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, Skagit County Auditor
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DECLARATION
OF CONDOMINIUM SUBDIVISION AND
COVENANTS, CONDITIONS, RESTRICTIONS AND
RESERVATIONS
FOR
STONEBRIDGE CONDOMINIUM

TITLE OF DOCUMENT:

CONDOMINIUM DECLARATION FOR
STONEBRIDGE CONDOMINIUM

GRANTOR:

LANDED GENTRY DEVELOPMENT, INC.

GRANTEE:

THE GENERAL PUBLIC

ABBREV. LEGAL DESCRIPTION

PTN. NW 1/4, NW 1/4 , 21-34-4 E W.M.

TAX PARCEL NO.:

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ARTICLE I

SUBMISSION OF PROPERTY; PURPOSE

1.1. Submission of Property.

LANDED GENTRY DEVELOPMENT, INC., hereinafter referred to as the "Declarant," being the owner in fee simple of the land described in the attached Exhibit "A", hereby submits said land, together with all improvements, easements, rights and appurtenances thereunto belonging, collectively referred to hereinafter as "the Property", to the provisions of the Washington Condominium Act ("the Condominium Act", i.e., Chapter 64.34 of the Revised Code of Washington), and creates from such Property a Condominium which shall be known as "Stonebridge Condominium."

1.2. Reference to Survey Map.

Contemporaneously with the recordation of this Declaration, the Declarant has recorded with the Auditor of Skagit County, Washington a certain survey map and Condominium plans, showing the location and dimensions of the land described in Exhibit "A" and the location and dimensions of the improvements thereupon constructed or contemplated to be constructed, together with other information required by the Condominium Act; this survey map and Condominium plans are hereinafter together referred to as the "Survey Map" or the "Survey Map and Plans"; the Survey Map is recorded at Auditor's File No.

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1.3. Purpose.

This Declaration, together with the Survey Map and Plans referred to herein, states covenants, conditions, restrictions and reservations intended by the Declarant to effect a common plan for the Condominium development of the Property mutually beneficial to all of the described Units. The covenants, conditions, restrictions, reservations and plan, **including without limitation the statutory lien for Assessments described at Section 10.15 hereof, which may be foreclosed by the Association nonjudicially under the Power of Sale granted herein**, are binding upon the entire Property and upon each such Unit as a parcel of realty, and upon its Owners and their heirs, personal representatives, tenants, licensees, successors and assigns, through all successive transfers of any part of the Property, irrespective of whether specifically referred to in deeds, contracts or security instruments, and regardless of any subsequent forfeitures, foreclosures, or sales of Units under security instruments, or of any forfeitures, foreclosures, or sales instituted for nonpayment of government tax, levy or assessment of any kind.

ARTICLE II

DEFINITIONS

2.1. "Allocated interest" means the undivided interest in the Common Elements, the Common Expense liability, and votes in the Association allocated to each Unit by the provisions of Section 5.3, 7.4.2 and 10.6 of this Declaration, pursuant to RCW 64.34.224 .



2.2. "Assessment" means all sums chargeable by the Association against a Unit including, without limitation: (a) Regular and special Assessments for Common Expenses, charges, and fines imposed by the Association; (b) interest and late charges on any delinquent account; and (c) costs of collection, including reasonable attorneys' fees, incurred by the Association in connection with the collection of a delinquent Owner's account.

2.3. "Association" or "Unit Owners' Association" means the Unit Owners' Association organized under RCW 64.34.300.

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

2.5. "Common Elements" means all portions of a Condominium other than the Units. The term "General Common Elements" is sometimes used herein to describe Common Elements which are not or have not yet been allocated as Limited Common Elements.

2.6. "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves. Such expenditures are described with particularity in Schedule 8.4.2 of Exhibit C to this Declaration.

2.7. "Common Expense liability" means the liability for Common Expenses allocated to each Unit pursuant to RCW 64.34.224, and Section 10.6 of this Declaration.

2.8. "Condominium" means real property, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the Owners of those portions. Real property is not a Condominium unless the undivided interests in the Common Elements are vested in the Unit Owners, and unless a Declaration and a Survey Map and Plans have been recorded pursuant to the Condominium Act.

2.9. "Condominium Instruments" means the Declaration, the Survey Map and Plans, the Bylaws of the Association and any Rules and Regulations adopted by the Board of Directors, and any amendments to any such documents.

2.10. "Conversion condominium" generally means a condominium which, prior to its creation, was lawfully occupied wholly or partially by one or more residential tenants or subtenants. This term is specifically defined at RCW 64.34.020(10). This Condominium does not constitute a conversion condominium.

2.11. "Conveyance" means any transfer of the ownership of a Unit, including a transfer by deed or by real estate contract, but shall not include a transfer solely for security.

2.12. "Declarant" means any entity, person or group of persons acting in concert who (a) executes the Condominium Declaration, or (b) reserves or succeeds to any Special Declarant Right under the Declaration.

2.13. "Declarant control" means the right of the Declarant or persons designated by the Declarant to appoint and remove officers and members of the Board of Directors or to veto or approve a proposed



action of the Board or Association pursuant to Sections 8.1 and 16.5, 16.6 of this Declaration and RCW 64.34.308(4) or (5).

2.14. "Declaration" means the document that creates a Condominium by setting forth the information required by RCW 64.34.216, and any amendments to that document.

2.15. "Development Rights" means any right or combination of rights reserved by the Declarant in the Declaration to: (a) Add real property or improvements to the Condominium; (b) create Units, Common Elements, or Limited Common Elements within real property included or added to the Condominium; (c) subdivide Units or convert Units into Common Elements; (d) withdraw real property from the Condominium; or (e) reallocate Limited Common Elements with respect to Units that have not been conveyed by the Declarant. Development rights are personal to the Declarant and may be exercised, or not exercised, at the sole discretion of the Declarant. In this Condominium, Development rights are described in Section 3.3 hereof.

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

2.17. "Eligible Insurer" means the insurer or guarantor of a mortgage on a Unit that has filed with the secretary of the Association a written request that it be given copies of notices of any action by the Association that requires the consent of mortgagees.

2.18. "Eligible Mortgagee" means the holder of a mortgage on a Unit that has filed with the secretary of the Association a written request that it be given copies of notices of any action by the Association that requires the consent of mortgagees. The term "Eligible Mortgagee" also includes the "servicer" of a mortgage which has been acquired or securitized by secondary mortgage market entities such as the Federal National Mortgage Association ("FNMA" or "Fannie Mae") or the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") or the like.

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

2.20. "Identifying number" means a symbol or address that represents the designation of each Unit or, in some cases, a Common Element component, in the Condominium. A list of identifying numbers for all the Units in the Condominium in existence as of the effective date of this original Declaration, along with other information required by the Condominium Act, is attached as Exhibit B to this Declaration, where such identifying numbers are listed in a column below the words "Unit No."

2.21. "Leasehold Condominium" means a Condominium in which all or a portion of the real property is subject to a lease, the expiration or termination of which will terminate the Condominium or reduce its size. This Condominium is not a leasehold Condominium.

2.22. "Limited Common Element" means a portion of the Common Elements allocated by Article VI of the Declaration or by operation of RCW 64.34.204(2) or (4) for the exclusive use of one or more but fewer than all of the Units.



2.23. "Limited Common Assessment" means a portion of the Common Expenses of the Association which may be specially assessed against one or more but fewer than all of the Units pursuant to Section 10.8 of this Declaration.

2.24. "Master Association" means an organization described in RCW 64.34.276.

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

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

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

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

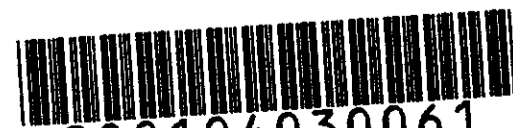
2.29. "Residential purposes" means use for dwelling or recreational purposes, or both.

2.30. "Special Declarant Rights" means rights reserved for the benefit of the Declarant to: (a) Complete improvements indicated on survey maps and plans filed with the Declaration under RCW 64.34.232; (b) exercise any Development Right under RCW 64.34.236; (c) maintain sales offices, management offices, signs advertising the Condominium, and models under RCW 64.34.256; (d) use easements through the Common Elements for the purpose of making improvements within the Condominium or within real property which may be added to the Condominium under RCW 64.34.260; (e) make the Condominium part of a larger Condominium or a development under RCW 64.34.280; (f) make the Condominium subject to a master Association under RCW 64.34.276; or (g) appoint or remove any officer of the Association or any master Association or any member of the Board of Directors, or to veto or approve a proposed action of the Board or Association during any period of Declarant control under RCW 64.34.308(4). In this Condominium, Special Declarant Rights are described in Section 16.5, 16.6 hereof.

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

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

2.33. "Unit Owner" means the Declarant or any other person who owns a Unit or leases a Unit in a leasehold Condominium under a lease that expires simultaneously with any lease, the expiration or termination of which will remove the Unit from the Condominium, but does not include a person who has



an interest in a Unit solely as security for an obligation. "Unit Owner" means the vendee and not the vendor of a Unit under a real estate contract.

2.34. "Upkeep" means any care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction that is required to maintain property in a decent, safe and sanitary condition, in keeping with the standards of the Condominium.

ARTICLE III

DESCRIPTION OF LAND, BUILDINGS, DEVELOPMENT RIGHTS AND MASTER SUBDIVISION

3.1. Land and Street Address.

The land on which the buildings and improvements of this Condominium are located is situated in Mount Vernon, Skagit County, Washington, and is more particularly described in Exhibit "A" which is attached hereto and incorporated herein. The street addresses of the Units appear on Exhibit "B" to this Declaration, and are depicted on the Survey Map for the Condominium. Currently those addresses include 2400 - 2419 Stonebridge Way, and 500 - 508 Shady Lane, Mount Vernon.

3.2. Buildings.

The first phase of the Condominium is designed to contain fourteen (14) buildings, each comprising a one-level dwelling to be constructed within a Unit.

3.3. Development Rights.

3.3.1. Description.

Pursuant to RCW 64.34.216(1)(j), the Declarant has reserved one or more Development rights which are personal to the Declarant and may be exercised, or not exercised, at the sole discretion of the Declarant. These include the rights to: construct dwellings within the Units, to add a building containing a Community Center to the Condominium and to create additional Units, Common Elements, or Limited Common Elements within the real property included in the Condominium, as described more particularly in Sections 4.1, 5.1, and/or 6.1 of this Declaration. Declarant further reserves the right to withdraw portions of the Property which contain the roadway known as Stonebridge Way, or the retention ponds and other drainage features, by conveying such areas to the City of Mount Vernon or subjecting them to easements in favor of the City of Mount Vernon and/or third parties. See also Section 16.6 hereof, which provides the possibility of a further expansion of the Condominium project through a merger process. Without limiting the foregoing, the Declarant reserves the right to expand the scope of development within the Condominium through phased development, as described below. Both Phases are required to be completed.

(a) Phase 1, in general, shall consist of the fourteen (14) Units described in Exhibit B to this Declaration, along with creekside improvements, stormwater detention facilities, and fencing structures.

(b) Phase 2, in general, would consist of an additional eighteen (18) Units, along with a Community Center, RV parking areas, and any final improvements which are required under the City of Mount Vernon's Final Planned Unit Development approval, or which may be desired by the Declarant.

3.3.2. Procedure for Exercise.

To exercise any Development Right reserved under Section 3.3.1 of this Declaration, the Declarant shall prepare, execute, and record an amendment to the Declaration and an amendment to the new Survey Map and Plans necessary to conform to the requirements of subsections (1), (2), and (3) of RCW 64.34.232, in accordance with Section 17.6 of this Declaration. The Declarant shall be the Unit Owner of any Units thereby created. The amendment to the Declaration shall assign an identifying number to each new Unit created, and, except in the case of subdivision or conversion of Units described in subsection (c) of this section, shall reallocate the allocated interests among all Units in existence following the amendment, using the same formulas or factors for allocation specified in Sections 5.3, 7.4.2 and 10.6 hereof. The amendment shall describe any Common Elements and any Limited Common Elements thereby created and, in the case of Limited Common Elements, designate the Unit to which each is allocated to the extent required by RCW 64.34.228. No additional Phase of development shall be deemed to be completed or to constitute a lawful portion of this Condominium until the Amendments described above shall have been recorded.

3.3.3. Time Limits on Development Rights.

The Declarant may exercise the Development Rights described in Section 3.3.1 of this Declaration within five years from the date of the conveyance by the Declarant of the first Unit in the Condominium to a person other than the Declarant. Declarant may commence construction of any improvements relating to such Development Rights at any time prior thereto, under the Easement Rights and Special Declarant Rights reserved in Sections 16.3 and 16.5 of this Declaration.

3.3.4. Sequence of Exercise of Rights.

The Declarant declares, pursuant to RCW 64.34.216(1)(k), that subject to the time limitations stated in Section 3.3.3 hereof, and except as otherwise expressly provided elsewhere in this Declaration, the Development Rights described in Section 3.3.1 of this Declaration shall be exercised generally in the sequence in which phased development is described in Section 3.3.1.

3.3.5. Declarant's Liability for Expenses - Right to Income.

In addition to the liability that the Declarant as a Unit Owner has under this Declaration, the Declarant alone is liable for all expenses in connection with real property subject to Development Rights except that the expenses associated with the operation, maintenance, repair, and replacement of a Common Element that the Owners have a right to use, such as the Community Center Building, upon its completion, shall be paid by the Association as a Common Expense. No other Unit Owner and no other portion of the Condominium is subject to a claim for payment of those expenses. Any income or proceeds from real property subject to Development Rights shall inure to the Declarant.

