Interest in the Common Elements appurtenant thereto not so paid, satisfied, or discharged.

9.6. Association Records and Funds

9.6.1. Records and Audits. The Association shall keep financial records sufficiently detailed to enable the Association to comply with RCW 64.90.640 in providing resale certificates. All Books and Records of the Association shall be made reasonably available (at all reasonable hours of weekdays or under other reasonable circumstances) for examination and copying by Declarant, and any Owner, Mortgagee, insurer and guarantor of any Mortgage on any Unit, or their agents. 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. The financial statements of the Condominium shall be audited at least annually by a certified public accountant. The Annual Audit may be waived annually by Owners (other than the Declarant) of Units to which fifty-one percent of the votes are allocated, excluding the votes allocated to Units owned by the Declarant.

9.6.2. Fund Commingling. The funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other Association, or with the funds of any Managing Agent of the Association or any other person

responsible for the custody of such funds. Any reserve funds of the Association shall be kept in a segregated account and any transaction affecting such funds, including the issuance of checks, shall require documentation of the majority approval by the Board of Directors.

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

9.8. Termination of Contracts and Leases. If entered into before the Board elected by the Unit Owners pursuant to Section 9.2.2 takes office, (1) any management contract, employment contract, or lease of recreational or parking areas or facilities, (2) any other contract or lease between the Association and a Declarant or an Affiliate of a Declaration, or (3) any contract or lease that is not bona fide or was unconscionable to the Unit Owners at the time entered into under the circumstances then prevailing may be terminated without penalty by the Association at any time after the Board elected by the Unit Owners pursuant to Section 9.2.2 takes office upon not less than ninety days' notice to the other party or within such lesser notice period provided for without penalty in the contract or lease. This Section does not apply to any lease, the termination of which would terminate the Condominium or reduce its size, unless the real property subject to that lease was included in the Condominium for the purpose of avoiding the right of the Association to terminate a lease under this Section.

9.9. Maintenance, Repair, Inspection and Warranty Procedure. The Association and Unit Owners shall defend, indemnify and hold Declarant harmless from any expense or claim arising from or relating to any Association's or Owner's failure to promptly and properly maintain, repair or inspect the improvements in the Condominium (or any part thereof), or the Association's failure to promptly and properly make a claim (or comply with dispute resolution procedures) under any warranty obtained or issued by Declarant. Declarant shall not be liable under any express or implied warranty for loss or damage which the Association or Owners have not taken timely action to minimize, or which is caused or made worse by a failure to properly and promptly maintain, repair, or inspect (including without limitation failure to fully comply with any inspection, monitoring, maintenance or repair checklist, manual or recommendation provided by Declarant (or a contractor, subcontractor or manufacturer) to the Association or Owners.

9.10. Association Litigation. The Owners holding one hundred percent (100%) of the total Association voting power must grant approval for the Association (or the Board acting on behalf of the Association) to institute, defend, or intervene in legal proceedings (except as allowed under Section; provided, that under no circumstances may legal proceedings be commenced against Declarant (or Declarant's contractor, subcontractors, vendors, suppliers or other professionals) with respect to any alleged construction defect or other condition which

Declarant has agreed in writing to remedy and is proceeding with reasonable due diligence to do so.

SECTION 10 - MANAGEMENT RIGHTS RETAINED BY DECLARANT

10.1. Transition Date. The "Transition Date" shall be the date upon which full authority and responsibility to administer and manage the Association and the Condominium, subject to this declaration and the Bylaws, passes to the Association. The date of the Transition is set forth in Section 9.2.1 of this Declaration.

10.2. Declarant's Powers Until Transition Date. Until the Transition Date, Declarant or persons designated by Declarant shall have the full power and authority to appoint and remove the officers and members of the Board. The Board appointed by Declarant shall have the same authority as given the Board in Section 9 of this Declaration subject to the limitations in this Declaration and in the Act. In any event, the period of Declarant Control shall terminate no later than seven years from the conveyance of the first Unit in the Condominium.

10.3. Limitations of Power of Board Appointed by Declarant.

10.3.1. Removal of Directors. The Unit Owners other than Declarant may remove by two-thirds vote any directors elected by the Unit Owners but may not remove directors selected by Declarant. The Declarant may not remove any director duly elected by the Unit Owners.

10.3.2. Standard of Care. In performance of their duties on behalf of the Association directors appointed or selected by Declarant are required to exercise the care required of fiduciaries of the Unit Owners.

10.4. Transfer of Control to Association. Declarant will provide for and foster early participation of Unit Owners in the management of the Condominium. After the transition date control of the Association shall be transferred to the Unit Owners in accordance with the following guidelines:

10.4.1. Director Election. Within thirty (30) days after the transition date, the Unit Owners shall elect a board of directors at least a majority of which must be Unit Owners. The board of directors shall elect the officers. Such members of the board and officers shall take office upon election.

10.4.2. Transfer of Property and Records. Within sixty (60) days after the transition date the Declarant shall deliver to the Association all property and records of Unit Owners and of the Association held or controlled by the Declarant including but not limited to those items required to be delivered by RCW 64.90.420.

SECTION 11 – ASSESSMENTS

11.1. Estimated Expenses. Within sixty (60) days prior to the beginning of each calendar

year, or such other fiscal year as the Board may adopt, the Board: shall estimate the charges including Common Expenses, and any special charges for particular Units to be paid during such year; shall make provision for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for maintenance, repair, replacement and acquisition of Common Elements; 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 replacement of those Common Elements which can reasonably be expected to require replacement or a major repair prior to the end of the useful life of the Buildings. The Board shall calculate the contributions to said reserve fund so that there are sufficient funds therein to replace, or perform such major repair, to each Common Element covered by the fund at the end of the estimated useful life of each such Common Element. The initial Board, whether appointed by Declarant or elected by Unit Owners, 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 according to Section 11.4. Similarly, if the sum estimated and budgeted, and being collected and/or already collected, at any time proves excessive, the Board may reduce the amount being assessed and/or apply existing funds (in excess of current needs and required reserves) against future Assessments and/or refund such excess funds.

11.2. Payment by Owners. Each Owner shall be obligated to pay its share of Common Expenses and special charges made pursuant to this Section to the treasurer for the Association or managing agent 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. No Owner may exempt himself from liability for payment of assessments for any reason, including waiver of use or enjoyment of any of the Common Elements or abandonment of the Owner's Unit.

11.3. Commencement of Assessments. The Declarant in the exercise of its reasonable discretion shall determine when the Association shall commence making Assessments; provided, that in all events Assessments shall commence on a date within 60 days the date on which seventy-five percent (75%) of the Units which may be created have been conveyed to Owners (other than Declarant or an Affiliate of Declarant). Until the Association makes an Assessment, the Declarant shall pay all Common Expenses. After any Assessment has been made by the Association, Assessments must be made against all Units, based on a budget adopted by the Association; provided, until a date within 60 days after the date on which seventy-five percent (75%) of the Units which may be created have been conveyed to Owners (other than Declarant or an Affiliate of Declarant):

(a) the Board (whether appointed by Declarant or elected by Unit Owners) may elect not to collect monthly assessments calculated as provided in Section 11.1 and instead elect to collect and expend monthly assessments based on the actual costs of maintaining, repairing, operating and insuring the Common Areas; or

(b) the Declarant may elect to pay all of certain of such actual costs and have Unit Owners pay a pro-rata share (based on each Unit's Allocated Interest) of the remainder of such costs.

11.4. Allocated Liability. Except for Assessments under Sections 11.5, 11.6, 11.7, 11.8 and 11.10, all Common Expenses must be assessed against all the Units in accordance with the allocations set forth in Exhibit C. Any past due Common Expense Assessment or installment thereof bears interest at the rate of 12% per annum.

11.5. Limited Common Element. Any Common Expense associated with the operation, maintenance, repair, or replacement of a Limited Common Element shall be paid by the Owner of or assessed against the Units to which that Limited Common Element is assigned, equally.

11.6. Only Some Units Benefited. The Board may elect that any Common Expense or portion thereof benefiting fewer than all of the Units must be assessed exclusively against the Units benefited.

11.7. Insurance Costs. The Board may elect that the costs of insurance must be assessed in proportion to risk.

11.8. Utility Costs. The Board may elect that the costs of utilities must be assessed in proportion to usage.

11.9. Assessments for Judgment. Assessments to pay a judgment against the Association pursuant to RCW 64.90.490 may be made only against the Units in the Condominium at the time the judgment was entered in proportion to their Allocated Common Expense Liabilities at the time the judgment was entered. The judgment lien shall not apply to any other property of a Unit Owner.

11.10. Owner Responsibility. In the event that any Unit Owner or his or her agents, invitees, contractors, delivery persons or family intentionally, negligently or otherwise causes damage or destruction of Common Elements or other Units, then said Unit Owner shall be solely responsible for all restoration costs and shall hold the Association and other Unit Owners and the Declarant harmless from and indemnify them against any costs for restoration or any costs of incurred in enforcing the terms of the Condominium.

11.11. Reallocation. If Common Expense Liabilities are reallocated, Common Expense Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense Liabilities.

11.12. Lien for Assessments

11.12.1. Lien. The Association has a lien on a Unit for any unpaid Assessments levied against a Unit from the time the Assessment is due.

11.12.2. Priority. A lien under Section 11.12 shall be prior to all other liens and encumbrances on a Unit except: (a) liens and encumbrances recorded before the recording of the Declaration; (b) a Mortgage on the Unit recorded before the date on which the Assessment sought to be enforced became delinquent; and (c) liens for real property taxes and other governmental assessments or charges against the Unit.