3.4. Master Subdivision.



This Condominium constitutes an overlying upon a master Planned Unit Development known as Stonebridge P.U.D., as per plat thereof recorded at Auditor's File No. 200010270081, records of Skagit County, Washington, which affects all property within this Condominium and all Unit Owners therein. Said recorded plat is referred to in this Declaration as the "Master Subdivision Plat."

ARTICLE IV

UNITS

4.1. Number and Location.

4.1.1. Initial Units.

The Condominium contains fourteen (14) Units which are depicted on the Survey Map and Plans. The locations and the dimensions of those Units are shown on the Survey Map and Plans. Exhibit B hereto contains a list of all Units, their identifying numbers, size, the Allocated Interests appurtenant to each Unit, and other information required by the Condominium Act.

4.1.2. Units Created by Phased Development.

The Declarant reserves the right to create a total of thirty-two (32) Units pursuant to Development Rights reserved in Section 3.3.1 of this Declaration. Reference should be made to that Section for additional information.

4.1.3. Assurances Connected with Phased Development.

In the event that the Declarant exercises a Development Right to create additional Units in the Condominium, any improvements constructed within the Units, and all Common Elements supporting such additional Units, shall be well constructed, using materials of quality and appearance comparable to those used in the earlier phases of development. Any buildings constructed within such additional Units shall be of architecturally compatible design so as to preserve a reasonably harmonious appearance relative to the initial phases of development, and shall be painted and landscaped appropriately.

4.2. Unit Boundaries.

The boundaries of each Unit are as follows:

4.2.1. Upper and Lower (horizontal) Boundaries.

The upper and lower boundaries of the Unit shall be the following boundaries extended to an intersection with the vertical (perimetric) boundaries.

(a) Upper Boundary: A plane lying one hundred (100) feet above and parallel with the existing grade of the land within the Unit, as depicted on the Survey Map and Plans.

(b) Lower Boundary: A plane lying ten (10) feet below and parallel with the existing grade of the land within the Unit, as depicted on the Survey Map and Plans.



4.2.2. Vertical (perimetric) Boundaries.

The vertical boundaries of the Unit shall consist of planes extending vertically from the location of those boundaries for the Unit depicted on the Survey Map and Plans, to the intersections of those planes with the upper and lower boundaries of the Unit.

4.2.3. Boundaries Independent of Improvements.

Neither the exterior nor interior walls of any building or appurtenant structure shall constitute a boundary of the Unit. All such structures shall be maintained within the boundaries of the Unit.

4.3. Additional Items Included in Units.

Each Unit contains earth and portions of airspace as described above. In addition, the Unit shall include, as an appurtenance to such property, any dwelling or accessory structure placed or erected within the Unit, along with any driveway improvements, interior fixtures, appliances, mechanical, electrical and other systems and equipment, and any heating and/or air-conditioning units installed for the sole and exclusive use of the Unit.

4.4. Items Excluded from a Unit.

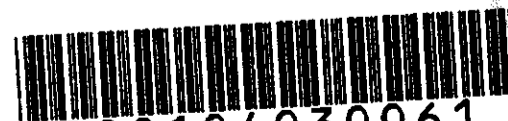
A Unit shall be deemed not to include: pipes, wires, conduits and other public utility lines, ventilation or other ducts, bearing walls and structural portions of the building running through a Unit which are utilized for or serve more than one Unit or the Common Elements, and all other property and fixtures of any kind which are not removable without jeopardizing the soundness, safety or usefulness of the remainder of the Condominium.

4.5. Maintenance of Units.

4.5.1. Maintenance of Interior Space Within Buildings.

Each Unit Owner shall, at his or her sole expense, have the right and the duty to keep the interior portions of any building or other structure erected within his or her Unit and any equipment, appliances, and fixtures contained therein in good order, condition and repair and shall do all interior redecorating and painting at any time necessary to maintain the good interior appearance and condition of his or her Unit. Each Owner shall also be responsible for the maintenance, repair or replacement of any individual heating, ventilating or air-conditioning equipment, wherever located, installed for the sole and exclusive use of the Unit, of any hot tub or other device or equipment lying outside the dwelling structure within the Unit, and of all interior doors and all immediately visible fixtures, appliances, mechanical, electrical and intercom systems and equipment, commencing at the point of disconnection from the structural body of the building or from utility lines, pipes or systems serving any other Unit or the Common Elements. This Section shall not be construed as permitting any interference with or damage to the structural integrity of a building or interference with the use and enjoyment of the Common Elements or of the other Units or any of them, nor shall it be construed to limit the powers or obligations of the Board hereunder. See also Section 8.4 hereof.

4.5.2. Maintenance of Exterior Space of Buildings.



The Association shall have the exclusive right and obligation to maintain, repair and replace the exterior and structural portions of all buildings constructed within the Condominium.

4.6. Alterations of Units.

Subject to the provisions of this Declaration and other provisions of law, a Unit Owner:

4.6.1. May make any improvements or alterations to the interior portions of a dwelling constructed within an Owner's Unit that do not affect the structural integrity or mechanical or electrical systems of any other Unit or the Common Elements, or lessen the support of any portion of the Condominium;

4.6.2. May not change the appearance of the Common Elements or the exterior appearance of any building constructed within the Unit, nor construct or erect any additional improvements within the Unit without permission of the Association;

4.7. Construction of Dwellings and Other Improvements Within Units.

Dwelling Units will be constructed within the Units by or under the direction of the Declarant, according to a common design scheme established by the Declarant. No person other than the Declarant shall make any addition, alteration or improvement in or to any Unit, other than for normal Upkeep or natural landscaping, which is visible from the exterior of the Unit (excluding areas within a dwelling's building envelope which are visible from the exterior only because of the transparency of glass doors, walls or windows), without the prior written consent of the Board of Directors. No person other than the Declarant shall paint or otherwise alter the exterior of any improvement, including the doors and windows, if such exterior is visible from another Unit or the Common Elements, without the prior written consent of the Board of Directors. Any addition, alteration or improvement upon any Unit existing in violation of the Condominium Instruments shall be removed or altered to conform to the Condominium Instruments (including any Design Guidelines adopted by the Declarant or the Board of Directors) within thirty days after notice from the Board of Directors of the violation.

ARTICLE V

COMMON ELEMENTS - FACILITIES AND SERVICES FOR OLDER PERSONS

5.1. Common Elements.

Except as otherwise specifically reserved, assigned or limited by the provisions of Article VI hereof, the Common Elements of the Condominium, which may also be referred to as "General Common Elements," consist of the following:

5.1.1. The land above described, exclusive of those portions thereof included within the Units, but including all open spaces depicted on the Survey Map.



5.1.2. Installations of services for common use such as main power lines, exterior lighting, main water or sewer lines; any common trash receptacles, containers or "dumpsters"; any common mailbox facilities, and in general any and all apparatus and installations existing for common use rather than for any one Unit.

5.1.3. The driveway areas and alley which provide access to the RV parking areas, and any other parking areas not assigned to Units.

5.1.4. The stormwater detention and drainage areas, the bike path, the pedestrian and bike bridge, and the landscaped areas and trail areas.

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

5.1.6. The Declarant reserves the right to create additional Common Elements, pursuant to Development Rights reserved under Section 3.3 hereof, described as an additional building designed for use as a Community Center and/or additional recreational facilities.

5.2. Partition, Conveyance, or Encumbrance.

5.2.1. Except as permitted by this Declaration or the Condominium Act, the Common Elements shall remain undivided and shall not be abandoned by act or omission, and no Unit Owner or other person may bring any action for partition or division of the Common Elements, except as provided in Section 6.4 hereof. Portions of the Common Elements which are not necessary for the habitability of a Unit may be conveyed or subjected to a security interest by the Association, subject to RCW 64.34.348, if the Owners of Units to which at least eighty percent of the votes in the Association are allocated, including eighty percent of the votes allocated to Units not owned by the Declarant or an affiliate of the Declarant, along with that percentage of Eligible Mortgagees specified in Article XV of this Declaration consent to this action; but all the Owners of Units to which any Limited Common Element is allocated must agree in order to convey that Limited Common Element or subject it to a security interest. Proceeds of the sale or financing of General Common Elements are an asset of the Association. Proceeds of the sale or financing of a Limited Common Element may be allocated between the Association and the Unit(s) to which it was formerly appurtenant, in such reasonable proportion as the Association and Unit Owner(s) may agree, subject to Section 5.2.2 hereof.

5.2.2. An agreement to convey Common Elements or subject them to a security interest must be evidenced by the execution of an agreement, or ratifications thereof, in the same manner as required for deeds, by the requisite number of Unit Owners. The agreement must specify a date after which the agreement will be void unless recorded before that date. The agreement and all ratifications thereof must be recorded in every county in which a portion of the Condominium is situated and is effective only upon recording.

5.2.3. Any purported conveyance, encumbrance, or other voluntary transfer of Common Elements, unless made pursuant to this section, is void. A conveyance or encumbrance of Common Elements pursuant to this section shall not deprive any Unit of its rights of access and support, nor shall it affect the priority or validity of preexisting encumbrances.

5.3. Allocated Interests.

5.3.1. Initial Allocation.

Pursuant to RCW 64.34.224(1), the Declarant has allocated to each Unit in the Condominium an equal undivided interest in the Common Elements of the Condominium, which is known as the Unit's Allocated Interest in the Common Elements. Each Unit's Allocated Interest in the Common Elements is expressed as a percentage and is stated with particularity on the attached Exhibit B.

5.3.2. Reallocation.

In the event that the Declarant exercises a Development Right to create additional Units in the Condominium, these initial Allocated Interests shall be reallocated pursuant to Section 3.3.2 hereof.

5.4. Maintenance, Repair and Replacement.

The Association is responsible for maintenance, repair, and replacement of the Common Elements, including the Limited Common Elements, except as may be provided in Section 6.2 hereof.

5.5. Right of Access.

Each Unit Owner shall afford to the Association and the other Unit Owners, and to their agents or employees, access through the Owner's Unit and Limited Common Elements appurtenant thereto as may be reasonably necessary for the purposes of maintenance, repair and replacement. If damage is inflicted on the Common Elements, or on any Unit through which access is taken, the Unit Owner responsible for the damage, or the Association if it is responsible, shall be liable for the repair thereof, as provided in Section 8.4 hereof.

5.6. Facilities and Services for Housing for Older Persons.

Significant facilities and services are in existence or are planned so as to make this Condominium project compatible with the needs and life-styles of its residents. These include the single-level building design for the dwellings to be constructed within the Units, the Community Center Building planned for Phase 2, the RV parking areas, private access points to the City's pedestrian trail system and various services provided through various agencies serving the needs of the elderly community. A complete listing of all such facilities and services shall be included in the Self-Certification form which is or shall be posted conspicuously in a central location in the project.

ARTICLE VI

LIMITED COMMON ELEMENTS

6.1. Limited Common Elements.

Limited Common Elements are portions of the common elements which may be allocated to and reserved for the exclusive use of one or more, but fewer than all of the units in a condominium. This Condominium has no Limited Common Elements.



ARTICLE VII

UNIT OWNERS ASSOCIATION

7.1. Name and Form of Association.

The name of the Association shall be the "Unit Owners Association of Stonebridge Condominium." The Association has been or will be incorporated by the Declarant prior to the first conveyance of a Unit in the Condominium as a non-profit corporation under the laws of the State of Washington. The rights and duties of the members and of said corporation shall be governed by the provisions of the Condominium Act and of this Declaration. The Association shall remain organized as a profit or nonprofit corporation. In case of any conflict between Chapter 24.06 RCW, the Nonprofit Miscellaneous and Mutual Corporations Act, and the Condominium Act, the Condominium Act shall control.

7.2. Powers of Association.

The Association shall, through its Board of Directors, all powers available to condominium associations under the Condominium Act, including the power to assign its right to future income (including the right to receive common expense assessments), provided that such assignment is approved by a majority of the voting power of the membership of the Association. Such powers are set forth with particularity in the Bylaws of the Association.

7.3. Membership.

Membership rights are specified in the Bylaws of the Association

7.4. Voting.

7.4.1. Voting Rights.

The manner of voting shall be as prescribed in the Bylaws.

7.4.2. Allocated Interests.

Pursuant to RCW 64.34.224(1), the Declarant has allocated to each Unit in the Condominium an equal vote in the Association which is known as the Unit's Allocated Interest for voting, or "vote". In the event that the Declarant exercises a Development Right to create additional Units in the Condominium, these initial Allocated Interests shall be reallocated pursuant to Section 3.3.2 hereof.

7.5. Bylaws of Association.

Bylaws for the administration of the Association and the Property, and for other purposes not inconsistent with the Condominium Act and this Declaration have been or will be prepared by the Declarant, subject to the approval of the initial Board of Directors of the Association.



ARTICLE VIII

MANAGEMENT OF CONDOMINIUM ASSOCIATION

8.1. Management by Declarant.

The Declarant, pursuant to RCW 64.34.308, has reserved the rights to (a) appoint and remove the Officers and members of the Board of Directors of the Association, and (b) veto or approve a proposed action of the Board or the Association, for a period of time known as the "Declarant Control Period". Limitations on the Declarant Control Period are specified in Section 5.1 of the Bylaws. At the termination of the Declarant Control Period, the Declarant shall provide the Association with all documents and things required under RCW 64.34.312.

8.2. Professional Management.

Standards for professional management of the Association are specified in Section 8.2 of the Bylaws.