11.12.3. Mortgage Priority. Except as provided in Sections 11.12.4 and 11.12.5, the lien shall also be prior to the Mortgages described in Section 11.12.2(b) to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the periodic budget adopted by the Association pursuant to Section 11.1, which would have become due during the six months immediately preceding the date of the sheriff's sale in an action for judicial foreclosure by either the Association or a Mortgagee, the date of a trustee's sale in a non-judicial foreclosure by a Mortgagee, or the date of recording of the Declaration of forfeiture in a proceeding by the vendor under a real estate contract.

11.12.4. Mortgagee Notice. The priority of the Association's lien against Units encumbered by a Mortgage held by an Eligible Mortgagee or by a Mortgagee which has given the Association a written request for a notice of delinquent Assessments shall be reduced by up to three months if and to the extent that the lien priority under Section 11.12.3 includes delinquencies which relate to a period after such holder becomes an Eligible Mortgagee or has given such request for notice and before the Association gives the holder a written notice of the delinquency. This Section does not affect the priority of mechanics' or materialmen's liens, or the priority of liens for other Assessments made by the Association.

11.12.5. Recording as Notice. Recording of the Declaration constitutes record notice and perfection of the lien for Assessments. While no further recording of any claim of lien for Assessment under this section shall be required to perfect the Association's lien, the Association may record a notice of claim of lien for Assessments under this Section in the real property records of any county in which the Condominium is located. Such recording shall not constitute the written notice of delinquency to a Mortgagee referred to in Section 11.12.3.

11.12.6. Limitation on Action. A lien for unpaid Assessments and the personal liability for payment of Assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

11.12.7. Foreclosure. The lien arising under Section 11.12 may be enforced judicially by the Association or its authorized representative in the manner set forth in Chapter 61.12 RCW. The Association or its authorized representative shall have the power to purchase the Unit at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be eight months. Nothing in this Section shall prohibit an Association from taking a deed in lieu of foreclosure.

11.12.8. Receiver. From the time of commencement of an action by the Association to foreclose a lien for nonpayment of delinquent Assessments against a Unit that is not occupied by the Owner thereof, the Association shall be entitled to the appointment of a receiver to collect from the lessee thereof the rent for the Unit as and when due. If the rental is not paid, the receiver may obtain possession of the 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 the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the Unit, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent Assessments. Only a receiver may take possession and collect rents under this section, and a receiver shall not be appointed less than ninety days after the delinquency. The exercise by the Association of the foregoing rights shall not affect the priority of preexisting liens on the Unit.

11.12.9. Mortgagee Liability. Except as provided in Section 11.12.3, the holder of a Mortgage or other Purchaser of a Unit who obtains the right of possession of the Unit through foreclosure shall not be liable for Assessments or installments thereof that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Unit Owners, including such Mortgagee or other purchaser of the Unit. Foreclosure of a Mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Unit prior to the date of such sale as provided in this Section.

11.12.10. Lien Survives Sale. The lien arising under Section 11.12 shall not be affected by the sale or transfer of the subject Unit except in the event of sale through foreclosure, as provided in Section 11.12.9.

11.13. Owner Liability. In addition to constituting a lien on the Unit, each Assessment shall be the joint and several obligations of the Owner or Owners of the Unit to which the same are assessed as of the time the Assessment is due. In a voluntary conveyance, the grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid Assessments against the latter up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore. Suit to recover a personal judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waiving the lien securing such sums.

11.14. Late Charges. The Association may from time to time establish reasonable late charges and a rate of interest to be charged on all subsequent delinquent Assessments or installments thereof. In the absence of another established nonusurious rate, delinquent Assessments shall bear interest from the date of delinquency at the maximum rate permitted under RCW 19.52.020 on the date on which the Assessments became delinquent.

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

11.16. Assessment Certificate. The Association, upon written request, shall furnish to a Unit Owner or a Mortgagee a statement signed by an officer or authorized agent of the Association setting forth the amount of unpaid Assessments against that Unit. The statement shall be furnished within fifteen days after receipt of the request and is binding on the Association, the Board, and every Unit Owner, unless and to the extent known by the recipient to be false.

11.17. Acceleration of Assessments. In the event any monthly Assessment or special charge attributable to a particular Unit remains delinquent for more than sixty (60) days, the Board may, upon fifteen (15) days' written notice to the Owner of such 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 Unit.

11.18. Delinquent Assessment Deposit; Working Capital

11.18.1. Delinquent Assessment Deposit.

(a) A Unit Owner may be required by the Board or by the Manager, from time to time, to make and maintain a deposit not less than one (1) month nor in excess of three (3) months estimated monthly Assessment and charges, which may be collected as are other Assessments and charges. Such deposit shall be held in a separate fund, be credited to the Unit owned by such Owner, and be for the purpose of establishing a reserve for delinquent Assessments.

(b) Resort may be had thereto at any time when such owner is ten (10) days or more delinquent in paying his monthly or other Assessments and charges. Said deposits shall not be considered as advance payments of regular Assessments. In the event the Board should draw upon said deposit as a result of a Unit Owner's delinquency in payment of any Assessments, said Owner shall continue to be responsible for the immediate and full payment of said delinquent Assessment (and all penalties and costs thereon) and thus the full restoration of said deposit, and the Board shall continue to have all of the rights and remedies for enforcing such Assessment payment and deposit restoration as provided by this Declaration and by law.

(c) Upon the sale of a Unit, the seller/Owner thereof shall not be entitled to a refund from the Association of any deposit or reserve account made or maintained with respect to such Unit pursuant to this or any other Section of this Declaration; rather, any such deposit or reserve account shall continue to be held by the Association for the credit of such Unit, and the Unit Purchaser shall succeed to the benefit thereof, and the Unit seller shall be responsible for obtaining from the Purchaser appropriate compensation therefore.

11.18.2. Working Capital Contribution. The first Purchaser of any Unit shall pay to the Association, in addition to other amounts due, an amount equal to two (2) months of monthly Assessments as a contribution to the Association's working capital. Such working capital contributions shall not be used to defray Declarant's expenses in completing the construction of the Condominium, to pay Declarant's contributions to Association reserves or to

make up any deficits in the budget of the Association. Upon the election of the first Board by Unit Owners other than Declarant, Declarant shall pay to the Association as a working capital contribution an amount equal to two (2) months of monthly Assessments for each of the Units then owned by Declarant. When a Unit owned by Declarant is sold, Declarant may apply funds collected at closing from the Purchaser to reimburse itself for funds paid to the Association for such contribution with respect to that Unit.

SECTION 12 - INSURANCE.

12.1 General Requirements. Commencing not later than the time of the first conveyance of a Unit to a Person other than the Declarant, the Association shall maintain, to the extent reasonably available, a policy or policies and bonds necessary to provide (a) property insurance, (b) commercial general liability insurance, (c) fidelity insurance, (d) worker's compensation insurance to the extent required by applicable laws, (e) directors and officers liability insurance, and (f) such other insurance as the Board deems advisable. The Board shall review at least annually the adequacy of the Association's insurance coverage. All insurance shall be obtained from insurance carriers that are generally acceptable for similar projects, authorized to do business in the State of Washington, and meet the specific requirements of FNMA, FHLMC, FHA and VA, so long as any of them is a Mortgagee or Owner of a Unit, regarding the qualifications of insurance carriers. Notwithstanding any other provision herein, the Association shall continuously maintain in effect property, liability and fidelity insurance that meets the insurance requirements for Condominium projects established by FNMA, FHLMC, FHA and VA, so long as any of them is a Mortgagee or Owner of a Unit, except to the extent such coverage is not available or has been waived in writing by them. All such insurance policies shall provide that coverage may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least 30 days' prior written notice (10 days for cancellation for nonpayment of premium) to any and all insureds named therein, including Owners, Mortgagees, and designated servicers of Mortgagees.

12.2. Property Insurance. The property insurance shall, at a minimum, provide special cause of loss coverage in an amount equal to the full replacement cost of the Common Elements, the Limited Common Elements, the Units, personal property of the Association, and betterments and improvements including permanently-installed wall and floor coverings, equipment, fixtures (such as cabinets) and appliances, and replacements or upgrades of the same, in or the Units, whether installed by the Declarant, Owners, or their tenants, with an "Agreed Amount" or equivalent endorsement. Each Owner shall promptly inform the Board in writing of any betterment or improvement intended as a permanent part of its Unit which cost in excess of \$5,000. In addition, any fixtures, equipment or other property within the Units which are to be financed by a mortgage to be purchased by FNMA, FHLMC, FHA or VA (regardless of whether or not such property is part of the Common Elements) must be covered by such policy. The Association's policy must provide for the recognition of any insurance trust agreement. The policy shall provide a separate loss payable endorsement in favor of the Mortgagee of each Unit. The Association or insurance trustee, if any, shall hold insurance proceeds in trust for the Owners and their Mortgagees, as their interests may appear. Each Owner and the Owner's Mortgagee, if any, shall be beneficiaries of the policy in accordance

with the Allocated Interest allocated to the Owner's Unit. Certificates of insurance shall be issued to each Owner and Mortgagee upon request. The name of the insured under such policy must be substantially as follows: "HILLCREST CONDOMINIUM OWNERS ASSOCIATION" for the use and benefit of the individual owners." The policy may also be issued in the name of an insurance trustee who has entered into an Insurance trust agreement pursuant to Section 12.8 below, or any successor trustee, as insured, for the use and benefit of the Owners. A loss payable shall be in favor of the Association or such insurance trustee, as a trustee, for each Owner and each Mortgagee of a Unit. The Association or such trustee shall hold any proceeds of insurance in trust for Owners and mortgagees of a Unit, as their interests may appear. Each Owner and each Mortgagee of a Unit, if any, shall be beneficiaries of the policy in accordance with their Allocated Interests. Such policy shall contain by standard mortgagee clause or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in County where the Condominium is located, which appropriately names FNMA, FHLMC, FHA, or VA, so long as any of them are Mortgagees or Owners of Units.