8.3. Authority of the Board.

8.3.1. General Authority.

The Board, for the benefit of the Condominium and the Owners, shall enforce the provisions of the Condominium Instruments and shall have all powers and authority granted to the Board or the Association under the Condominium Act and this Declaration which are not expressly subject to the approval of Unit Owners.

8.3.2. Common Expenses.

The Board shall acquire and shall pay for, as Common Expenses, all goods and services requisite for the proper functioning of the Condominium, including, but not limited to, the items described in Schedule 8.3.2 appearing in Exhibit C to this Declaration.

8.3.3. Liens or Encumbrances.

The Board may also pay any amount necessary to discharge any lien or encumbrance levied against the entire Property or any part thereof which is claimed to or may, in the opinion of the Board, constitute a lien against the Property or against the Common Elements, rather than merely against the interest therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it, and any costs and expenses incurred by the Board by reason of such lien or liens shall constitute Special Assessments against the Units responsible, to the extent of their responsibility.

8.3.4. Acquisition of Property.

The Board may acquire and hold in the name of the Association, for the benefit of the Owners, tangible and intangible personal property and real property and interests therein, and may dispose



of the same by sale or otherwise. Such property shall thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for the benefit of the Association as the Board may direct.

8.3.5. No Business Authority.

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

8.4. Right of Entry.

The Board and its agents or employees may enter any Unit or Limited Common Elements when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible, or in the event of emergencies. Except in the case of an emergency, reasonable advance notice shall be given to the Unit Owner and, if applicable, to any lawful tenant or subtenant in the Unit. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Association out of the Common Expense fund if the entry was due to an emergency (unless the emergency was caused by the Owner of the Unit entered, in which case the cost shall be specially assessed to the Unit entered) or for the purpose of maintenance, or repairs, to Common or Limited Common Elements where the repairs were undertaken by or under the direction or authority of the Board. 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 assessed to such Unit. See also Schedule 8.3.2(g) of Exhibit C to this Declaration.

8.5. Board as Attorney in Fact.

Each Owner, by the act of becoming an Owner of a Unit, shall be deemed to have irrevocably appointed the Board of Directors as his or her attorney-in-fact, with full power of substitution, to take such actions as are reasonably necessary to perform the duties of the Association and Board hereunder, including, but not limited to, the duties to maintain, repair and improve the Property, to deal with the Unit upon damage or destruction, to grant licenses and easements, and to secure and distribute condemnation awards and/or insurance proceeds.

8.6. Limitations on Power of Board.

The Board of Directors 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 pursuant to RCW 64.34.264, to terminate the Condominium pursuant to RCW 64.34.268, or to elect members of the Board of Directors or determine the qualifications, powers, and duties, or terms of office of members of the Board of Directors pursuant to Section 8.2 hereof; but the Board of Directors may fill vacancies in its membership for the unexpired portion of any term.

ARTICLE IX

PERMITTED USES; ARCHITECTURAL UNIFORMITY

9.1. Permitted Uses.



9.1.1. Residential Use.

The buildings and Units shall be used for residential purposes only, whether on an ownership or rental basis, and for common social, recreational or other reasonable uses normally incident to such purposes. The Board may also permit the use of all or part of a Unit for a professional office or other low impact commercial use which will not create annoyance or disturbance of other Occupants, provided that such use is consistent with all applicable laws, ordinances and regulations of any governmental authority. As a condition to consenting to such commercial use, the Board may require the Unit Owner to pay any increase in the rate of insurance for the Condominium which may result from such office use, and to provide proof of adequate personal/business liability insurance coverage. No other commercial uses shall be permitted.

9.1.2. Housing for Older Persons Requirements.

The Condominium has been designed as housing for older persons, and shall be operated generally for occupancy by persons fifty-five (55) years of age or older, in accordance with Public Law 100-430, September 13, 1988, now codified at 42 U.S.C. § 3607(b)(2)(B), and with regulations later promulgated by the Secretary of HUD thereunder. The Association shall maintain a list of all Occupants and their respective birth dates to assure compliance with this Section. Significant facilities and services are planned to meet the physical and social needs of older persons; facilities and services provided by or through the Association are described in Section 5.6 hereof. Owners and Occupants shall be subject to the following requirements:

(i) Except as provided immediately below, the Units in this Condominium are intended for the use and occupancy by older persons. At least 80 percent of the Units in the housing shall be occupied by at least one person who is at least fifty-five (55) years of age or older. Visitors under the age of 21 years (hereinafter, "young visitors") shall be allowed to visit Owners or Occupants of Units, but only for periods of time not to exceed thirty (30) nights out of any six (6) month period as to each visitor. The Board may adopt additional rules regarding such visitations, and may require that any visitor found to be unreasonably disturbing other Owners be required to leave the premises, and may exercise its authority for specific visitors even though other visitors are permitted to remain.

(ii) No Unit shall be sold, rented or leased to any person or persons unless the standards established in this paragraph are complied with. Without limiting the authority of the Board described in the Bylaws, the Association shall have the specific legal right to seek injunctive relief from the Superior Court of the State of Washington for Skagit County with respect to any Owner or Occupant found to be not in compliance with this paragraph. Noncomplying Occupants may be evicted. The prevailing party in such an action shall be entitled to reasonable attorneys' fees and costs of suit.

(iii) Within ten (10) days of any sale of, lease of, grant of a life estate in, or other conveyance of a possessory interest in, or offer to make such conveyance of, an interest in any Unit in the Condominium, the Association shall furnish to the City of Mount Vernon and the Mount Vernon School District No. 320 either a copy of a birth certificate, a driver's license, a marriage certificate, or other reliable documentary evidence demonstrating that the new Occupant meets the criteria set forth in subpart (i) above, or a notice that the new resident does not meet the criteria so set forth above.

9.1.3. Vehicle Parking.

Parking spaces other than RV spaces are restricted to use for parking of operable, properly registered automobiles, light trucks and family vans; other items and equipment may be parked or kept therein only if expressly permitted by Rules and Regulations and only in such parking areas, if any, as may be designated for such purpose by the Board of Directors. Garage parking spaces are restricted to use for parking of automobiles, motorcycles, light trucks, family vans and other similar vehicles, and for storage of such other items that pose no unreasonable health, safety or fire risks to persons or property. Vehicle repairs other than ordinary light maintenance are not permitted on the Property. The Board may require removal of any inoperative or unregistered vehicle, and any other equipment or item improperly stored in parking spaces. If the same is not removed, the Board may cause removal at the risk and expense of the owner thereof, under such reasonable procedures as may be provided by Rules and Regulations adopted by the Association. Any designated visitors parking areas shall be left open for use by visitors, guests, invitees and licensees of Unit Owners and their tenants. Handicapped spaces shall remain open for use by vehicles properly designated for handicapped use. Use of Garage areas is further governed by Section 8.4 hereof. Parking is permitted in driveway areas in front of dwellings within the Units. On-street parking in front of the Units is restricted to use by visitors and for delivery purposes. Overnight on-street parking by any vehicle for more than two (2) consecutive evenings is prohibited.

9.1.4. RV Parking.

Except as hereinafter provided, junk vehicles (as defined in RCW 46.55.010), recreational vehicles (including without limitation camper-trailers, mobile homes, motor homes, "fifth-wheels", off-road vehicles, boats, airplanes or etc.), large commercial-style vehicles (including without limitation trucks, tractors, large vans or other types of vehicles or equipment which either require a commercial vehicle operator's license or which exceed 6,000 lbs in gross vehicle weight) or any other type of vehicle or equipment which exceeds 20 feet in length may not be stored, kept or maintained anywhere within the Condominium, except that recreational vehicles (as opposed to commercial vehicles) not exceeding 35 feet in length may be parked in the RV Parking Areas. RV parking spaces shall be available on a "first come, first served basis" through the Board of Directors, subject to the payment of such rental fees or use charges and such Rules and Regulations as the Board may from time to time impose or prescribe. The Board may require removal of any vehicle or equipment not authorized by this Section; if it is not removed from the Condominium Property, the Board may cause its removal at the risk and expense of the owner thereof, under such reasonable procedures as may be consistent with the provisions of RCW 46.55. Failure of an Owner or other occupant to remove such a vehicle or equipment from a Unit or the Common Elements may result in any or all remedies available to the Association under the Condominium Instruments.

9.1.5. Interference with Common Elements.

No Unit Owner shall obstruct any of the Common Elements nor shall any Unit Owner place or cause or permit anything to be placed on or in any of the Common Elements (except those areas designated for storage by the Condominium Instruments) without the approval of the Board. Nothing shall be damaged, altered, constructed in or removed from the Common Elements except with the prior written consent of the Board of Directors.

9.1.6. Effect on Insurance.

Nothing shall be done or maintained in any Unit or in the Common Elements which will increase the rate of insurance on the Common Elements or Units without the prior written consent of the



Board. No Owner shall permit anything to be done or maintained in his or her Unit or in the Common Elements which will result in the cancellation of insurance on any Unit or any part of the Common Elements.

9.1.7. Signs.

No sign of any kind shall be displayed to the public view on or from any Unit or Common Elements without the prior consent of the Board; provided that this section shall not apply to Declarant or Declarant's agents, nor shall it be deemed to prohibit the Owner of a Unit from displaying a sign for a period of time in which the Owner's Unit is for sale or rent. The Board may by resolution establish further policies regarding signs.

9.1.8. Animals.

The maintenance, keeping, boarding and/or raising of animals, livestock, poultry, or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of small birds, aquarium fish, medical dogs and other well-behaved dogs, cats and/or other well-behaved animals which do not normally leave the Unit is permitted, subject to Rules and Regulations adopted by the Board of Directors. The owner of any animal maintained on the Property shall exercise appropriate control over the animal, and shall clean up after such animal and shall not permit deposits of fecal matter, urinary residue or foodstuffs from or for such animal to remain anywhere on the Common Elements. Any Unit Owner who keeps or maintains any animal upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Unit Owners 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 animal within the Condominium. All animals shall be registered and inoculated as required by law. The Board of Directors may establish reasonable fees not to exceed the additional costs incurred by the Unit Owners Association resulting from the presence of such animals. The Board may at any time require the removal of any animal which it finds is or has become an unreasonable source of annoyance, and may exercise this authority for specific animals even though other animals are permitted to remain.

9.1.9. Offensive or Illegal Activity.

No unsanitary, noxious, offensive, smelly, excessively noisy or illegal activity shall be carried on in any Unit or the Common Elements, nor shall Owners create or permit any nuisance or unreasonable source of annoyance to other Owners or other lawful occupants of the Property. Without limiting the foregoing, Owners shall properly dispose of trash and garbage in approved receptacles.

9.1.10. Antennas.

Special restrictions on the installation of television, radio and other sorts of antennas and devices are found in Schedule 9.1.9 of Exhibit C to this Declaration.

9.1.11. Security Systems.

In the event that either the Declarant or the Association shall install a central security system within the Condominium, no Owner shall install or maintain any alternative security system which shall interfere with the proper operation of the central system, nor shall any Unit's individual security system be



connected in any way with any such central system without the advance written approval of the Board of Directors.

9.1.12. Private Garden Areas.

Unit Owners may maintain garden areas within their Units, and in any private garden areas which may be authorized within the Common Elements by resolution of the Board of Directors, in a neat and tidy manner, consistent with such reasonable rules and regulations as the Board of Directors may promulgate with respect thereto.

9.1.13. Lease Restrictions.

With the exception of an institutional lender in possession of a Unit following a default under a first mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no Unit Owner shall be permitted to lease his or her Unit for periods of less than thirty (30) days. No Unit Owner may lease less than the entire Unit. Any lease agreement shall be required and deemed to provide that the terms of the lease shall be subject in all respects to the provisions of the Condominium Instruments, and that any failure by the Lessee to comply with such provisions shall be a default under the lease, entitling the Association to enforce such provisions as a real party in interest. All leases shall be in writing. A lease, as defined herein, shall include month-to-month rentals. To ensure that legally-required percentages of occupancy by older persons, as established in Section 9.1.2 (i) hereof, are continually met in this Condominium, tenants will be required to provide birth certificates, drivers' licenses, marriage certificates, or other forms of evidence of their age to permit the Association to meet its obligations under Section 9.1.2 (iii) hereof. Other than the foregoing, there is no restriction on the right of any Unit Owner to lease his or her Unit. Any tenant or subtenant of any portion of a Unit shall be deemed to have assumed all the responsibilities of an Owner under this Section of the Declaration. See also Sections 10.13 and 10.21 of this Declaration.

9.1.14. Assignment or Subletting.

The assignment or subleasing of a Unit shall be subject to the same limitations as are applicable to the leasing or renting thereof. An Owner or tenant may not exempt himself or herself from any liability under the Condominium Instruments by assigning or subleasing the occupancy rights to his or her Unit.

9.1.15. Timesharing.

Timesharing is not permitted in this Condominium, and no Unit in the Condominium may be conveyed or held pursuant to any timeshare plan.

9.2. Architectural Uniformity.

In order to preserve a uniform exterior appearance to the dwellings and other improvements constructed within the Units which are visible to the public, the Board shall provide for the painting and other decorative finish of the buildings, decks, or other improvements, and may prohibit or regulate any modification or decoration of the decks or other improvements undertaken or proposed by any Owner. This power of the Board extends to screens, doors, awnings, rails or other visible improvements within each Unit.



The Board may also require use of a uniform color of draperies, blinds, under-draperies or drapery lining for all Units.

ARTICLE X

COMMON EXPENSES AND ASSESSMENTS

10.1. Budget for Common Expenses.

Within thirty (30) days following the Annual meeting of the Association, or at such other time as may be deemed necessary or desirable by the Board of Directors or the Association's accountant, the Board shall prepare an Annual Budget which shall estimate the Common Expenses, described generally in Section 2.6 of this Declaration, to be paid during such year. The Budget shall make provision for creating, funding and maintaining reserves required by Section 10.3 hereof, and shall take into account any expected income and any surplus available from the prior year's operating fund. The Declarant or the initial Board may at any suitable time establish the first such estimate. If deemed necessary by the Board of Directors, any annual budget may be revised prior to the end of its budget year, subject to the provisions of Section 10.2 hereof.

10.2. Meeting of Association to Approve Budget.

Within thirty days after adoption of any proposed budget for the Condominium, the Board of Directors shall provide a summary of the budget to all the Unit Owners and shall set a date for a meeting of the Unit Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing of the summary. Unless at that meeting the Owners of Units to which a majority of the votes in the Association are allocated reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board of Directors.

10.3. Reserves for Capital Improvements, Replacements, Major Repairs, & Insurance Deductibles.

The Board of Directors shall establish and maintain reasonable reserves for capital improvements, replacements, major repairs and the amount(s) of any deductible from insurance policies obtained by the Association pursuant to Article XI hereof, by providing for such reserves in the Annual Budget, segregating such reserves on the books of the Condominium, and allocating and paying monthly to such reserves one-twelfth of the total amount budgeted for such reserves for the current fiscal year. The Board may also establish and maintain reserve funds for operations and for such other purposes as may appear advisable. The portion of the Units' Assessments paid into such reserves shall be conclusively deemed to be non-refundable contributions to the capital of the Association by the Unit Owners. Such reserves may be expended only for the purposes for which they were established unless the Unit Owners, at a duly-constituted meeting of the Association, otherwise decide.

10.3.1. Working Capital Fund. To facilitate project approval by institutional lenders, the Declarant may also require that an initial Working Capital Fund be established and maintained by the Association to insure that the Association will have the funds to meet unforeseen expenditures or to purchase any additional equipment or services. Unless otherwise agreed between affected lenders and the Declarant,



if such fund is established, each purchaser of a Unit in the Condominium shall be required to pay at closing of the sale of the Unit a nonrefundable sum equal to two months of the regular Common Expense Assessment then allocated to such Unit, plus a *pro rata* portion of such Assessment for the month in which closing occurs. These funds are not to be considered as advance payments of regular Assessments. During the Declarant Control Period described in Section 8.1 hereof, the Declarant may not use any of these working capital funds to defray its expenses, its reserve contribution requirements, its construction costs, or any Association budget deficits. When unsold Units are sold, the Declarant may use funds collected at closing to reimburse itself for funds it may have paid the Association for each unsold Unit's share of the Working Capital Fund.

10.4. Assessments for Common Expenses.

10.4.1. Liability of Units.

The total amount of the estimated funds required to pay the Common Expenses of the Condominium set forth in the Annual Budget adopted by the Board of Directors for the fiscal year shall be assessed against the Units in proportion to their respective Allocated Interests for Common Expense liability described in Section 10.6 hereof, except that if one or more Units or the Common Elements are not separately metered, the utility service shall be paid as a Common Expense, and the Board may allocate, by reasonable formula, a portion of such expense to each such Unit involved as a portion of its Common Expense, or reimburse any Unit Owner who pays, in whole or in part for utilities serving the Common Elements, as appropriate. See also Section 10.8 hereof.

10.4.2. Payable in Installments.

Unless otherwise determined by the Board of Directors, with the written approval of all Eligible Mortgagees, the annual Assessment against each Unit for its proportionate share of the Common Expenses shall be payable in 12 equal, monthly installments, and each installment shall be payable in advance on the first day of the month.

10.5. Assessments to Pay Judgment Against Association.

Assessments to pay a judgment against the Association pursuant to RCW 64.34.368(1) may be made only against the Units in the Condominium at the time the judgment was entered in proportion to their Allocated Interests for Common Expense Liability at the time the judgment was entered.

10.6. Allocated Interests; Procedure on Reallocation.

10.6.1. Allocated Interests.

Pursuant to RCW 64.34.224(1), the Declarant has allocated to each Unit in the Condominium an equal liability for payment of the Common Expenses of the Association which is known as the Unit's Allocated Interest for Common Expense Liability. Each Unit's Allocated Interest for Common Expense Liability is expressed as a percentage and is stated with particularity on the attached Exhibit B. A Unit's liability for Common Expense Assessments under such Allocated Interests may be subject to adjustment under the provisions of Section 10.4.1 hereof. Units may also be subject to a surcharge in assessments under the provisions of Section 10.8 hereof. In the event that the Declarant exercises a Development Right to



create additional Units in the Condominium, these initial Allocated Interests shall be reallocated pursuant to Section 3.3.2 and 10.6.2 hereof.

10.6.2. Reallocation.

Subject to the provisions of Section 10.6.1 hereof, if Common Expense liabilities are reallocated, Common Expense Assessments or any installment thereof not yet due under the prevailing budget shall be recalculated by the Board in accordance with the reallocated Common Expense liabilities, and each Unit shall thereafter be liable for the revised Assessments due upon such recalculation.

10.7. Special Assessments.

The Board of Directors may levy a Special Assessment for the purpose of defraying the cost of any unexpected repair or other nonrecurring contingency, or to meet any other deficiencies in operations or reserves occurring from time to time. The Board of Directors shall give notice to the Unit Owners of any such Special Assessment by a statement in writing giving the amount and reasons therefor, along with a date for a Special Meeting of the Association to be held not less than 14 days following such notice, for approval of the Special Assessment. Subject to the provisions of Section 10.2 hereof, such Special Assessments shall become due and payable, unless otherwise specified in the notice, with the next monthly Assessment payment which is due more than thirty days after the delivery or mailing of such notice. All Unit Owners shall be obligated to pay the adjusted monthly amount or, if the Special Assessment is not payable in installments, the full amount of such Special Assessment, in proportion to their Allocated Interests for Common Expense Liability.

10.8. Limited Common Assessments.

10.8.1 To the extent that any Common Expense is caused by the negligence or misconduct of any Unit Owner, the Association may, subject to the provisions of Section 7.10 of the Bylaws, levy a Limited Common Assessment for that expense against the Owner's Unit. In addition and without limitation, the liability of a Unit Owner to pay RV Parking Space charges, or any other costs, fees, charges, insurance deductibles or fines imposed or incurred by the Association, along with the costs and attorney's fees described in RCW 64.34.364(14), and interest on any delinquent account shall be deemed a Limited Common Assessment which, unless otherwise directed by the Board, shall be due and payable within thirty (30) days following their imposition.

10.8.2 To the extent that the reasonable costs of maintaining, repairing, replacing and insuring any dwelling or other permitted improvements within a Unit shall exceed the average cost of providing such services to other Units in the Condominium by more than 10%, the additional costs shall be assessed against such Unit as a Limited Common Assessment. Further, the Association may, by resolution supported by greater than 50% of the votes in the Association, require that any Common Expense or portion thereof benefitting fewer than all of the Units shall be assessed exclusively against the Units benefitted; such assessment shall also constitute a Limited Common Expense.

10.9. Accounts; Commingling Prohibited.

Amounts collected by the Board of Directors as Assessments against the Units for operating expenses or Reserves shall be kept in accounts in the name of the Association and shall not be commingled

with funds of any other Association, nor with the funds of any Managing Agent or any other person responsible for the custody of such funds. Any reserve funds shall be kept in one or more insured, segregated accounts and any transaction 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.

10.10. Surplus Funds.

Unless otherwise provided in this Declaration, any surplus funds of the Association remaining after payment of or provision for Common Expenses and any prepayment of reserves shall, in the discretion of the Board of Directors, either be paid to the Unit Owners in proportion to their Allocated Interest for Common Expense Liability or credited to them to reduce their future Common Expense Assessments.

10.11. Liability of Unit Owners for Association Obligations.

The liability of any Unit Owner arising out of any contract made by the Board of Directors, or tort of the Association not fully covered by insurance, or arising out of the indemnification of the Board of Directors, shall be limited to that proportion of the total liability thereunder as the Allocated Interest of his or her Unit bears to the aggregate Allocated Interests of all Units.

10.12. Declarant Control Period.

During the Declarant Control Period, until the Association makes a Common Expense Assessment, pursuant to RCW 64.34.360(1), the Declarant shall pay all Common Expenses.

10.13. Owners Personally Liable for Common Expenses.

Each Assessment shall be the joint and several obligation of the Owner or Owners of the Unit to which the same are assessed as of the time the Assessment is due. 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. No Unit Owner may exempt himself or herself from liability with respect to the Common Expenses by waiver of the enjoyment of the right to use any of the Common Elements or by leasing, rental or abandonment of his or her Unit or otherwise. The failure or delay of the Board of Directors to adopt the Annual Budget for any year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his or her allocable share of the Common Expenses as herein provided, and in the absence of an Annual Budget or adjusted Annual Budget, each Unit Owner shall continue to pay (with or without notice) a monthly Assessment at the rate established for the preceding fiscal year until an Assessment is made under a current Annual Budget or adjusted Annual Budget and notice thereof has been sent to the Unit Owner.

10.14. Liability Following Conveyance of Unit.

A selling Unit Owner shall not be liable for the payment of any part of the Common Expenses assessed against his or her Unit subsequent to a sale, transfer or other conveyance by him of such Unit. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid Assessments against the Unit up to the time of the conveyance without prejudice to the purchaser's right to recover from the selling Unit Owner the amounts paid by the purchaser therefore. Except as provided in Section 10.18.2 hereof, 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 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 above.

10.15. Statement of Unpaid Assessments.

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 of Directors, and every Unit Owner, unless and to the extent known by the recipient to be false.

10.16. Lien for Assessments and Power of Sale.

10.16.1. Pursuant to RCW 64.34.364, the Association has a lien on a Unit for any unpaid Assessments levied against a Unit from the time the Assessment is due. If an Assessment is payable in installments, the Association has a lien for the full amount of the Assessment from the time the first installment thereof is due.

10.16.2. Each and every Unit Owner of any Unit in the Condominium, by virtue of his or her acquisition by any means of title to such Unit, shall take such title subject to the Association's lien for Assessments. Pursuant to RCW 64.34.364(9), the Declarant as "Grantor" does hereby grant, bargain, sell and convey to Land Title Company of Skagit County, a corporation, as "Trustee" in trust WITH POWER OF SALE, all the real property in the Condominium described in Exhibit A to this Declaration, which property is not used principally for agricultural purposes, together with all tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any manner appertaining, and the rents, issues and profits thereof, to secure the obligations of the Unit Owners to the Association, as "Beneficiary", for the payment of any Assessments lawfully levied under this Declaration. Each and every Unit Owner shall be deemed for all purposes, as of the time of his or her acquisition of title to any Unit in the Condominium, to have joined as an additional "Grantor" in the conveyance in trust above described, and to have at that time bargained, sold and conveyed his or her Unit, along with its undivided Allocated Interest in the Common Elements and any Limited Common Elements assigned thereto, to such Trustee, to secure all obligations imposed by this Declaration on such Unit Owner to pay Assessments to the Association. The Power of Sale provided and granted herein shall be operative in the case of a default in the obligation to pay Assessments; upon default by such Grantor in the payment of any indebtedness secured hereby, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expenses of sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligations secured by this Declaration; (3) the surplus, if any, shall be distributed to the persons entitled thereto.

10.17. Perfection of Lien.



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, Skagit County Auditor

Recording of the Declaration constitutes record notice and perfection of the lien for Assessments. While no further recording of any claim of lien for Assessments 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 10.18.3 hereof.

10.18. Priority of Lien.

10.18.1. A lien under this Section 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.

10.18.2. Except as provided in Sections 10.18.3 and 10.19.2 hereof, the lien shall also be prior to the mortgages described in subpart (b) of Section 10.18.1 hereof, to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the annual Budget adopted by the Association which would have become due during the six months immediately preceding the date of a sheriff's sale in an action for judicial foreclosure by either the Association or a mortgagee, the date of a trustee' sale in a nonjudicial 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.

10.18.3. The priority of the Association's lien against Units encumbered by a mortgage held by an Eligible Mortgagee, or by a first 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 its foreclosure includes delinquencies which relate to a period after such holder becomes an Eligible Mortgagee or has given such notice and before the Association gives the holder a written notice of the delinquency. This Subsection does not affect the priority of mechanics' or materialmen's liens, or the priority of liens for other Assessments made by the Association. A lien under this section is not subject to the provisions of chapter 6.13 RCW relating to Homesteads.

10.19. Enforcement of Lien.

10.19.1. The lien arising under this section may be enforced judicially by the Association or its authorized representative in the manner set forth in chapter 61.12 RCW, or nonjudicially in the manner set forth in chapter 61.24 RCW for nonjudicial foreclosure of deeds of trust. 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. The Association may elect to take a deed in lieu of foreclosure in any such proceeding.

10.19.2. If the Association forecloses its lien nonjudicially pursuant to Chapter 61.24 RCW, the Association shall not be entitled to the lien priority provided for under Section 10.18.2 hereof.

10.20. Limitation of Lien Enforcement.



A lien for unpaid Assessments and the personal liability for payment thereof is extinguished unless proceedings to enforce the lien are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

10.21. Rent Subject to Lien for Assessments.

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 Units 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 Subsection, 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.