12.3. Commercial General Liability Insurance. The liability insurance policy shall insure the Board, Association, Owners, Declarant, and Manager. The policy will cover all of the Common Elements in the Condominium with a "Severability of Interest Endorsement" or equivalent coverage which would preclude the insurer from denying the claim of an owner because of the negligent acts of the Association or of another Owner, and shall cover liability of the insureds for property damage and bodily injury and death of persons arising out of the operation, maintenance, and use of the Common Elements, host liquor liability, employers' liability insurance, automobile liability insurance, and such other risks as are customarily covered with respect to Condominium projects of similar construction, location and use. The liability policy shall also cover any commercial space owned and leased by the Association, and any public ways of the Condominium. Coverage shall also include legal liability arising out of lawsuits related to employment contracts of the Association. The limits of liability shall be in amounts generally required by Mortgagees for projects of similar construction, location and use but shall be at least \$1,000,000 combined single limit for bodily injury and property damage per occurrence and \$2,000,000 general aggregate.

12.4. Fidelity Insurance. The required fidelity insurance shall afford coverage to protect against dishonest acts on the part of officers, directors, trustees, employees or the Association and Manager and all other persons who handle or are responsible for handling funds of or administered by, the Association. All such fidelity insurance shall name the Association as obligee and shall not be less than the estimated maximum of funds, including reserve funds, in custody of the Association at any time during the term of each policy, but, in no event, shall the aggregate amount of insurance be less than three months aggregate Assessments including reserve funds. The policy shall contain waivers of any defense based upon the exclusion of the persons who serve without compensation from any definition of "employee" or similar expression.

12.5. Other Insurance. The Board of Directors may obtain other insurance it deems advisable.

12.6. Flood Insurance. The Association shall obtain flood insurance if the Condominium is located within an area which has been officially identified by the Secretary of Housing and Urban Development as having special flood hazards and for which flood insurance has been made available under the under the National Flood Insurance Program ("NFIP"). Such insurance shall be obtained by the Association, as a common expense, under a "master" or "blanket" policy of flood insurance on the buildings and any other property covered by the required form of policy (herein "insurable property"), in an amount deemed appropriate by the Association, but not less than the following:

The lesser of: (a) the maximum coverage available under the NFIP for all buildings and other insurable property within the Condominium to the extent that such buildings and other insurable property are within an area having special flood hazards; or (b) 100% of current replacement costs of all such buildings and other insurable property within such area.

Such policy shall be in a form, which meets the criteria set forth in the most recent guidelines on the subject issued by the Federal Insurance Administrator.

12.7. Owner's Additional Insurance. Each Owners shall obtain additional property and liability insurance as is typically maintained by the Owners of similar homes at his own expense which is known generally as an "HO6 policy". Provided, however, no Owner shall maintain insurance coverage in any manner which would decrease the amount which the Board of Directors, or any trustee for the Board of Directors, on behalf of all of the Owners, will realize under any insurance policy which the Board of Directors may have in force on the Condominium at any particular time. Each Owner shall file with the Board of Directors a Certificate of Insurance evidencing the coverage required by this Section within thirty (30) days after purchase of such insurance, and the Board of Directors shall immediately review its effect with its insurance broker, agent or carrier.

12.8. Insurance Proceeds. Insurance proceeds for damage or destruction to any part of the property shall be paid to the Board of Directors on behalf of the Association which shall hold such proceeds in trust for each Owner and their first Mortgage holders, as their interests may appear, and shall segregate such proceeds from other funds of the Association for use and payment as provided for this Declaration. The Association acting through its Board of Directors 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 of Directors on behalf of the named insureds under the policy. No insurance proceeds may be paid directly to any mortgagee. Notwithstanding the foregoing provisions and requirements relating to property or liability insurance, there may be named as insured, on behalf of the Association, the Association's authorized representative, including the Board or other trustee with whom such Association may enter into any Insurance Trust Agreement or any successor to such trustee (each of whom shall be referred to herein as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under any policy providing such property or liability insurance.

12.9. Additional Provisions. The Board of Directors shall, to the extent they are reasonably available, obtain insurance policies containing (or omitting, as indicated below) the following provisions:

12.9.1. Contribution. A provision that the liability of the insurer thereunder is primary and shall not be affected by, and that the insurer shall not claim any right of set-off, counterclaim, apportionment, proration, or contribution by reason of, any other insurance obtained by or for any Owner or any Mortgagee;

12.9.2. Matters Association Cannot Control. No provision relieving the insurer from liability for loss because of any act or neglect of Owners which is not within the scope of an Owner's authority to act on behalf of the Association or because of any failure of the Association to comply with any warranty or condition regarding any portion of the property over which the Association has no control;

12.9.3. Subrogation. A waiver of subrogation by the insurer for any and all claims against the Association, the Owner of any Unit and/or their respective household members, agents, employees or tenants, and any defenses based upon co-insurance or upon invalidity arising from the acts of the insured;

12.9.4. Restoration Limited. A provision prohibiting the insurer from electing to restore damage in lieu of making a cash settlement, without first obtaining the written approval of the Association, or, if the Association is a party to the insurance agreement, the written approval of the trustee;

12.9.5. Cancellation. A provision that the insurer issuing the policy may not modify the amount or the extent of the coverage of the policy or cancel or refuse to renew the policy unless the insurer has complied with all applicable provisions of Chapter 48.18 RCW pertaining to the cancellation or non-renewal of contracts of insurance.

12.9.6. Inflation Endorsement. An "Agreed Amount Endorsement" and, if available, an "Inflation Guard Endorsement", which increases coverage and policy limits to the same extent inflation causes the value of the dollar to decrease.

12.9.7. Appointment of Attorney-in-Fact. Each Owner appoints the Association or any insurance trustee as attorney-in-fact for the purpose of purchasing and maintaining the insurance provided for under this Section 12, including: the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose.

SECTION 13 - DAMAGE OR DESTRUCTION: RECONSTRUCTION

13.1. Initial Board Determinations. In the event of damage or destruction to any part of the Condominium including Buildings within a Unit, the Board shall promptly, and in all

events within twenty (20) days after the date of damage or destruction, make the following determinations with respect thereto employing such advice as the Board deems advisable:

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

13.1.2. 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 responsible contractors.

13.1.3. 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.

13.1.4. The amount, if any, that the estimated cost of repair and restoration exceeds the anticipated insurance proceeds therefore and the amount of assessment to each Unit if such excess was paid as a Common Expense and specially assessed against all the Units in proportion to their percentage of interest in the Common Elements.

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

13.2. 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 eligible Mortgagee with a written notice summarizing the initial Board determination made under Section 13.1. If the Board fails to do so within said thirty (30) days, then any Owner or eligible Mortgagee may make the determination required under Section 13.1 and give the notice required under this Section 13.2.

13.3. Definitions; Restoration; Emergency Work.

13.3.1. As used in this Section 13, the words "repair," "reconstruct," "rebuild" or "restore" shall mean restoring the improvements to substantially the same condition in which they existed prior to the damage or destruction, with each Unit and the Common and Limited Common Elements 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.

13.3.2. As used in this Section 13, 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 from the condition of the site.

13.4. Restoration by Board.

13.4.1. Unless prior to the commencement of Repair and Restoration Work (other

than Emergency Work referred to in subsection 13.3.2) the Owners shall have decided not to Repair and Reconstruct in accordance with the provisions of either subsection 13.5.3 or 13.6.3, the Board shall promptly Repair and Restore the damage and destruction, use the available insurance proceeds therefore, and pay for the actual cost of repair and restoration in excess of insurance proceeds secured as a Common Expense which shall be specially assessed against all Units in proportion to their percentages of interest in the Common Elements.

13.4.2. The Board shall have the authority to employ architects and attorneys, 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.

13.4.3. The Board may enter into a written agreement in recordable form with any reputable financial institution or 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), or for such firm or institution to collect the insurance proceeds and carry out the provisions of this Section.

13.5. Limited Damage; Assessment Under \$3,500. If the amount of the estimated assessment determined under subsection 13.1.4 does not exceed Three Thousand Five Hundred Dollars (\$3,500) for any one Unit, then the provisions of this section 13.5 shall apply:

13.5.1. The Board may, but shall not be required to, call a special Owners' meeting to consider such Repair and Restoration work, which notice shall be given simultaneously with the notice required to be given by the Board under Section 13.2 above. If the Board shall fail to call such meeting, then the requisite number of Owners or any eligible Mortgagee, within fifteen (15) days of receipt of the notice given by the Board under Section 13.2 above, or the expiration of such thirty (30) day period, whichever is less, may call such special Owners' meeting to consider such Repair and Restoration work. Any meeting called for under this Section 13.5.1 shall be convened not less than ten (10) nor more than twenty (20) days after the date of such notice of meeting.

13.5.2. Except for Emergency Work, no Repair and Restoration work shall be commenced until after the expiration of the notice period set forth in Section 13.5.1 and until after the conclusion of said special meeting if such meeting is called within said requisite period.

13.5.3. A unanimous written decision of the Unit Owners and eligible Mortgagees will be required to avoid the provisions of subsection 13.5.1 and to determine not to Repair and Restore the damage and destruction in accordance with the original plans, as amended by subsequent amendments, if any; provided, that the failure of the Board, the requisite number

of Owners or a eligible Mortgagee to call for a special meeting at the time or in the manner set forth in Section 13.5 shall be deemed a unanimous decision to undertake such work.

13.6. Major Damage; Assessment Over \$3,500. If the amount of the estimated assessment determined under subsection 13.1.4 exceeds Three Thousand Five Hundred Dollars (\$3,500) for any one Unit, then the provisions of this Section 13.6 shall apply:

13.6.1. 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 13.2 above. If the Board fails to do so within said thirty (30) day period, then notwithstanding the provisions of this Declaration or the Bylaws with respect to calling special meetings, any Owner or eligible 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 13.2 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 eligible Mortgagees. Any meeting held pursuant to this Section 13.6 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.

13.6.2. Except for Emergency Work no Repair and Restoration work shall be commenced until the conclusion of the special Owners' meeting required under subsection 13.6.1.

13.6.3. A concurrence in writing of more than eighty percent (80%) of the eligible Mortgagees (based upon one vote for each eligible Mortgage owned), and Owners (other than the sponsor, developer, or builder) of the individual Units; and every Owner of a Unit or assigned Limited Common Element which will not be rebuilt, will be required to avoid the provisions of Section 13.4 and to determine not to Repair and Restore the damage and destruction; provided, however, that the failure to obtain said eighty percent (80%) concurrence in writing shall be deemed a decision to Rebuild and Restore the damage and destruction in accordance with the original plans, as amended by subsequent amendments, if any; provided, further, that the failure of the Board, or Owners or eligible Mortgagees to convene the special meeting required under subsection 13.6.1 within ninety (90) days after the date of damage or destruction shall be deemed a decision to undertake such Repair and Restoration work.

13.7. Failure to repair or replace all Units. In the event of a decision where all of the damaged or destroyed portions of the Condominium are not repaired or replaced:

13.7.1. The Board may nevertheless expend such of the insurance proceeds and Common Funds as the Board deems reasonably necessary to restore the damaged area to a condition compatible with the remainder of the Condominium;

13.7.2. The insurance proceeds attributable to Units and Limited Common Elements that are not rebuilt shall be distributed to the Owners of those Units and the Owners of Units to which those Limited Common Elements were allocated or to the lienholders as their interests may appear;

13.7.3. The remainder of the proceeds shall be distributed to all Unit Owners or lienholders as their interests may appear, in proportion to the Common Element interests of all the Units; and

13.7.4. If Unit Owners vote to not rebuild any Unit, then that Unit's allocated interests are automatically reallocated upon the vote as if the Unit had been condemned under the Act and this Declaration and the Association shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations.

13.8. Termination of Condominium Status. In the event of a decision under either subsections 13.5.3 or 13.6.3 not to Repair or 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 damaged or destroyed buildings and clearing, filling and grading the real property), and the remaining funds and property shall thereafter be held and distributed pursuant to the terms of RCW 64.90.290 governing the termination of Condominiums.

13.9. Miscellaneous. The provisions of this Section 13 shall constitute the procedure by which a determination is made by the Unit Owners to Repair, Restore, Reconstruct or Rebuild as provided in the Act. By the act of accepting an interest in the Property, each Unit Owner and party claiming by, through or under such Owner hereby consents and agrees to the provisions hereof. In the event that any provision of this Section 13 shall be determined to be 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 Section 13 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 the improvements are damaged or destroyed. The provisions of this Section 13 shall be liberally construed to accomplish such purpose. By unanimous vote of the Unit Owners, which vote shall be taken within ninety (90) days after the damage or destruction, the Owners may determine to do otherwise than provided in this Section 13.

SECTION 14 - CONDEMNATION

14.1. Condemnation. If a Unit is acquired by condemnation, or if part of a Unit is acquired by condemnation leaving the Unit Owner with a remnant of a Unit which may not practically or lawfully be used for any purpose permitted by the Declaration, the award must compensate the Unit Owner for the Owner's Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides, that Unit's Allocated Interests are automatically reallocated to the

remaining Units in proportion to the respective Allocated Interests of those Units before the taking, and the Association shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations. Any remnant of a Unit remaining after part of a Unit is taken under this section is thereafter a Common Element.

14.2. Partial Unit Condemnation. Except as provided in Section 14.1, if part of a Unit is acquired by condemnation, the award must compensate the Unit Owner for the reduction in value of the Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. Upon acquisition, unless the decree otherwise provides: (a) That Unit's Allocated Interests are reduced in proportion to the reduction in the size of the Unit, and (b) the portion of the Allocated Interests divested from the partially acquired Unit are automatically reallocated to that Unit and the remaining Units in proportion to the respective Allocated Interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced allocated interests.

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

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

14.5. Association to Represent Owners. The Association shall represent the Unit Owners in any proceedings, negotiations, settlements or agreements regarding a condemnation of any part of the Condominium, and any condemnation proceeds shall be payable to the Association for the benefit of the Owners of affected Units and their Mortgagees. Should the Association not act on the Owners' behalf in a condemnation process, the affected Owners may individually or jointly act on their own behalf.

SECTION 15 - PROCEDURES FOR RELOCATING BOUNDARIES BETWEEN UNITS.

15.1. Relocation of Boundaries. Any Unit Owner or Owners desiring to relocate boundaries between them or Common Elements, shall submit to the Board a written request for approval of the proposed plan for relocation of boundaries, which request shall be accompanied by plans and proposed amendments to the Declaration, Condominium Map to accomplish the same.

15.2. Approval of Proposed Plan. Within 30 days after a complete written request is submitted to the Board the Board shall approve or deny the request. Approval shall require unanimous consent of the entire Board. The Board may in its discretion (but it shall not be required to) require that reasonable conditions for the protection of other Units or Common

Elements be included in any contracts for the work. Approval shall also be conditioned upon the requesting Unit Owner agreeing to pay all the costs involved in amendment of the plans and Declaration.

15.3. Quality of Work. No request shall be approved unless any modifications required by the request: (a) do not affect the structural integrity of the building; (b) do not impair the use of Common Elements, (c) do not adversely affect the outside appearance of the structure, (d) comply with all state and local building and land use ordinances.

15.4. Amendment of Declaration, Condominium Map to Show Subdividing or Relocation. The changes in the Condominium Map, if any, and the changes in the plans and Declaration, shall be placed of record as amendments to the appropriate documents before the relocation shall be deemed complete. The Association and the affected Unit Owners must sign these amendments. The amendment at a minimum must contain: the identity of the Units involved, a statement of the relocation of allocated interests, signatures of Unit Owners of all affected Units, contain words of conveyance between them, and be recorded in the name of the grantor and the grantee.

15.5. Relocation of Boundaries Affecting a Unit. No relocation of boundaries that modifies any Unit or its Limited Common Elements, or immediately and substantially affects any Unit or its Limited Common Elements, may be completed without the consent of the Unit Owner and any mortgagee of the Unit.

SECTION 16 – MORTGAGEE PROTECTION

16.1. Change in Manager. In the event that professional management is employed by the Association, at least thirty (30) day notice of any contemplated change in the professional manager shall be given to any Eligible Mortgagee. The Association shall not elect to terminate professional management and assume self-management without the prior vote or written approval of sixty-seven (67%) percent Unit Owners and fifty-one percent (51%) of all Eligible Mortgagees; provided that such prior consent shall not be required to change from one professional manager to another professional manager.

16.2. Abandonment of Condominium Status. Except when acting pursuant to the provisions of the Act involving damage, destruction, or condemnation, the Association shall not, without prior written approval of fifty-one percent (51%) of all Eligible Mortgagees and written approval of eighty percent (80%) Unit Owners, seek by act or omission to, abandon or terminate the Condominium status of the project; or abandon, encumber, sell or transfer any of the Common Elements.

16.3. Partitions and Subdivision. The Association shall not abandon, partition, subdivide, encumber or sell any Common Elements, or accept any proposal so to do, without the prior written approval of fifty-one percent (51%) of all Eligible Mortgagees and vote or written approval of eighty percent (80%) percent Unit Owners.

16.4. Change in Percentages. The Association shall not make any Material Amendment (as defined in Section 18.7) to this Declaration or Bylaws (including changes in the percentages of interest in the Common Elements) without the prior written approval of fifty-one percent (51%) of all Eligible Mortgagees and vote or written approval of ninety percent (90%) percent Unit Owners, and without unanimous approval of the Eligible Mortgagee(s) and Owner(s) of the Unit(s) for which the percentage(s) would be changed.

16.5. Copies of Notices. A Mortgagee of a Unit (and any insurer or guarantor of such Mortgage) shall be entitled to receive timely written notice: (a) that the Owner/Mortgagor of the Unit has for more than sixty (60) days failed to meet any obligation under the Condominium documents; (b) of all meetings of the Association and be permitted to designate a representative to attend all such meetings; (c) of any condemnation loss or casualty loss affecting a material portion of the Property or the Unit on which it holds a Mortgage; (d) of any lapse, cancellation or material modification of insurance policies or fidelity bonds maintained by the Association; and (e) of any proposed action that requires the consent of a specified percentage of Mortgagees. To be entitled to receive notices under this Section 16.5, the Mortgagee (or Mortgage insurer or guarantor) must send a written request to the Association stating both its name and address and the Unit number or address of the Unit on which it has (or insures or guaranties) the Mortgage.