10.22. Remedies Cumulative.

The remedies provided herein are cumulative and the Board may pursue them concurrently, along with any other remedies which may be available under the law although not expressed herein.

ARTICLE XI

INSURANCE, DESTRUCTION, RESTORATION AND DISTRIBUTION

11.1. Authority, Name of Insured.

The Board of Directors shall obtain and maintain casualty and liability insurance under such terms and for such amounts as shall be deemed necessary by the Board of Directors, but unless not reasonably available, for not less than the terms, conditions and amounts required by Section 11.2 hereof. The name of the insured under each required policy shall be stated as follows: "Unit Owners Association of Stonebridge Condominium, for the use and benefit of the individual Owners thereof."

11.2. Coverage.

See Schedule 11.2 under Exhibit C to this Declaration.

11.3. Deductible.

11.3.1. General Provisions.

Except as otherwise provided herein, the deductible under any policy of insurance purchased by the Board of Directors shall not exceed the lesser of \$10,000 or 1% of the face amount of the policy. Except as provided herein, the amount of the deductible shall be paid by the Association as a Common



Expense. Funds to cover the amount of the deductible shall be included in the Association's reserve accounts. The deductible should be established at a level that is sufficiently high to eliminate minor "nuisance" claims which could cause cancellation of the Association's master policy, but not so high that Unit Owners will have difficulty obtaining their own owners' insurance coverage to cover their potential liability under Section 11.3.2 hereof.

11.3.2. Damages Valued at Less Than Amount of Deductible.

Where damage is limited to a single Unit, or where damage is caused by the fault of an Owner or that Owner's tenant or family member, or where the damage is caused by the failure of some portion of the Condominium Property which the Owner is responsible for maintaining, the Owner may be held responsible and specially assessed for any uninsured amount, to the extent of the coverage limits afforded under that Owner's individual insurance policy.

11.4. Notice of Insurance Coverage or Termination Thereof.

11.4.1. The Board of Directors shall promptly furnish to each Unit Owner and each Eligible Mortgagee written notice of the procurement, subsequent changes, or termination of each insurance policy or fidelity bond obtained on behalf of the Association.

11.4.2. An insurer that has issued an insurance policy under this Section shall issue certificates or memoranda of insurance to the Association and, upon written request, to any Unit Owner or holder of a mortgage.

11.5. Individual Policies.

It is recommended that each Unit Owner obtain, at such owner's expense, a "Condominium Unit Owner's Policy," or equivalent, to insure against loss or damage to any upgrades, improvements or betterments to the Unit, or to personal property used in or incidental to the occupancy of the Unit, additional living expense, loss of rent, vandalism or malicious mischief, theft, personal liability, loss assessment coverage to help the Owner pay a special assessment due to casualty losses which exceed the amount of coverage under the master policy, any loss arising from the application of Section 11.3.2 hereof, and the like. No Unit Owner shall maintain insurance coverage which will tend to decrease the amount which the Association may realize under any insurance policy which it may have in force at any particular time. The Board of Directors may require that each Unit Owner file with the Secretary or the Manager a copy of each individual policy of insurance purchased by the Unit Owner within 30 days after its purchase. In the event that the Association elects to obtain insurance covering upgrades, improvements or betterments supplied or installed by Owners within their Units, the Board of Directors may also require that all the Owners notify the Board of Directors of all improvements made to their respective Units having a value in excess of \$1,000.

11.6. Unavailability, Cancellation or Nonrenewal.

If the insurance described in Section 11.2 hereof is not reasonably available, or is modified, canceled or not renewed, the Association promptly shall cause notice of that fact to be hand-delivered or sent prepaid by first class United States mail to all Unit Owners, to each Eligible Mortgagee, and to each mortgagee to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.



11.7. Adjustment and Payment of Loss Proceeds.

All policies shall provide that adjustment of loss shall be made by the Board of Directors, and that proceeds payable pursuant to the policies shall be paid directly to the Board of Directors as Insurance Trustee, to be held in trust for Unit Owners and all lienholders as their interests may appear. Proceeds of insurance policies received by the Insurance Trustee shall be distributed to or for the benefit of the Unit Owners and Mortgagees entitled thereto, after first paying or making provisions for the payment of the expenses of the Insurance Trustee, in the following manner:

(a) Proceeds are to be paid first to repair or restore damage or destruction. After completely defraying the cost of the repair or restoration, any surplus proceeds shall be payable jointly to the Unit Owners and Mortgagees, if any, entitled thereto.

(b) If, pursuant to the provisions of Section 11.8 hereof, not all of the damaged or destroyed portions of the Condominium are to be repaired or replaced, insurance proceeds shall be payable as provided in that Section.

11.8. Reconstruction Following Casualty Loss.

See Schedule 11.8 in Exhibit C to this Declaration.

11.9. Assessments if Insurance is Inadequate.

Immediately after a casualty causing damage to property for which the Board of Directors has the responsibility of maintenance and repair, the Board shall obtain reliable and detailed estimates of the cost to replace the damaged property in as good a condition as it was before the casualty. Such costs may include professional fees and premiums for such bonds as the Board desires or as may be required. If the proceeds of insurance, coupled with any available reserve funds, are not sufficient to defray such estimated costs, a Special Assessment shall be made against all the Units in proportion to their liability for Common Expenses provided in the Declaration, in sufficient amounts to provide funds to pay the estimated costs. If at any time during reconstruction and repair, or upon completion of reconstruction or repair, the funds for payment of the costs thereof are insufficient, Assessments shall be made against all of the Units in proportion to their respective Common Expense liabilities, in sufficient amounts to provide funds for the payment of such costs.

11.10. Notice to Mortgagees.

The Board of Directors shall give written notice to: (a) an Eligible Mortgagee of the Unit whenever damage to the Unit covered by the mortgage exceeds \$1,000; and (b) all Eligible Mortgagees whenever damage to the Common Elements exceeds \$10,000.

11.11. Miscellaneous.

The provisions of this Article XI shall constitute the procedure by which a determination is made by the Unit Owners to repair, restore, reconstruct or rebuild the Condominium following casualty thereto. The purpose of this Article XI 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 Article XI shall be liberally construed to accomplish such purpose.

ARTICLE XII

CONDEMNATION

Provisions dealing with the effect of condemnation proceedings affecting this Condominium appear in Schedule 12 in Exhibit C to this Declaration.

ARTICLE XIII

COMPLIANCE WITH LAW AND COVENANTS

13.1. Compliance by Owners and Occupants.

Each Owner and occupant of a Unit shall comply strictly with the provisions of the Condominium Act or the Condominium Instruments. All remedies provided the Association in this Article may be enforced against any tenant or other occupant of a Unit.

13.2. Enforcement by Association.

The Board of Directors shall have primary responsibility for maintaining and enforcing compliance with the covenants, conditions and restrictions contained in the Condominium Instruments. Without limiting the authority and powers conferred upon the Board by the Condominium Act, the Board shall have the rights and powers described in Section 7 of the Bylaws.

ARTICLE XIV

LIMITATION OF LIABILITY

14.1. No Liability for Utility Failure, Etc.

Except to the extent covered by insurance obtained by the Board pursuant to Article XI, neither the Association nor the Board nor the Declarant shall be liable for any failure of any utility or other service obtained 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 liability for 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.

14.2. Liability of Officers and Directors, Indemnification.



The Directors and Officers shall exercise ordinary and reasonable care in discharging their responsibilities and shall not be liable to the Association or to the Unit Owners for mistakes of judgment or for negligence not amounting to gross negligence, willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the Directors and Officers from and against all contractual liability to others arising out of contracts made by the Board of Directors or Officers on behalf of the Association or the Unit Owners unless such contract was made in bad faith or contrary to the provisions of the Condominium Instruments. The Directors and Officers shall not be personally liable for contracts made by them on behalf of the Association. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that (s)he is or was a Director or Officer of the Association, against amounts paid in settlement incurred by him in connection with such action, suit or proceeding if (s)he acted in good faith and in a manner (s)he reasonably believed to be in, or not opposed to, the best interests of the Condominium or the Association, to the fullest extent authorized by RCW 23B.08.510, 520, 530, and 570, and any amendments thereto, whether or not the Association is incorporated under RCW 23B.

14.3. No Bailment.

Neither the Board of Directors, the Association, any Owner nor the Declarant shall be considered a bailee of any personal property stored or placed on the Common Elements (including property located in vehicles parked on the Common Elements), whether or not exclusive possession of the particular area is given to an Owner for parking or otherwise, nor shall they be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

ARTICLE XV

MORTGAGEE PROTECTION

Mortgagees (lenders) in this Condominium project have various rights which are set forth with particularity in Schedule 15 in Exhibit C to this Declaration.

ARTICLE XVI

EASEMENTS AND SPECIAL DECLARANT RIGHTS

16.1. Easements for Units and Unit Owners, and Association Functions.

Each Unit has an easement in and through each other Unit and the Common and Limited Common Elements for support, and each Unit Owner has a perpetual right of ingress to and egress from his or her Unit over the Common Elements. There is hereby reserved to the Association, or its duly authorized agents and representatives, such easements as are necessary to perform the duties and obligations of the Association as are set forth in the Condominium Instruments. See Section 8.4 hereof for further details.

16.2. Easement for Emergency Access.



A non-exclusive perpetual easement is hereby granted on, over, under and across the Common Elements to all police, fire, ambulance and other rescue personnel for the lawful performance of their functions during *bona fide* emergencies.

16.3. Easements for Declarant.

The Declarant reserves an easement through the Common Elements as may be reasonably necessary for the purpose of discharging the Declarant's obligations or for exercising Special Declarant Rights. Without limiting the generality of the foregoing, such easements include the following:

16.3.1. General Reservation.

Declarant reserves non-exclusive easements for ingress, egress and utilities over and across all Common Elements within Phase 1 and across all Common Elements included within any subsequently completed Phase of the Condominium.

16.3.2. Specific Rights.

The easements reserved under this Section shall entitle the Declarant, for the development of each successive phase of the Condominium, and/or for development and utilization of any land which may be merged into the Condominium, irrespective of whether such land is actually so merged, to tie into water, sewer, storm sewer, electrical, gas, telephone or other utility conduits, lines, pipes, culverts or other facilities of any nature or description whatsoever, and to use and connect with roadways, driveways, walkways, open areas or utility systems developed and employed in any completed phases of the Condominium. The Declarant also reserves the right to grant easements to the City of Mount Vernon or other public utility providers and to convey to such providers utility lines, pipes, wires, ducts, conduits, stormwater retention ponds and drainage-ways, bicycle and pedestrian trails, and/or other areas and/or facilities in furtherance of such grants.

16.3.3. Liability for Costs and Restoration.

Declarant shall bear the cost of tie-ins to such utilities and roads and shall not connect with such utilities in a manner that impairs or significantly reduces the quality of the utility service to any completed phase of the Condominium; provided, that if said tie-ins cause an increase in the cost of delivering affected utility services to any completed phase of the Condominium, that cost shall be borne by the Declarant. Declarant shall properly clean up and restore any Common Elements soiled or damaged through exercise of any of the easement rights reserved herein.

16.4. Easements Shown on Survey Map.

Easements shown on the Survey Map filed concurrently with this Declaration are hereby declared and established. Any easement shown on the Survey Map which benefits one or more Units in the Condominium, or which benefits any real property not included within the Condominium, confers various rights and benefits upon the owner(s) of such real property, and may also impose obligations upon the Association.

16.5. Special Declarant Rights.



Pursuant to RCW 64.34.020(29), the Declarant has reserved the following Special Declarant Rights for the purpose of furthering and completing the development of the Condominium: To complete any improvements indicated on the Survey Map and Plans filed with the Declaration; to exercise any Development Right described in Section 3.3 hereof; to maintain sales offices, management offices, signs advertising the Condominium, and models on the Condominium Property; to use easements through the Common Elements for the purpose of making improvements within the Condominium, to make the Condominium part of a larger Condominium or a development under RCW 64.34.280 through a merger process described in Section 16.6 below, to make the Condominium subject to a master Association under RCW 64.34.276; and to appoint or remove any officer of the Association or any master Association or any member of the Board of Directors, or to veto or approve a proposed action of the Board or Association during the Declarant Control Period described in Section 5.1 of the Bylaws. A failure by the Declarant to veto or approve any such proposed action within thirty (30) days after receipt of written notice of the proposed action shall be deemed to constitute approval thereof by the Declarant. Except with respect to the right to exercise Development Rights, which is governed by Section 3.3.3 hereof, or as limited in Section 5.1 of the Bylaws, Special Declarant Rights shall terminate upon the sale of the last Unit in the Condominium, or seven (7) years from the date of conveyance of a Unit to a purchaser other than the Declarant, whichever is earlier.

16.6. Expansion of Condominium through Merger Process.

16.6.1. Merger Process.

The following provisions govern the process by which one or more separate condominiums created by the Declarant on land near, but not contiguous to the land within Stonebridge Condominium, may become merged with this Condominium at the option of the Declarant: The Declarant shall cause the units and common elements within such other condominium (the "Merging Condominium") to be substantially completed, using comparable materials and providing for an architectural style reasonably comparable to those used in Stonebridge Condominium, and shall create the Merging Condominium using a declaration which incorporates all material provisions of this Declaration for Stonebridge Condominium. Declarant shall then cause appropriate amendments to the Declaration and to the Survey Map and Plans for Stonebridge Condominium to be prepared, for the purpose of accomplishing the merger. The Declarant shall be the owner of any Units created through the merger process. The amendment to the Declaration shall assign an identifying number in Stonebridge Condominium to each new Unit so created, and shall reallocate the Allocated Interests among all Units in existence following the amendment, using the same formulas or factors for such allocations specified in Sections 5.3, 7.4.2 and 10.6 hereof. The amendment shall describe any Common Elements and any Limited Common Elements thereby created and, in the case of Limited Common Elements, designate the Unit to which each is allocated to the extent required by RCW 64.34.228. Pursuant to RCW 64.34.280(2), the Merger shall become effective only upon the recordation of the Amendments to the Declaration and Survey Map and Plans.