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

16.7. Insurance

16.7.1. Board Duties. With respect to a first Mortgagee of a Unit, the Board shall:

(a) Cause any insurance carrier to include in the insurance policy a standard mortgage clause, naming any mortgagee who makes written request to the Board to be so named;

(b) Furnish any such Mortgagee with a copy of any insurance policy or evidence thereof that is intended to cover the Unit on which such Mortgagee has a lien;

(c) Require any insurance carrier to give the Board and any and all insured (including such Mortgagees) 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);

(d) Not make any settlement of any insurance claims for loss or damage to any such Unit, Common or Limited Common Element exceeding Five Thousand Dollars (\$5,000)

without the approval of such Mortgagee; provided, that the withholding of such approval shall not be unreasonable or in conflict with the provisions of Section 12;

(e) Give such Mortgagee written notice of any loss or taking affecting Common Elements, if such loss or taking exceeds Ten Thousand Dollars (\$10,000);

(f) Give such Mortgagee written notice of any loss, damage or taking affecting any Unit or Limited Common Elements in which it has an interest, if such loss, damage or taking exceeds One Thousand Dollars (\$1,000);

16.7.2. Additional Policy Provisions. In addition, the insurance policy acquired shall:

(a) Provide that any reference to a Mortgagee in such policy shall mean and include any holders of Mortgages of any Unit or Unit lease, in their respective order and preference, whether or not named therein;

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

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

16.8. Inspection of Books. Declarant (and Declarant's agents), Owners, Mortgagees, insurers and guarantors of any Mortgage on any Unit shall be entitled: to inspect and copy at all reasonable hours of weekdays (or under other reasonable circumstances) all of the Books and Records of the Association, within a reasonable time following request; and, upon written request of any holder, insurer or guarantor of a first Mortgage. The Association may charge a reasonable fee for supervising the inspection and/or providing copies of the Books and Records

SECTION 17 - EASEMENTS - ENTRY FOR REPAIRS

This Declaration establishes the following easements:

17.1. In General. In addition to the rights and easements reserved or provided for under The Act (which shall be accorded whether this Declaration is recognized under The Act or as real covenants or equitable servitudes) each Unit has an easement for ingress and egress to its original entries through the Common Elements, and is granted easements as required through Common Elements and other Units for: Location of all pipes, wiring and plumbing and for all structural or service elements necessary or convenient for the occupation of the Unit for its intended use. All such easements shall be located as such features are located in the buildings as built, or as they may become located due to settling, repair, or reconstruction. The easements extend to reasonable access for purposes of repair, replacement or maintenance so long as the areas where they are located are restored after completion of such work. The easements here

created are intended for implementing and maintaining the original plans as effected in the building as built, but not to authorize features not contemplated in the original plans unless such new features are authorized by Board action and do not materially and adversely affect the Common Elements or any Unit.

17.2. Right of Entry for Maintenance, Repairs, Emergencies or Improvements. The Association shall have the right to have access to each Unit from time to time as may reasonably be necessary for maintenance, repair, or replacement or improvement of any of the Common Elements accessible therefrom, or for making repairs necessary to prevent damage to the Common Elements or to other Units, or for any emergency situations.

17.3. Declarant Functions. There is hereby reserved to the Declarant (and its duly authorized agents, employees, contractors and representatives), such easements and rights of access over, across, under or into the Condominium (and any part thereof) as are necessary, for repairs, maintenance or replacement and/or to perform the rights, duties and obligations of the Declarant as are set forth, provided for or authorized in: this Declaration, Condominium Map ; Articles, Bylaws, or Association Rules; building or other governmental permits or approvals; and Purchase and Sale Agreement between Declarant and a Unit Purchaser; any express or implied warranty under which Declarant is obligated; or otherwise authorized or required by law.

17.4. Encroachments. Each Unit and all Common and Limited Common Element is hereby declared to have an easement over all adjoining Units and Common and Limited Common Element, for the purpose of accommodating any encroachment due to engineering errors, or errors in original construction, reconstruction, repair of any portion of the Building, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful act or acts with full knowledge of said Owner or Owners. In the event a Unit or Common or Limited Common Element is partially or totally destroyed, and then repaired or rebuilt, the Owners agree that minor encroachments over adjoining Units and Common and Limited Common Elements shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist. The foregoing encroachments shall not be construed to be encumbrances affecting the marketability of title to any Unit. The provisions of this Section are intended to supplement RCW 64.90.270 and, in the event of any conflict, the provisions of RCW 64.90.270 shall control.

17.5. Grant of Easement for Utilities. Declarant declares that electrical power wires, natural gas pipelines, cable wires, water pipelines and plumbing pipelines which provide services to the Units on the Real Property were installed within the Duplex at locations which are not clearly identified on any map or plan. Such wires, pipes and lines were installed between the floor or ceiling joists, in the crawlspace and/or in the Party Wall in accordance with and in observation of building code requirements but without regard to boundaries of ownership. The

service connection and meters for Units in a Duplex will be installed on the exterior wall of one of the Units and each Unit Owner has an easement thereto.

Declarant grants an easement for utility purposes over and across each Unit where each such wire, pipe and/or line currently lies in favor of the Units served by such wires, pipes and/or lines. In the event any repair or replacement of any such wire, line or pipe is required by any Unit Owner and such repair or replacement requires entry into another Unit Owner's or Unit Owner's Unit, the "Consenting Unit Owner" (i.e., the Owner of the Unit which will be entered) agrees to grant reasonable rights of entry for such purposes and further grants such other Unit Owner the right to make such repairs or replacements from within such Consenting Unit Owner's Unit, on condition that the Unit Owner(s) in need of such entry and such work pays the cost of such work and restores the Consenting Unit Owner's Unit to the same condition it was before such entry and work therein. This provision is intended to be interpreted in favor of the Consenting Unit Owner who must grant entry for such purposes and shall be liberally interpreted to ensure that a Consenting Unit Owner is not damaged by such work.

Declarant grants an easement for water, drainage pipes and related equipment which form a part of the drainage and retention system which services the property, electric power, cable, natural gas, telephone, over, under and across the Units in the Condominium, as constructed, in favor of the owners of the Units in the Condominium. The intent of this easement is to allow the suppliers of such utility services (and the Owners' Association with respect to the drainage and retention system) a reasonable right to access and right to make necessary repairs and replacement of component parts of the utility service systems. The Owners of the Unit(s) that benefit from any work in such utility easement area shall bear the cost of such repair and replacement and are obligated to restore the ground surface or the side of the structure to the same condition it was prior to such utility repair or replacement.

The Board, on behalf of the Association and all members thereof, shall have the authority to grant utility, road and similar easements, licenses and permits under, through or over the Common Elements, the roadways and the areas shown as easements on the Condominium Map, which easements the Board determines are reasonably necessary to the ongoing development and operation of the property and which would not materially interfere with the use and enjoyment of the easements.

17.6. Maintenance of Easement Areas. Each Unit shall share equally in the costs of repair and maintenance of all easement areas on the Real Property. The Association shall determine the time and manner of repair and maintenance of the easement areas, the time and manner of payment therefore by the Unit Owners and all other matters relating to the repair and maintenance of said easements.

17.7. Easement for Exterior Wall Maintenance. Each Unit Owner may on occasion need access to the yard of an adjacent Unit in order to paint their exterior walls or work on the roof or siding. The Owners of each Unit shall have the right to have access to the other Unit's yard from time to time as may reasonably be necessary for maintenance, repair, or replacement of any of the structures accessible therefrom, or for making repairs necessary to prevent damage

to the structures, or for any emergency situations. The Owner of each Unit shall provide access upon reasonable notice to the other Unit Owner.

SECTION 18 – AMENDMENT OF DECLARATION, CONDOMINIUM MAP

18.1. In General. Except in cases of amendments that may be executed by a Declarant (in the exercise of any Development Right), the Association (in accordance with RCW 64.90.030; RCW 64.90.230(5); RCW 64.90.240(3); RCW 64.90.260 (6); RCW 64.90.265; or RCW 64.90.285(6), or certain Unit Owners (in connection with RCW 64.90.240(2); RCW 64.90.265; RCW 64.90.260 (2); or RCW 64.90.285(2), and except as limited by Section 18.6, the Declaration, including the Condominium Map, may be amended only by vote or agreement of Owners of Units to which at least fifty percent (50%) of the votes in the Association are allocated; provided, that the following Sections and Articles may be amended only by vote or agreement of Owners of Units to which one hundred percent (100%) of the votes in the Association are allocated, and only with the consent of the Declarant (so long as any right, duty or obligation of the Declarant continues under the Declaration or any express or implied warranty, agreement or law): Sections 9.2.1, 9.2.2, 9.6.1, 9.9, 9.10, 16.6, 16.8, 18.1, 18.2, 18.6, 18.7, 19.5.2, 19.5.3, Section 20 and 21.

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

18.3. Recording. Every amendment to the Declaration must be recorded in every county in which any portion of the Condominium is located and is effective only upon recording. An amendment shall be indexed in the name of the Condominium and shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment thereto. All amendments adding Units shall contain a cross-reference by recording number to the Condominium Map relating to the added Units and set forth all information required by RCW 64.90.245.

18.4. General Limitations. Except to the extent expressly permitted or required by other provisions of the Act, no amendment may create or increase Special Declarant Rights, increase the number of Units, change the boundaries of any Unit, the Allocated Interests of a Unit, or the uses to which any Unit is restricted, in the absence of the vote or agreement of the Owner of each Unit particularly affected and the Owners of Units to which at least ninety percent of the votes in the Association are allocated other than the Declarant.

18.5. Execution. Amendments to the Declaration required by the Act to be recorded by the Association shall be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

18.6. Special Declarant/Development Rights. No amendment may restrict, eliminate, or otherwise modify any Special Declarant or Development Right, or any other right, power,

benefit provided in the Declaration to Declarant (nor otherwise hinder the business activities or expectations of, or benefits provided hereunder to, the Declarant) without the consent of the Declarant and any Mortgagee of record (excluding Mortgagees of Units owned by persons other than the Declarant) with a security interest in the Special Declarant or Development Right or in any real property subject thereto.