16.6.2. Effect of Merger.

Following the Merger, pursuant to RCW 64.34.280(1), Stonebridge Condominium shall be for all purposes the legal successor of both condominiums; the Merging Condominium shall have no separate existence, no separate assets, no separate operations or activities, and no separate owners' association; the Merging Condominium shall be deemed for all purposes to be a part of Stonebridge Condominium, and shall be governed by the Condominium Instruments for Stonebridge Condominium. Each owner of a unit in the



Merging Condominium shall become a member of the Unit Owners Association of Stonebridge Condominium, with all rights and responsibilities attending to such membership contained in the Condominium Instruments of Stonebridge Condominium. Pursuant to RCW 64.34.280(3), each unit in the Merging Condominium shall have allocated to it such allocated interests in the Common Elements, votes in the Association, and liability for Common Expenses of Stonebridge Condominium as is appropriate, utilizing the formulas and factors provided in Sections 5.3, 7.4.2, and 10.6 of this Declaration.

16.6.3. Approval of Merger Conclusively Presumed.

Under RCW 64.34.280(2), an agreement to merge or consolidate condominiums would normally require the advance approval of Owners of Units in both condominiums, holding 80% of the voting power in each condominium association. In order to facilitate the orderly development scheme for this Condominium described in Section 3.3.1 hereof, however, pursuant to RCW 64.34.020(29), approval by each Unit Owner in Stonebridge Condominium shall be conclusively presumed to have been given to any merger accomplished in substantial compliance with the provisions of Section 16.6.1 hereof. In furtherance of such scheme, each Unit Owner in Stonebridge Condominium shall, by virtue of having accepted a deed from the Declarant conveying title to such Owner's Unit, be deemed to have granted unto the Declarant, and/or to the President or any Vice President of the Unit Owners Association of Stonebridge Condominium, an irrevocable limited proxy and/or power of attorney to execute any merger agreement as shall meet the requirements of Section 16.6.1 hereof.

ARTICLE XVII

AMENDMENT OF DECLARATION, SURVEY MAP, PLANS

17.1. Procedure for Amendment of Declaration.

Amendments to the Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Except as otherwise specifically provided for in this Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Owners. Except in cases of amendments that may be adopted by the Declarant unilaterally pursuant to Section 17.6 or 17.7 hereof, the Association under Sections 4.8, 4.9, 6.4, or 12.1 hereof or RCW 64.34.268(8), or certain Unit Owners under Sections 4.8, 4.9 or 6.3 hereof or pursuant to RCW 64.34.268(2), amendments may be adopted only at a meeting of the Owners if at least sixty-seven percent (67%) of the votes in the Association are cast for such amendment, or without any meeting if all Owners have been duly notified and Owners holding at least sixty-seven percent (67%) of the votes in the Association consent in writing to such amendment. In all cases, the amendment when adopted shall bear the acknowledged signature of the President of the Association, who shall certify that the amendment was properly adopted.

17.2. Recordation Required.

Every amendment to the Declaration must be recorded with the County Auditor 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.

17.3. Special Restrictions.



Except to the extent expressly permitted or required by other provisions of this Declaration, or of the Condominium 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 his or her Mortgagee and the Owners of Units to which at least ninety percent (90%) of the votes in the Association are allocated other than the Declarant, and that percentage of Eligible Mortgagees and/or Eligible Insurers specified in Article XV hereof. No amendment may restrict, eliminate, or otherwise modify any Special Declarant Right provided in the Declaration without the consent of the Declarant and any mortgagee of record with a security interest in the Special Declarant Right or in any real property subject thereto, excluding mortgagees of Units owned by persons other than the Declarant.

17.4. Amendment of Survey Map and Plans.

The Survey Map and Plans may be amended by revised versions referred to and described as to effect in an amendment to the Declaration adopted as required above. Copies of any such proposed amendment to the Survey Map and Plans shall be made available for examination by every Owner. Such amendment to the Survey Map and Plans shall also be effective, once properly adopted, upon recordation in the appropriate county offices, along with the amendment to the Declaration which accompanies it.

17.5. Consent of Mortgagees Required.

The consent of specified percentages of Eligible Mortgagees and/or Eligible Insurers may be required, pursuant to Article XV of this Declaration, prior to recordation of certain amendments to the Condominium Instruments. In certifying that an amendment has been properly adopted, as required by Section 17.1 hereof, the President shall be deemed to have certified that any consents required by Article XV have been obtained or waived pursuant to law.

17.6. Amendments by Declarant.

The Declarant may unilaterally adopt and file amendments to the Declaration and to the Survey Map and Plans for so long as the Declarant is the Owner of any Unit in the Condominium or until the expiration of the time limit for the exercise of any Development Rights reserved by the Declarant, in order to:

- (a) conform them to the actual location of any of the constructed improvements and to establish, vacate and relocate utility easements, access road easements and parking areas;
- (b) exercise any Development Right reserved by the Declarant under Section 3.3 of this Declaration or to complete a Merger described in Section 16.6 hereof;
- (c) correct any nonmaterial technical errors contained in the Condominium Instruments or clarify provisions of same, as required by any institutional Mortgagee or title insurer; or
- (d) complete portions of Exhibit B to this Declaration as improvements are constructed within the Units.

ARTICLE XVIII



TERMINATION OF CONDOMINIUM

The Unit Owners may elect to terminate the Condominium status of the property only in accordance with the provisions of RCW 64.34.268, with the requisite approval of such Mortgagees and other lienholders as may be required by law, or by Article XV hereof.

ARTICLE XIX

MISCELLANEOUS

19.1. Notices for All Purposes, Delivery.

19.1.1. Except as otherwise provided by law, or by Article 15 hereof as to certain notices to Eligible Mortgagees, any notice permitted or required to be delivered under the provisions of the Declaration or the Bylaws may be delivered either personally or by mail, addressed to the person entitled to such notice at the most recent address given by such person to the Board in writing, or to the most recent address known to the Board. Notice to the Owner of any Unit shall be sufficient if mailed to his or her Unit if no other mailing address has been given to the Board. Mailing addresses may be changed from time to time by notice in writing to the Board. Notice to be given to the Association may be given to the President or Secretary of the Association, or to the Association's Registered Agent.

19.1.2. New Unit Owners must supply their names and addresses, along with the names and addresses of their respective Mortgagees, to the Secretary of the Association promptly after conveyance.

19.2. Severability.

The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof, if the remainder complies with the Condominium Act and furthers the common plan of this Condominium.

19.3. No Right of First Refusal.

There is no right of first refusal in the Association limiting or restricting the right of any Unit Owner to sell, transfer or convey his or her Unit.

19.4. Effective Date.

This Declaration shall take effect upon recording.

ARTICLE XX

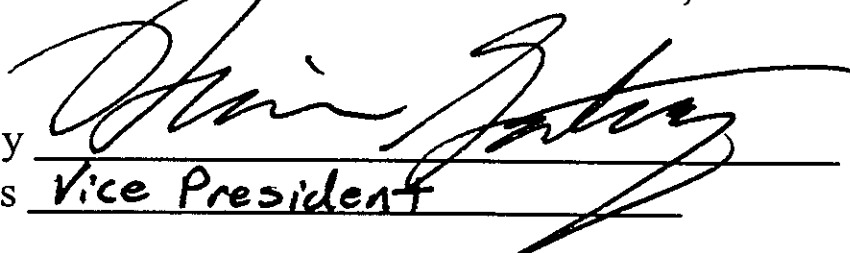
CERTIFICATE OF COMPLETION



Declarant hereby certifies, pursuant to RCW 64.34.200(2), that all Units in the Condominium are substantially completed to a stage of development suitable for the construction of improvements and mechanical systems necessary for the residential uses contemplated in the Declaration.

DATED this 30TH day of March, 2001.

Declarant:
LANDED GENTRY DEVELOPMENT, INC.

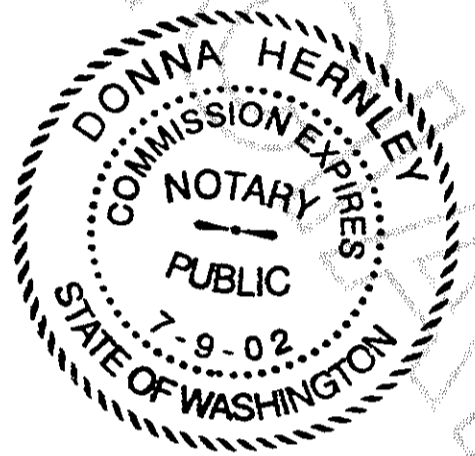
By 
Its Vice President



STATE OF WASHINGTON)
) ss.
COUNTY OF Skagit)

I hereby certify that I know or have satisfactory evidence that Brian Gentry is the person who appeared before me, and said person acknowledged that (s)he signed this instrument, on oath stated that (s)he was authorized to execute the instrument and acknowledged it as the Vice President of the Declarant, LANDED GENTRY DEVELOPMENT, INC., to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: March 30, 2001.



Donna Hernley
NOTARY PUBLIC for the State of
Washington. My Commission
expires 7-9-02

EXHIBIT "A"
TO DECLARATION FOR
STONEBRIDGE CONDOMINIUM

LEGAL DESCRIPTION OF LAND WITHIN THE CONDOMINIUM

The legal description of the land on which the buildings and improvements of the Condominium are located is as follows:

The Southeast 1/4 of the Northwest 1/4 of the Northwest 1/4 of Section 21, Township 34 North, Range 4 East, W.M., EXCEPT that portion conveyed to the City of Mount Vernon for street purposes by deed recorded August 7, 1968, under Auditors File No. 716720 and also except the following described tract:

That part of the South 1/2 of the Northwest 1/4 of Section 21, Township 34 North, Range 4 East, W.M., described as follows:

Beginning at the Southwest corner of the Southeast 1/4 of the Northwest 1/4 of the Northwest 1/4 of said Section 21; thence West along the South line of the Northwest 1/4 of the Northwest 1/4 of Section 21, a distance of 20 feet; thence North parallel to the West line of the Southeast 1/4 of the Northwest 1/4 of the Northwest 1/4 a distance of 200 feet; thence East parallel with the South line of said Northwest 1/4 of the Northwest 1/4 of Section 21, a distance of 140 feet; thence South parallel to the West line of the Southeast 1/4 of the Northwest 1/4 of the Northwest 1/4 of Section 21, a distance of 200 feet to the South line of said subdivision; thence West along said South line to the point of beginning.

Situate in the County of Skagit, State of Washington.

Subject to covenants, conditions, restrictions, reservations, agreements, encumbrances and other matters of record, including matters depicted on the Survey Map and Plans.

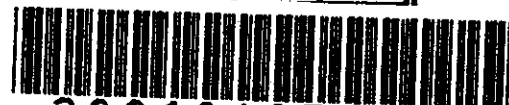
DESCRIPTION OF LAND SUBJECT TO RIGHT OF WITHDRAWAL

Those portions of the above-described property which contain stormwater retention ponds and/or drainage-ways, which may be conveyed to the City of Mount Vernon, at the option of the City of Mount Vernon, and the roadway described as "Stonebridge Way", which shall be conveyed to the City of Mount Vernon.



EXHIBIT "B"
TO DECLARATION FOR STONEBRIDGE CONDOMINIUM

Unit No.	Street Address	Square Footage	Number of Bedrooms	Number of Bathrooms	Number of Fireplaces	Type of Heat	Allocated Interest*
1	2400 Stonebridge Way	5140	TBD	TBD	TBD	TBD	.074285
2	2406 Stonebridge Way	5150	TBD	TBD	TBD	TBD	.074285
3	2412 Stonebridge Way	5150	TBD	TBD	TBD	TBD	.074285
4	2416 Stonebridge Way	5150	TBD	TBD	TBD	TBD	.074285
5	2420 Stonebridge Way	5290	TBD	TBD	TBD	TBD	.074285
6	2401 Stonebridge Way	5271	TBD	TBD	TBD	TBD	.074285
7	2405 Stonebridge Way	5300	TBD	TBD	TBD	TBD	.074285
8	2411 Stonebridge Way	5300	TBD	TBD	TBD	TBD	.074285
9	2415 Stonebridge Way	5300	TBD	TBD	TBD	TBD	.074285
10	2419 Stonebridge Way	5609	TBD	TBD	TBD	TBD	.074285
11	508 Shady Lane	5772	TBD	TBD	TBD	TBD	.074285
12	506 Shady Lane	5148	TBD	TBD	TBD	TBD	.074285
13	502 Shady Lane	5054	TBD	TBD	TBD	TBD	.074285
14	500 Shady Lane	5646	TBD	TBD	TBD	TBD	.074285
Total							100.00%



200104030061
 , Skagit County Auditor

* Allocated interests are the percentages of undivided interests in the Common Elements, fractional liability for the Common Expenses of the Association and votes in the Association allocated to each Unit under Section 5.3, 7.4.2 and 10.6 of the Declaration, pursuant to RCW 64.34.224(1).

TBD = To be determined during construction of dwelling Units by or under the direction of the Declarant.



200104030061
, Skagit County Auditor

EXHIBIT "C"
TO DECLARATION FOR STONEBRIDGE CONDOMINIUM

SCHEDULE OF MISCELLANEOUS PROVISIONS AFFECTING THE CONDOMINIUM

SCHEDULE 8 – MANAGEMENT OF CONDOMINIUM ASSOCIATION

8.3.2 Common Expenses.

Common Expenses of the Association include, but are not limited to the following:

- (a) Common Water and sewer, common electrical and, if deemed necessary or desirable by the Board of Directors, common garbage and/or trash collection, common gas, and any other necessary utility service as required for the Common Elements. See Section 10.8 of the Declaration for Limited Common Assessment items.
- (b) Policies of insurance or bonds required by Article XI.
- (c) The services of persons or firms as required to properly manage the affairs of the Condominium to the extent deemed advisable by the Board as well as such other personnel as the Board shall determine are necessary or proper for the operation of the Condominium, whether such personnel are employed directly by the Board or are furnished by a Manager.
- (d) The services of attorneys, along with bookkeepers and accountants qualified to maintain Association records in the manner required by Section 8.4 of the Bylaws, and to perform the independent audit required under Section 8.5 of the Bylaws.
- (e) Painting, maintenance, repair and replacement of the Common Elements, along with exterior painting and structural maintenance, repairs and replacement for dwelling structures constructed within the Units, all landscaping and gardening work for the Common Elements and Units that is not made the responsibility of individual Unit Owners by agreement with the Board of Directors, and such other furnishings and equipment for the project as the Board deems appropriate.
- (f) Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board is required to by law to pay or procure or which in its opinion shall be necessary or proper for the operation of the Condominium, the maintenance, repair or replacement of the Common Elements, or for the enforcement of this Declaration.

SCHEDULE 9 – PERMITTED USES; ARCHITECTURAL UNIFORMITY

9.1.9 Antennas.

- (1) Definitions. The word “antenna”, as used herein, shall be deemed to include (a) an antenna that is designed to receive direct broadcast satellite service, including direct-to-home satellite services; (b) an antenna that is designed to receive video programming services via multipoint distribution services, including multichannel multipoint distribution services, instructional television fixed services, and local multipoint distribution service, (c) an antenna that is designed to receive television broadcast signals, (d) a mast supporting any of the foregoing, or (e) any similar or related device.
- (2) General Restriction. Except as otherwise provided herein, no antenna greater than one meter in height or diameter shall be installed anywhere within the Condominium Property, unless installed by the Association.
- (3) Qualified Reception Devices Permitted in Restricted Locations. An antenna which is within the types described in Subparts (1)(a) or (b) hereof and which is less than one meter in height or diameter, or which is within the types



described in Subparts (1)(c) or (d) hereof shall constitute a "Qualified Reception Device". A Qualified Reception Device may be installed by or at the request of a Unit Owner or by or at the request of such person's lawful tenant, but then only upon or within that person's Unit.

(4) Installation Procedures For Qualified Reception Devices. In the event that an Owner or tenant desires to install a Qualified Reception Device upon or within a person's Unit, such person shall notify the Board or its Manager in writing in advance of such installation, and in such notice shall provide in reasonable detail the following information: (a) a description of the device, (b) the location of its proposed installation, and (c) the name, address and State contractor's license number of the contractor or other person proposing to install same. Any contractor must be properly licensed, bonded and insured. The Board shall have a period of seven full calendar (7) days from receipt of the application within which to respond. During such period, the Board may either prohibit such installation entirely, modify the proposed location thereof, or otherwise reasonably condition such installation under the terms and conditions specified in Subsection (5) hereof. In the event that the Board shall permit the installation of the Device, the Owner or occupant may be required to pay a reasonable damage deposit (which shall be refundable upon satisfactory removal of the Device), and the Board or its designee shall be permitted to oversee the installation of the Device. The Board may adopt and publish further reasonable rules for approval of such installations that shall not unreasonably prevent or delay the installation, maintenance, or use of a Qualified Reception Device, nor unreasonably increase the cost of installing, maintaining or using same.

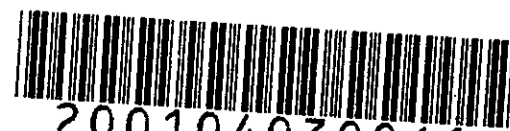
(5) Board's Authority to Deny, Modify or Condition Approval. The Association may, subject to the provisions of Section (9) hereof, either prohibit the installation of a Qualified Reception Device on or within any portion of the improvements located within the Unit, modify the proposed location thereof, or otherwise reasonably condition such installation under the following circumstances: (a) where the installation of any type of device, fixture or appurtenance that is comparable in size, weight or other hazardous properties to the Qualified Reception Device, or the maintenance or use of thereof, could pose an unreasonable risk of harm to persons or property, (b) where the contractor is not properly licensed, bonded or insured, or (c) where such installation would interfere with any applicable historic preservation requirements set forth in the National Historic Preservation Act of 1966, as amended, 16 U.S.C. §470.

(6) Qualified Reception Devices Located in General Common Elements. Pursuant to Section 9.1.4 hereof, no reception devices of any sort, including Qualified Reception Devices, may be placed within any of the General Common Elements without the advance written consent of the Board of Directors, which consent may be withheld for any reason. In the event that the Board shall permit the installation of the Device, the Owner or occupant may be required to pay a reasonable damage deposit (which shall be refundable upon satisfactory removal of the Device), and the Board or its designee shall be permitted to oversee the installation of the Device. The Board may adopt and publish further reasonable rules or regulations relating to the approval and/or installation of such Devices.

(7) Costs of Installation & Removal; Indemnification. Any person who installs or causes to be installed any Device on or in any portion of the Common Element, shall do so at his, her or its sole cost and expense and shall be responsible for all costs associated with the upkeep, repair, maintenance, replacement and removal of said device, and shall indemnify the Association against and hold the Association harmless from any and all such costs and expenses, and from any damage caused to any Unit in the Condominium or to any Common Elements as a result of such installation, upkeep, repair, maintenance, replacement or removal. A damage deposit paid to the Association as a condition for permission to install a Device will not limit the liability of the person responsible for such costs and expenses.

(8) Offensive Broadcasts. No Owner shall cause or permit radio or television signals, or any other form of electromagnetic radiation that unreasonably interferes with reception of television, telephone or radio signals elsewhere within the Condominium Property, to emanate from his or her Unit (except if used in conjunction with an antenna that receives video programming), such being expressly declared a nuisance.

(9) Master Antennas. The Association may entirely prohibit Unit Owners or tenants from installing or maintaining any and all antennas upon or within any and all Limited Common Elements in the event that the Association shall install a central or "master" antenna, reception device or service, and where the following additional elements are present: (a) any viewer in the Condominium can receive the particular video programming service the viewer desires and could receive with an individual antenna; (b) the video reception in the viewer's Unit using the master antenna is of an acceptable quality as good as, or better than the quality the viewer could receive with an individual antenna; (c) the costs associated with the use of the master antenna are not greater than the cost of installation, maintenance and use of an individual antenna; and (d) the requirement to use the master antenna



in lieu of an individual antenna does not unreasonably delay the viewer's ability to receive video programming. (Source: *Order on Reconsideration*, FCC 98-214, Docket 96-83, September 25, 1998, ¶86-89)

(10) Intent to Comply with Federal OTARD Regulations. This Section of the Declaration has been designed to comply with applicable regulations and decisions of the Federal Communications Commission ("FCC") regarding Over-the-Air Reception Devices ("OTARD"), 47 C.F.R. § 1.4000, and shall be construed in accordance with applicable OTARD regulations as they may be amended from time or interpreted by the FCC or courts of appropriate jurisdiction. The restrictions contained in this Section shall be construed to be limited such that they (a) shall not unreasonably delay or prevent the installation of a Qualified Reception Device, (b) shall not unreasonably increase the cost of installation, maintenance or use thereof, or (c) preclude the reception of an acceptable quality signal thereby; further, such restrictions (d) shall be applied to the extent practicable in a nondiscriminatory manner to devices, appurtenances or fixtures other than antennas that are comparable in size and weight and pose a similar or greater safety risk and (e) shall be no more burdensome to affected antenna users than is necessary to achieve the objectives of this Section. In the event that applicable OTARD regulations change to the extent that the provisions of this Section would become unlawful, this Section of this Declaration shall then be deemed to be automatically amended so as to conform to such changes.

(11) Special Procedures for Enforcement. In the event of a violation of these restrictions by a Unit Owner or tenant, the Association shall be entitled to initiate legal action in the Superior Court to obtain relief including damages and injunctions, as appropriate, and the Association shall be entitled to assess fines against the Owner or tenant of the affected Unit in accordance with the procedures prescribed in RCW 64.34.304(k). No attorney's fees shall be collected or assessed and no fine shall accrue against an antenna user while such a proceeding is pending, if the validity of any restriction is legitimately challenged in such proceeding. If a ruling is issued adverse to the viewer, the viewer shall be granted at least a 21 day grace period in which to comply with the adverse ruling, and no fine may be collected from the viewer if the viewer complies with the adverse ruling during this grace period, unless the Association demonstrates, in the same proceeding which resulted in the adverse ruling, that the viewer's claim in the proceeding was frivolous.

SCHEDULE 11 – INSURANCE

11.2 Insurance Policies and Coverage.

11.2.1 Master Policy.

The Condominium shall be insured under a "master", "blanket" or "entity" type of policy, against casualty or physical damage in an amount equal to the maximum insurable replacement value thereof (i.e., 100% of replacement costs based upon the value of replacing all buildings and all improvements of the Condominium exclusive of land, excavations and foundations, utilizing contemporary building materials and technology. Level(s) of coverage shall be determined annually by the Board of Directors with assistance of the agent of the insurance company affording such coverage. Such coverage shall afford protection against:

(a) loss or damage by fire, vandalism, malicious mischief, windstorm, and other hazards covered by the standard "broad form" and/or "special" extended coverage endorsements or their equivalent, together with Common Expense assessments coverage with respect to both Units during any period of repair or reconstruction; and such other perils customarily covered by insurance for similar condominium projects. Such coverage shall insure all buildings and other General and Limited Common Elements that are normally included in coverage. The policy shall also cover all of the Units and their bathroom, laundry and kitchen equipment, fixtures and cabinets, together with all included electrical and plumbing fixtures and equipment, any heating and ventilating and other equipment supplied or installed by the Declarant, but not including furniture, furnishings or other personal property supplied or installed by Unit Owners. The policy shall also cover other Condominium property including fixtures, building service equipment and common personal property and supplies owned by the Owners Association or included in the Common Elements. An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

(i) a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or



(ii) a Replacement Cost Endorsement (under which the insurer agrees to pay up to 100% of the Property's insurable replacement cost, but no more) and, if the policy includes a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance).

(b) the following Special Endorsements, or their functional equivalent:

(i) an Inflation Guard Endorsement, when it can be obtained;

(ii) Building Ordinance or Law Endorsement, if the enforcement of any building, zoning, or land-use law will result in loss or damage, increased cost of repairs or reconstruction, or additional demolition and removal costs. (The endorsement must provide for contingent liability from the operation of building laws, demolition costs, and increased costs of reconstruction.); and

(iii) Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. (This endorsement should provide for the insurer's minimum liability per accident to at least equal the lesser of \$2 million or the insurable value of the buildings housing the boiler or machinery.) In lieu of obtaining this as an endorsement to the commercial package for the project, the Association may purchase separate stand-alone boiler and machinery coverage.

(c) liability for death, personal injury and property damage arising from the use, ownership or maintenance of any of the Common Elements. The insurance should also cover any commercial spaces that are owned by the Association, even if they are leased to others. Coverage should be afforded under a commercial general liability policy for the entire project, including all areas under the supervision of the Association. Limits of liability shall in no event be less than \$1,000,000 with respect to any single occurrence; and

(d) medical payments coverage, in such amounts as are customarily provided in such policies.

11.2.2 Flood Insurance.

If any part of the Condominium's improvements are in a Special Flood Hazard Area -- which is designated as A, AE, AH, AO, A1-30, A-99, V, VE, or V1-30 on a Flood Insurance Rate Map (FIRM), the Association must maintain a "master" or "blanket" policy of flood insurance which should cover buildings and any other improvements constituting Common Elements. If the project consists of high-rise or other vertical buildings, the Association must have a separate flood insurance policy for each building that houses dwelling units. The amount of flood insurance should be at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. If the Condominium consists of high-rise buildings or other vertical buildings, the building coverage should equal 100% of the insurance value of the building, including machinery and equipment that are part of the building. The contents coverage must include 100% of the insurable value of all contents, including any machinery and equipment that are not part of the building, but which are owned by the Association for its members. The maximum deductible amount for policies covering the Common Elements or for those covering each building in a high-rise or vertical condominium project, is the lesser of \$5,000 or 1% of the policy's face amount. Funds to cover this deductible amount should be included in the Association's operating reserve account, as provided in Section 10.3.

11.2.3 Earthquake Insurance.

If desirable and reasonably available, earthquake insurance may be obtained. Funds to cover any deductible applying to such coverage should be included in the Association's operating reserve account, as provided in Section 10.3.

11.2.4 Directors' and Officers' Insurance..

If reasonably available, the Board shall acquire Directors' and Officers' errors and omissions insurance to satisfy the Association's indemnification responsibilities under the Bylaws of the Condominium.