18.7. Material Amendments. Any amendment to a provision of this Declaration establishing, providing for, governing or regulating the following (all of which shall be deemed "Material Amendments") shall require the consent of one hundred percent (100%) of the Eligible Mortgagees: voting rights; Assessments, Assessment liens, or the priority of Assessment liens; reserves for maintenance, repair, and replacement of Common Elements; responsibility for maintenance and repairs; reallocation of interests in the Common or Limited Common Elements, or rights to their use; redefinition of any Unit boundaries; convertibility of Units into Common Elements or vice versa; expansion or contraction of the Condominium, or the addition, annexation, or withdrawal of property to or from the Condominium; insurance or fidelity bond; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the Association to establish self-management when professional management had been required previously by the Condominium's documents or by an Eligible Mortgage holder; restoration or repair of the Condominium (after a hazard damage or partial condemnation) in a manner other than that specified in the Declaration; any action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs; or any provisions that expressly benefit Mortgage holders, insurers, or guarantors. A Mortgagee who fails to respond within sixty (60) days of a written request to approve an amendment shall be deemed to have approved the request if such request was delivered by certified or registered mail with a return receipt requested.

18.8. Condominium Map Amendment. Except as otherwise provided herein, the Condominium Map may be amended by revised versions or revised portions thereof referred to and described as to effect in an amendment to this Declaration adopted as provided for herein. Copies of any such proposed amendment to the Condominium Map shall be made available for the examination of every Owner. Such amendment to the Condominium Map shall also be effective, once properly adopted, upon recordation in the appropriate county office in conjunction with the Declaration amendment.

18.9 Amendments to Conform to Lender Guidelines. This Declaration is intended to continuously comply with the requirements and guidelines of FNMA, FHLMC, FHA and VA as the same may change from time to time. The Association, upon approval of the Board of Directors, and the Declarant, upon the Declarant's sole signature, in each case without approval of the Owners, may at any time file an amendment to this Declaration or the Bylaws, Rules and Regulations, or Map to conform them to the requirements and guidelines of those lending institutions.

18.10 Corrective Amendments by Declarant. Upon thirty-day advance notice to the Owners, Declarant may, without a vote of the Owners or approval by the Board, unilaterally adopt, execute, and record a corrective amendment or supplement to the this Declaration, the

Map, or other governing documents to correct a mathematical mistake, an inconsistency, or a scrivener's error, or clarify an ambiguity in the governing documents with respect to an objectively verifiable fact including, without limitation, recalculating the Allocated Interests (including votes and Common Expense Liability), within five (5) years after the recordation or adoption of the governing document containing or creating the mistake, inconsistency, error, or ambiguity. Any such amendment or supplement may not materially reduce what the obligations of the Declarant would have been if the mistake, inconsistency, error, or ambiguity had not occurred. By way of example but not limitation, Declarant's intent with regard to this Declaration, the Map, and other governing documents is that they fully comply with all requirements of the Act and any ordinances or codes of the Municipality or other governmental or quasi-governmental entity with authority over the Community and, as a result, Declarant shall have the authority to record an amendment under this Section to make any changes required by the City or such other entity.

SECTION 19 - MISCELLANEOUS PROVISIONS

19.1. Notices. The term "Notice" includes letters or other communications other than legal process. Any notices permitted or required to be delivered under the provisions of this Declaration, the Bylaws, or The Act may be delivered either personally or by mail. If delivery is by mail, any such notice shall be deemed to have been delivered forty-eight (48) 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 address of such person or, in the case of items sent by the Association, at the most recent address given in writing by such person to the Association. Notice to a Unit Owner or Owners shall be sufficient if delivered or addressed to the Unit if no other name or mailing address has been given the Association. Notice to be given to the Association may be given to the person named for service of process until the Board has been elected, and thereafter shall be given to the president or secretary of the Association. Acceptable proof of delivery shall include, but shall not be limited to, registered mail receipt, or post office validated or signed receipt for certified mail, or return receipt signed by party to whom the item was sent or his agent.

19.2. Accounts. The Association shall maintain sufficient accounts for current operations and reserves as deemed necessary by the Treasurer. The funds of the Association shall not be commingled with the funds of any other Association or any other person responsible for the custody of such funds. Any reserve funds of an Association shall be kept in a segregated account and any transactions affecting such funds, including the issuance of checks, shall require the signature of at least two persons who are officers or directors of the Association.

19.3. Enforcement - Remedies. Each Unit Owner shall comply strictly with the provisions of this Declaration, the Bylaws, and Rules and Regulation, as amended from time to time. Failure to comply shall be grounds for an action to recover sums due, or for damages, or injunctive relief, or for any appropriate remedy, maintainable by the Board or officers of the Association on behalf of the Unit Owners, or in a proper case, by an aggrieved Unit Owner against the Association, or other Unit Owners. Such action must comply with Section 21 of this Declaration. Failure to comply shall also entitle the Association to collect reasonable

attorney's fees incurred by reason of such failure, irrespective of whether any suit or other judicial proceeding is commenced, and if suit is brought because of such failure, all costs of suit may be recovered in addition to reasonable attorney's fees by the prevailing party. No right or remedy provided or reserved by this Declaration is exclusive of any other right or remedy, and in addition to the foregoing, the Association shall have such rights and remedies as may be provided in this Declaration, the Bylaws, The Act or otherwise existing at law, in equity or by statute.

The Declarant shall have no obligation to enforce or seek the enforcement of these covenants. The Declarant shall have no liability for the enforcement or non-enforcement of these covenants.

19.4. Waiver. The failure of the Association, the Board, the Association officers or agents, or the Declarants, to require, in any one or more instances, strict performance of or compliance with any of the terms, covenants, conditions or restrictions contained in this Declaration, the Bylaws, or The Act, or to serve any notice or to institute any action or proceeding, shall not be construed as a waiver or a release thereof, but the same shall continue and remain in full force and effect; and the receipt by any of said parties of any sum paid by a Unit Owner, with or without the knowledge of the breach of or failure to comply with any such provision, shall not be deemed a waiver thereof; and no waiver, express or implied, of any such provisions shall be effective unless made in writing pursuant to procedures specified herein, or in the Bylaws or in The Act, or if no such procedures are specified, then in writing and signed by the president of the Association pursuant to the authority contained in a resolution of the Board, or by the managing authority.

19.5. Limitation of Liability.

19.5.1. Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Board pursuant to Section 12, neither the Association nor the Board shall be liable for: any failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the buildings, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of Common expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

19.5.2. No Personal Liability. So long as a Board member, or Association committee member, or Association officer, or Declarants' 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 consequence of such act,

omission, error or negligence are covered by insurance obtained by the Board pursuant to Section 12.

19.5.3. Indemnification of Board Members. Each Board member or Association committee member, or Association officer, or Declarant 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, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interests of the Association.

19.6. Interpretation.

19.6.1. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development and operation of this Condominium including the development and completion of its phases. It is intended also that, insofar as it affects this Declaration, Bylaws and Condominium development, the provisions of the Act, referenced herein under which this Declaration is operative, shall be liberally construed to affect the intent of this Declaration and the Bylaws insofar as reasonably possible.

19.6.2. Gender and Number. When interpreting this Declaration, or the Bylaws or any Rules and Regulations, the singular may include the plural and the masculine may include the feminine, or vice versa, where the context so admits or requires.

19.6.3. Declaration Effect as Covenants or Servitudes. It is intended that the covenants of this Declaration, together with any Condominium plans by reference incorporated herein or filed simultaneously herewith, and all amendments to the said Declaration shall be operative as covenants running with the land, or equitable servitudes, supplementing and interpreting The Act, and operating independently of The Act should The Act be, in any respect, inapplicable, to establish the common plan for the Condominium development and its operation as indicated herein and in the Condominium Map; provided, however, that the provision of this Declaration shall not be so applied if the property is removed from submission to The Act or discontinued in whole or part as a Condominium development, unless such continued application of all or a part of the Declaration is specifically called for or reasonably implied for all or part of the property.

19.7. Severability. The provisions hereto shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity or enforceability of any other provision hereof if the remaining portions are sufficient under The Act, or as covenants running with the land, or as equitable servitudes, to affect the common plan for division into Units for individual ownership.

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

19.9. Reference to Condominium Map. The Condominium Map for the Condominium development referred to herein were recorded with the proper county recording authority simultaneously with the recording of this Declaration, as set forth on the Recording Cover Sheet of this Declaration. The recording authority, the Declarants, or any title company or escrow company or institutional lender is authorized to insert the correct recording data, or correct the same, above the signatures on this document.

19.10. Transfer of Declarant's Powers. It is understood that Declarant, at any time in the exercise of its sole discretion, may sell, assign, transfer, encumber, or otherwise convey to any person, upon such terms and conditions as Declarant may determine, all of Declarant's rights, powers, privileges and authority arising hereunder by virtue of Declarant's capacity as Declarant (which rights, powers, privileges and authority are in addition to those arising from Declarant's ownership of one or more Units and include Development Rights and Special Declarant Rights).

SECTION 20 - SPECIAL DECLARANT RIGHTS RESERVED BY DECLARANT

20.1 Special Declarant Rights (Other than Development Rights.) Declarant reserves the Special Declarant Rights set forth in this Section 20.1 which rights shall terminate seven (7) years after the date of the first conveyance of any Unit to an owner other than Declarant provided that Declarant may voluntarily terminate any or all such Special Declarant Rights any time by recording an amendment to this Declaration specifying which such Special Declarant Rights have been terminated

20.1.1 Declarant's Right to Complete Improvements. Declarant and its agents, employees and contractors have the right to complete any improvements and otherwise perform work that is authorized by the Declaration, indicated on the Condominium Map, authorized by building permits, provided for under any purchase and sale agreement, necessary to satisfy any express or implied warranty, or otherwise authorized or required by law. The Declarant also has the right to make any modifications, improvements or changes to the Common Elements as the Declarant determines are appropriate to increase the appeal of the Condominium to potential buyers, to correct problems in the design or construction of the Condominium, or for the benefit of one or more Units. In conjunction with the foregoing rights, until construction of the Condominium is completed, the Declarant shall have the right to use any unassigned parking spaces and any portion of any garage or parking lot for staging, storage, parking and other construction-related purposes.

20.1.2 Declarant's Right to Maintain Sales Facilities. The Declarant, its agents and its employees have the right to install and maintain in any Units owned by the Declarant and in any of the Common Elements any facilities that the Declarant deems necessary or convenient to the construction, marketing, sale or rental of Units. These facilities may include but are not limited to business offices, management offices, sales offices, construction offices, storage areas, signs, model units and parking areas for Declarant and its employees, agents and

contractors, and prospective tenants or purchasers and their agents. The Declarant may install and maintain as many of such facilities as it deems necessary or convenient in such locations as it deems necessary or convenient. The Declarant may relocate such facilities as it determines is appropriate in its sole discretion. The right to install and maintain such facilities will expire when the Declarant ceases to be a Unit Owner and has no further Development Rights in the Condominium (including no more right to add property to, or create additional Units in, the Condominium). The Declarant will have a reasonable time, but in no event less than 60 days after such expiration, to remove any such facilities from the Condominium.

20.1.3 Declarant's Right to Use Easements. The Declarant and its agents, employees and contractors have an easement over, across, under and through the Common Elements of the Condominium as reasonably necessary for the purpose of completing construction, exhibiting and preparing Units for sale, making repairs required pursuant to any contract of sale, discharging the Declarant's obligations, or exercising Special Declarant Rights within the Condominium or within any real estate that may be added to the Condominium.

20.1.4 Declarant's Right to Attend Association Meetings. The Declarant has the right, whether or not it owns any Units in the Condominium, to attend all meetings of the Association, except during any executive session when Unit Owners are excluded. The Association shall send the Declarant notices of all meetings and copies of all minutes of all meetings at the same time that such items are sent to Unit Owners. Notices and minutes shall be delivered to the Declarant in a Tangible Medium at the address specified or in such other manner as the Declarant shall specify in a Record from time to time. The foregoing rights shall terminate seven (7) years from the date this Declaration is recorded unless sooner relinquished in writing.

20.1.5 Declarant's Right to Association Records. The Declarant has the right, whether or not it owns any Units in the Condominium, to have access to the Books and Records of the Association to the same extent as a Unit Owner.

20.2 Development Rights. Declarant reserves the following Development Rights.

20.2.1 Declarant's Right to Appoint, Remove and Veto. Until the Termination Date, the Declarant shall have the right to appoint and remove all officers and members of the Board. Notwithstanding the foregoing, not later than 60 days after Conveyance of 25% of the Units that may be created to Unit Owners other than the Declarant, at least one member and not less than 25% of the members of the Board must be elected by Unit Owners other than the Declarant; and not later than 60 days after Conveyance of 50% of the Units that may be created to Unit Owners other than the Declarant, not less than one-third of the members of the Board must be elected by Unit Owners other than the Declarant. The Declarant may at any time voluntarily terminate its right to appoint and remove officers and members of the Board by recording an amendment to the Declaration surrendering such right. If the Declarant does so, it may, for the duration of the period ending on the Control Termination Date, retain the right to veto or approve proposed actions of the Association or Board before they become effective. To exercise this right, the Declarant must execute and record an instrument that specifies the

proposed actions that may be vetoed or approved by the Declarant. The foregoing rights shall terminate on the Termination Date.

20.2.2 Declarant's Right to Add or Withdraw Real Estate to/from the Condominium. [Intentionally Omitted].

20.2.3 Declarant's Right to Create Lots, Limited Common Elements and Common Elements. The Declarant has the right to create up to 2 Units on the Real Property.

20.2.4 Declarant's Right to Reallocate Limited Common Elements Allocated to Unsold Lots. The Declarant has the right to reallocate any Limited Common Element allocated to any Unit that has not been conveyed to a Unit Owner other than the Declarant.

20.3 Exercise of Development Rights. To exercise any Development Right reserved under Section 20.2, the Declarant shall prepare, execute and record an amendment to the Declaration. In conjunction therewith, the Declarant shall record an amendment or supplement to the Condominium Map if the previous Condominium Map lacks the required detail, certification or other matters required under the Act. Nothing herein is intended to relieve Declarant from complying with any obligation set forth in the Act pertaining to exercise of a Development Right.

20.4 Different Parcels; Different Times. Any Development Right may be exercised with respect to different parcels of real estate at different times. No assurances are made as to final boundaries of such parcels or as to the order in which those parcels may be subject to the exercise of each Development Right. Even though a Development Right is exercised in any portion of the real estate subject to that right, that right need not be exercised in all or in any other portion of the remainder of that real estate.

20.5 Liens. Any liens that arise in connection with the Declarant's ownership of or construction of additional improvements shall attach only to the Declarant's interest in any improvements owned by the Declarant or against the Declarant's Special Declarant Rights and shall not adversely affect the rights of other Unit Owners or the priority of Mortgages on the Units. All taxes and costs relating to improvements before the Units therein have been created shall be paid by or allocated to the Declarant.

20.6 Transfer of Special Declarant Rights. The rights described in Section 20 shall not be transferred except by instrument evidencing the transfer executed by the Declarant or the Declarant's successor and the transferee and recorded in the county in which the Condominium is located. The rights and liabilities of the parties involved in such a transfer and of all persons who succeed to any Special Declarant Right are set out in the Act.

20.7 Liability for Damage. The Declarant is subject to liability for the prompt repair and restoration, to a condition compatible with the remainder of the Condominium, of any portion of the Condominium damaged by the exercise of rights reserved by the Declarant pursuant to or created by this Declaration or the Act.

SECTION 21 – DISPUTE RESOLUTION

21.1. Policy - Mediation. Condominium living requires that the Declarant, all Owners and the Association (collectively referred to as "party" or "parties") cooperate in good faith and deal fairly in performing their duties and exercising their rights under this Declaration. If any party to a dispute determines that the dispute cannot be resolved without intervention, then that parties shall give notice (the "Arbitration Demand") to all other parties to the dispute and the Association demanding that the dispute be submitted to mediation and arbitration pursuant to this Section. All parties to the dispute shall then participate in a nonbinding mediation for 45 days after the Arbitration Demand. The mediator shall be Dispute Resolution by Volunteers of America in your county. If the mediation is not successful, the dispute shall be resolved by binding arbitration conducted pursuant to Section 21.2 below. The parties confirm that by agreeing to this alternate dispute resolution process, they intend to give up their right to have any dispute decided in court by a judge or jury. Section 21 is the exclusive remedy to resolve disputes between parties of any claims related in any way to the Condominium, the construction of the Condominium and/or warranty, statutory or common law claims.

21.2. Binding Arbitration. If binding arbitration is required to resolve a dispute, it shall be conducted in the County the Condominium is located in, pursuant to RCW 7.04.060, provided, that the total award by a single arbitrator (as opposed to a panel of three arbitrators) shall not exceed \$50,000, including interest, attorney's fees and costs. If any party demands a total award greater than \$50,000, there shall be three (3) neutral arbitrators. If the parties cannot agree on the selection of the arbitrator(s) within ten (10) days of the arbitration demand, the arbitrator(s) shall be selected by the administrator of the American Arbitration Association (AAA) office in Seattle from its Large Complex Case Panel or from any group of arbitrator with equivalent professional credentials as determined by the administrator. Each arbitrator shall be an attorney with at least fifteen (15) year experience in commercial or real estate law in the State of Washington. The arbitrator(s) shall determine whether the dispute is subject to binding arbitration under this Section. All statutes of limitations that would otherwise be applicable shall apply to any arbitration proceeding hereunder.

21.3. Hearing - Law - Appeal Limited. The arbitrator(s) shall take such steps as may be necessary to hold the arbitration hearing within ninety (90) days of the Arbitration Demand, conclude the hearing within three (3) days, issue its decision not later than fourteen (14) calendar days after the hearing. These time limits are intended to expedite the proceeding, but they are not jurisdictional. The arbitrator(s) may for good cause permit reasonable extensions or delays. The arbitrator(s) shall issue a written decision stating the award for each claim involved in the dispute. In making the decision and award, the arbitrator(s) shall apply applicable substantive law. Absent fraud, collusion or willful misconduct by an arbitrator, the award shall be final and judgment on the award may be entered in any court having jurisdiction thereof. The arbitrator(s) may award injunctive relief or any other remedy available from a judge, order the joinder of parties, or consolidate the arbitration with any other proceeding involving common issues of law or fact or to promote judicial economy. The arbitrator(s) shall not have the power to award punitive or exemplary damages, or attorney's fees and costs to any

party. If the hearing is before a panel of three (3) arbitrators, the decision of any two arbitrators shall be the decision of the panel.

21.4. Exception to Arbitration. The dispute resolution provisions shall not apply to actions by the Association in collecting assessments arising under the Declaration against Unit Owners.

21.5. Binding Agreement. Section 21 of this Declaration is a covenant running with the land and binds all heirs, successors and assigns. The terms of Section 21 may not be amended without Declarant's written consent to an Amendment that is recorded.

SECTION 22: DEPARTMENT OF VETERANS AFFAIRS FINANCING:

To the extent that any provision set forth in the condominium documents is inconsistent with the requirement(s) of guaranteed or direct loan programs of the United States Department of Veterans Affairs, as set forth in chapter 37 of title 38, United States Code, or part 36 of title 38, Code of Federal Regulations ("DVA Financing"), such provision shall not apply to any Unit that is

(i) encumbered by DVA Financing or;

(ii) owned by the Secretary of Veterans Affairs, an Officer of the United States.

Signature and Notary acknowledgement on following page

WITNESS WHEREOF, we have hereunto set our names this day

Date: 9-3-2024

Declarant: Home Development Company Inc.

David E. Nolan, CEO
David E. Nolan, CEO

STATE OF WASHINGTON)

COUNTY OF Snohomish)

ss.

I certify that I know or have satisfactory evidence that David E. Nolan signed this instrument as CEO of Home Development Company, Inc. and on oath stated that he was authorized to execute the instrument as a CEO of the Corporation and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 3rd day of September, 2024.



Nicole Matni
Print Name: Nicole Matni
Notary Public in and for The State of Washington
Residing in Snohomish
My Commission expires: 2-9-2026

Exhibit A

Lot 1, Plat of Hillcrest Landing, as Recorded on April 15, 2013, Under Auditor's File Number 201304150001, Records of Skagit County, Washington.

Situate In the County of Skagit, State of Washington.

Exhibit B
Powers, Duties and Limitation of the Association

Declaration of Hillcrest Condominium

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RCW 64.90.290

(1) An association must:

- (a) Adopt organizational documents;
- (b) Adopt budgets as provided in RCW 64.90.525;
- (c) Impose assessments for common expenses and specially allocated expenses on the unit owners as provided in RCW 64.90.080 (1) and 64.90.525;
- (d) Prepare financial statements as provided in RCW 64.90.530; and
- (e) Deposit and maintain the funds of the association in accounts as provided in RCW 64.90.530.

(2) Except as provided otherwise in subsection (4) of this section and subject to the provisions of the declaration, the association may:

- (a) Amend organizational documents and adopt and amend rules;
- (b) Amend budgets under RCW 64.90.525;
- (c) Hire and discharge managing agents and other employees, agents, and independent contractors;
- (d) Institute, defend, or intervene in litigation or in arbitration, mediation, or administrative proceedings or any other legal proceeding in its own name on behalf of itself or two or more unit owners on matters affecting the common interest community;
- (e) Make contracts and incur liabilities subject to subsection (4) of this section;
- (f) Regulate the use, maintenance, repair, replacement, and modification of common elements;
- (g) Cause additional improvements to be made as a part of the common elements;
- (h) Acquire, hold, encumber, and convey in its own name any right, title, or interest to real estate or personal property, but:
- (i) Common elements in a condominium, plat community, or miscellaneous community may be conveyed or subjected to a security interest pursuant to RCW 64.90.465 only
- (i) Grant easements, leases, licenses, and concessions through or over the common elements and petition for or consent to the vacation of streets and alleys;
- (j) Impose and collect any reasonable payments, fees, or charges for:
 - (i) The use, rental, or operation of the common elements, other than limited common elements described in RCW 64.90.210 (1)(b) and (3);
 - (ii) Services provided to unit owners; and
 - (iii) Moving in, moving out, or transferring title to units to the extent provided for in the declaration;
- (k) Collect assessments and impose and collect reasonable charges for late payment of assessments;
- (l) Enforce the governing documents and, after notice and opportunity to be heard, impose and collect reasonable fines for violations of the governing documents in accordance with a previously established schedule of fines adopted by the board of directors and furnished to the owners;
- (m) Impose and collect reasonable charges for the preparation and recordation of amendments to the declaration, resale certificates required under RCW 64.90.640, lender questionnaires, or statements of unpaid assessments;
- (n) Provide for the indemnification of its officers and board members, to the extent provided in RCW 23B.17.030.
- (o) Maintain directors' and officers' liability insurance;
- (p) Subject to subsection (4) of this section, assign its right to future income, including the right to receive assessments;
- (q) Join in a petition for the establishment of a parking and business improvement area, participate in the ratepayers' board or other advisory body set up by the legislative authority for operation of a parking and business improvement area, and pay special assessments levied by the legislative authority on a parking

- and business improvement area encompassing the condominium property for activities and projects that benefit the condominium directly or indirectly;
- (r) Establish and administer a reserve account as described in RCW 64.90.535;
 - (s) Prepare a reserve study as described in RCW 64.90.545;
 - (t) Exercise any other powers conferred by the declaration or organizational documents;
 - (u) Exercise all other powers that may be exercised in this state by the same type of entity as the association;
 - (v) Exercise any other powers necessary and proper for the governance and operation of the association;
 - (w) Require that disputes between the association and unit owners or between two or more unit owners regarding the common interest community, other than those governed by chapter RCW 64.50, be submitted to nonbinding alternative dispute resolution as a prerequisite to commencement of a judicial proceeding; and
 - (x) Suspend any right or privilege of a unit owner who fails to pay an assessment, but may not:
 - (i) Deny a unit owner or other occupant access to the owner's unit;
 - (ii) Suspend a unit owner's right to vote; or
 - (iii) Withhold services provided to a unit or a unit owner by the association if the effect of withholding the service would be to endanger the health, safety, or property of any person.
- (3) The declaration may not limit the power of the association beyond the limit authorized in subsection (2)(w) of this section to:
- (a) Deal with the declarant if the limit is more restrictive than the limit imposed on the power of the association to deal with other persons; or
 - (b) Institute litigation or an arbitration, mediation, or administrative proceeding against any person, subject to the following:
 - (i) The association must comply with chapter 64.50 RCW, if applicable, before instituting any proceeding described in chapter 64.50 RCW in connection with construction defects; and
 - (ii) The board must promptly provide notice to the unit owners of any legal proceeding in which the association is a party other than proceedings involving enforcement of rules or to recover unpaid assessments or other sums due the association.
- (4) Any borrowing by an association that is to be secured by an assignment of the association's right to receive future income pursuant to subsection (2)(e) and (p) of this section requires ratification by the unit owners as provided in this subsection.
- (a) The board must provide notice of the intent to borrow to all unit owners. The notice must include the purpose and maximum amount of the loan, the estimated amount and term of any assessments required to repay the loan, a reasonably detailed projection of how the money will be expended, and the interest rate and term of the loan.
 - (b) In the notice, the board must set a date for a meeting of the unit owners, which must not be less than fourteen and no more than sixty days after mailing of the notice, to consider ratification of the borrowing.
 - (c) Unless at that meeting, whether or not a quorum is present, unit owners holding a majority of the votes in the association or any larger percentage specified in the declaration reject the proposal to borrow funds, the association may proceed to borrow the funds in substantial accordance with the terms contained in the notice.
- (5) If a tenant of a unit owner violates the governing documents, in addition to exercising any of its powers against the unit owner, the association may:
- (a) Exercise directly against the tenant the powers described in subsection (2)(1) of this section;
 - (b) After giving notice to the tenant and the unit owner and an opportunity to be heard, levy reasonable fines against the tenant and unit owner for the violation; and

- (c) Enforce any other rights against the tenant for the violation that the unit owner as the landlord could lawfully have exercised under the lease or that the association could lawfully have exercised directly against the unit owner, or both; but the association does not have the right to terminate a lease or evict a tenant unless permitted by the declaration. The rights referred to in this subsection (5)(c) may be exercised only if the tenant or unit owner fails to cure the violation within ten days after the association notifies the tenant and unit owner of that violation.
- (6) Unless a lease otherwise provides, this section does not:
- (a) Affect rights that the unit owner has to enforce the lease or that the association has under other law; or
 - (b) Permit the association to enforce a lease to which it is not a party in the absence of a violation of the governing documents.
- (7) The board may determine whether to take enforcement action by exercising the association's power to impose sanctions or commencing an action for a violation of the governing documents, including whether to compromise any claim for unpaid assessments or other claim made by or against it.
- (8) The board does not have a duty to take enforcement action if it determines that, under the facts and circumstances presented:
- (a) The association's legal position does not justify taking any or further enforcement action;
 - (b) The covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with law;
 - (c) Although a violation may exist or may have occurred, it is not so material as to be objectionable to a reasonable person or to justify expending the association's resources; or
 - (d) It is not in the association's best interests to pursue an enforcement action.
- (9) The board's decision under subsections (7) and (8) of this section to not pursue enforcement under one set of circumstances does not prevent the board from taking enforcement action under another set of circumstances, but the board may not be arbitrary or capricious in taking enforcement action.

Hillcrest Condominium
Exhibit C to the Declaration

Building Address	Unit Number	Floor Location	Unit Descriptions - Number of				Unit Square Footage **	Allocated Interests ***
			Bathrooms	Bedrooms	Fireplaces (Gas)			
			Full	Part.				
1781 Hillcrest Loop Mount Vernon, WA 98274	1781	*	*	*	*		4,375	50
1783 Hillcrest Loop Mount Vernon, WA 98274	1783	*	*	*	*		4,872	50
Totals								100%

* Not Applicable: Boundaries of Units are "planes in space" as shown on the Condominium Survey Map and include all structures and improvements now or hereafter constructed within the Unit and thus the Units are not located within or on floor levels of a building.

** The Square Footage of the unit is based upon the survey of a as-built survey and is based on the perimeter boundaries of the Unit at ground level as shown on the Condominium Survey Map. [This is not the square footage area (or horizontal boundaries) of a structure located within a Unit]. The square footage figure includes the area within the easement across each Unit.

*** Allocated Interest of a Unit in Common Elements, Common Expenses and Association Votes was determined pursuant to Section 5.2 of the Declaration.