11.2.5 Fidelity Insurance.

The Association shall obtain blanket fidelity insurance for any person who either handles (or is responsible for) funds that he or she holds or administers, whether or not that individual receives compensation for services. The policy shall name the Association as the insured and must include a provision that calls for ten days' written notice to the Association and all Eligible Mortgagees before the policy can be canceled or substantially modified for any reason, in the manner provided in Section 15.2 hereof.



The policy should cover the maximum funds that will be in the custody of the Association or its Manager at any time while the policy is in force. A Manager that handles funds for the Association shall be covered by its own fidelity insurance policy, which must provide the same coverage required of the Association.

11.2.6 Additional Insurance.

The Board shall also acquire such additional insurance coverage as it may deem advisable and appropriate, including Workmen's Compensation insurance, where necessary to meet the requirements of law. Further, and notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity insurance meeting the insurance and fidelity bond requirements for condominium projects established by Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Veteran's Administration, or other governmental or quasi-governmental agencies involved in the secondary mortgage market, so long as any such agency is a Mortgagee or Owner of an Unit within the Condominium; in the event that such additional coverage is not reasonably available, the procedures described in Section 11.6 shall be followed.

11.2.7 General Policy Provisions and Limitations.

Insurance obtained pursuant to the requirements of this Article XI shall be subject to the following provisions:

(a) Each policy shall be written with a company or companies which are licensed to do business in the State of Washington and which hold a B general policyholder's rating or a financial performance index of 6 or better in the latest edition of Best's Key Rating Guide, or an A or better rating from Demotech, Inc., or such other rating(s) by such other entities as may be acceptable to or required by Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Veteran's Administration, or other governmental or quasi-governmental agencies involved in the secondary mortgage market, so long as any such agency is a Mortgagee or Owner of an Unit within the Condominium.

(b) The master policy will be primary, and no insurance coverage obtained and maintained pursuant to the requirements of this Article XI shall be brought into contribution with insurance purchased individually by any of the Unit Owners or their Mortgagees, as herein permitted, and any "no other insurance" or similar clause in any policy obtained by the Board of Directors pursuant to the requirements of this Section shall exclude such policies from consideration.

(c) Each policy shall provide that it may not be canceled, substantially modified or reduced without at least 30 days' prior written notice to all insureds named thereon, including all named Mortgagees.

(d) Each policy of casualty insurance shall contain a waiver of any right of the carrier to elect to restore, or repair damage or reconstruct in lieu of making a cash settlement if a decision is made pursuant to this Declaration not to do so.

(e) Each policy shall contain a waiver of subrogation by the insurer as to any and all claims against the Unit Owners, the Association, the Board of Directors, the Manager, and their respective agents, arising from the acts of any Unit Owner, member of the Owner's household, or lessee of the Owner.

(f) Policy contracts shall provide that each Unit Owner is an insured person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.

(g) Each policy shall provide that (i) the policy's coverage shall not be prejudiced by any act or neglect of any occupants or Unit Owners of the Condominium or their agents, employees, tenants, Mortgagees or invitees when such act or neglect is not within the control of the insured or the Unit Owners collectively; and (ii) the policy shall not be prejudiced by failure of the insured or the Unit Owners collectively to comply with any warranty or condition with regard to any portion of the Condominium over which the insured or the Unit Owners collectively have no control.

(h) Each policy must contain a standard mortgage clause and must name as covered Mortgagees each such covered Mortgagee, followed by the phrase "its successors and assigns."

(i) 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 nonrenewal of contracts of insurance. The insurer shall not modify the amount or the extent of the coverage of the policy, or cancel or refuse to renew the policy without complying with RCW 64.34.352.



11.8 Reconstruction Following Casualty Loss.

11.8.1 Duty to Reconstruct.

Any portion of the Condominium for which insurance is required under this Section and for which the Board of Directors has the responsibility of maintenance and repair which is damaged or destroyed shall be repaired or replaced promptly by the Association unless: (a) the Condominium is terminated; (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (c) eighty percent (80%) of the Unit Owners, including every Owner of an Unit or assigned Limited Common Element which will not be rebuilt, along with any Mortgagees whose approval must be sought under applicable provisions of the Declaration, vote not to rebuild. The cost of repair or replacement in excess of insurance proceeds and reserves shall be a Common Expense.

11.8.2 Decision Not To Reconstruct.

If all of the damaged or destroyed portions of the Condominium are not repaired or replaced: (i) the insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium; (ii) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated, or to lienholders, as their interests may appear; and (iii) the remainder of the proceeds shall be distributed to all the Unit Owners or lienholders, as their interest may appear, in proportion to the Common Element interests of all the Units. If the Unit Owners vote not to rebuild any Unit, that Unit's allocated interests are automatically reallocated upon the vote as if the Unit had been condemned under RCW 64.34.060(1), and the Association promptly shall prepare, execute, and record an amendment to the Declaration reflecting the reallocations. Notwithstanding the provisions of this Subsection, RCW 64.34.268 governs the distribution of insurance proceeds if the Condominium is terminated.

11.8.3 Manner of Reconstruction.

If destroyed or damaged property is to be reconstructed or repaired, the reconstruction or repair thereof shall be accomplished as nearly as practicable to the character of the building or improvement existing immediately prior to such casualty. Any reconstruction or repair shall be done in accordance with then prevailing Building Code requirements and may be done with contemporary building materials, and achieved by utilizing updated construction systems and technology.

11.8.4 Payment of and Procedure for Reconstruction.

The proceeds of insurance collected on account of casualty, and funds received by the Board of Directors from collections of Assessments against Unit Owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair in the following manner:

(a) If the damages exist only to parts of an Unit for which the responsibility of maintenance and repair is borne by the Unit Owner, then the Owner shall be responsible for reconstruction and repair after casualty and shall be entitled, with the assistance of the Board of Directors, to apply for and use any applicable insurance proceeds. In such instances, the Association shall not be required to pay any of the insurance deductible. In all other instances the responsibility of reconstruction and repair after casualty shall be that of the Board of Directors.

(b) If the amount of the estimated costs of reconstruction and repair is \$50,000 or less, (as estimated by the Board of Directors) then the construction fund shall be disbursed in payment of such costs upon order of the Board of Directors, provided, however, that upon request of a Mortgagee which is a beneficiary of an insurance policy, the proceeds of which are included in the construction fund, such fund shall be disbursed in the manner provided in Subsection (iii) hereof;

(c) If the estimated costs of reconstruction and repair of the buildings or other improvement is more than \$50,000, then costs and expenses so incurred from the construction fund shall be disbursed from time to time as the work progresses upon approval by an engineer or architect (hereinafter referred to as the "Reconstruction Supervisor") licensed to practice in the State of Washington and employed by the Board of Directors to supervise such work. The Reconstruction Supervisor shall be required to furnish a certificate giving a brief description of the services rendered and materials furnished by various contractors, subcontractors, materialmen, the Reconstruction Supervisor, or other persons who have rendered services or furnished materials in connection with the work, and stating that: (a) the sums requested by them in payment are justly due and owing and that said sums



do not exceed the value of the services and materials furnished; (b) there is no other outstanding indebtedness known to the Reconstruction Supervisor for the services and materials described; and (c) the cost as estimated by the Reconstruction Supervisor for the work remaining to be done subsequent to the date of such certificate, does not exceed the amount of the construction fund remaining after payment of the sum so requested.

SCHEDULE 12 – CONDEMNATION.

12.1. Condemnation Affecting Whole Unit.

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 this 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, all 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 Subsection is thereafter a Common Element.

12.2. Condemnation of Part of Unit.

Except as provided in Section 12.1 hereof, 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.

12.3. Condemnation of Common Elements.

If part of the Common Elements is acquired by condemnation, the portion of the award attributable to the Common Elements taken shall be paid to the Owners based on their respective Allocated Interests in the Common Elements unless the Association at a special meeting called for such purpose, decides otherwise.

12.4. Condemnation of Limited Common Elements.

Any portion of an 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.

12.5. Association Necessary Party to Proceeding.

The Association, through its Board of Directors, shall be a necessary party to any condemnation proceedings and shall, to the extent feasible, act as a fiduciary on behalf of and in the best interests of any and all Unit Owners affected by such proceedings. Should the Association not act on the Owners' behalf in a condemnation proceeding, the affected Owners may individually or jointly act on their own behalf.

12.6. Complete Taking.

In the event of a complete taking of the Condominium, or in the event that the taking by the condemning authority is so substantial as to render the remainder of the Condominium unsuitable or undesirable for use by the remaining Unit Owners, then the Condominium shall (in the case of complete taking) or may (as to a partial taking) be terminated in accordance with the terms and conditions of RCW 64.34.268, and Article XV hereof.

12.7. Reconstruction and Repair.

Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article XI hereof, provided that the Board may retain and apply such portion of each Owner's share of the Condemnation Award as is necessary to discharge said Owner's liability for any special Assessment arising from the operation of said Article XI.



12.8. Notice to Mortgagees.

The Board of Directors shall promptly give written notice to all Eligible Mortgagees of the pendency of any condemnation proceedings affecting any portion of the Condominium.

12.9. Payment of Award.

When a Unit Owner becomes entitled to receipt of a condemnation award, or of any portion of such an award, or of any payment in lieu of such an award, then any such payment shall be made payable jointly to such Unit Owner and to the holders of any Mortgages encumbering such Owner's Unit, as their interests may appear.

SCHEDULE 15 – PROTECTION OF MORTGAGEES

This Schedule establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain mortgages. This Article is supplemental to, and not in substitution for, any other provisions of the Condominium Instruments, but in the case of conflict, this Schedule shall control.

15.1. Percentage of Eligible Mortgagees.

Wherever in this Declaration the approval or consent of a specified percentage of Mortgagees is required, it shall mean, pursuant to RCW 64.34.272, the approval or consent in writing of Eligible Mortgagees holding first lien mortgages on Units, and the percentage shall be based upon the votes attributable to Units with respect to which Eligible Mortgagees have an interest.

15.2. Notice of Actions.

The Association shall give prompt written notice to each Eligible Mortgagee and Eligible Insurer of, and each Unit Owner hereby consents to, and authorizes the giving of notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Condominium or any Unit in which there is a first mortgage held, insured, or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;

(b) Any delinquency in the payment of Common Expense Assessments owed by a Unit Owner whose Unit is subject to a first mortgage held, insured, or guaranteed, by such Eligible Mortgagee or Eligible Insurer, as applicable, which remains uncured for a period of sixty (60) days;

(c) Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;

(d) Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as specified in Section 15.3 of this Schedule (in which case, notice shall be provided by certified or registered mail, "return receipt requested"); and

(e) Any judgment rendered against the Association in excess of \$2,500 which is not covered by insurance.

15.3. Consent and Notice Required.

15.3.1. Document Changes.

Notwithstanding any lower requirement permitted by this Declaration or the Condominium Act, no amendment of any material provision of the Condominium Instruments by the Association or Unit Owners described in this Subsection may be effective without notice to all Eligible Mortgagees and Eligible Insurers, as required by Section 15.2(d) above, and the approval by Owners of Units to which at least 67% (or any greater Unit Owner vote required in Section 17.3 of this Declaration or the Condominium Act) of the votes in the Association are allocated, and approval in writing by Eligible Mortgagees and/or Eligible Insurers who represent at least 51% (or any greater Eligible Mortgagee approval required by this Declaration) of the votes of Unit estates that are subject to mortgages held by Eligible Mortgagees/Insurers. The foregoing approval requirements do not apply to amendments effected by the exercise of any Development Right. A change to any of the following would be considered material:



- (a) Voting rights;
- (b) Increases in Assessments that raise the previously assessed amount by more than 25%, Assessment liens or priority of Assessment liens;
- (c) Reductions in reserves for maintenance, repair and replacement of Common Elements;
- (d) Responsibility for maintenance and repairs;
- (e) Reallocation of interests in the General Common Elements or Limited Common Elements, or rights to their use, except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Unit Owners and only the Eligible Mortgagees holding mortgages in such Units need approve such action;
- (f) Redefinitions of boundaries of Units, except that when boundaries of only adjoining Units are involved, or when a Unit is being lawfully subdivided by its Owner pursuant to Section 4.9, then only those Unit Owners and the Eligible Mortgagees holding mortgages in such Unit or Units need must approve such action;
- (g) Convertibility of Units into Common Elements or Common Elements into Units;
- (h) Expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium;
- (i) Hazard or fidelity insurance requirements;
- (j) Imposition of any restrictions on the leasing of Units;
- (k) Imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit;
- (l) If the Condominium consists of 50 or more Units, a decision by the Association to establish self-management when professional management had been required previously by the Condominium Instruments or by an Eligible Mortgagee;
- (m) Restoration or repair of the project after damage or partial condemnation in a manner other than that specified in the Condominium Instruments;
- (n) Any provision that expressly benefits mortgage holders, insurers, or guarantors.

15.3.2. Actions.

Notwithstanding any lower requirement permitted by this Declaration or the Condominium Act, the Association may not take any of the following actions (other than rights reserved by the Declarant as Development Rights), without notice to all Eligible Mortgagees and eligible Insurers as required by Section 15.2(d) above, approval by Owners of Units to which at least 67% (or the indicated percentage, if different) of the votes in the Association are allocated, and approval in writing by Eligible Mortgagees and/or Eligible Insurers who represent at least 51% (or the percentage indicated below, if different,) of the votes of Unit estates that are subject to mortgages held by Eligible Mortgagees/Insurers:

- (a) Any action to abandon or terminate the legal status of the Condominium after condemnation or substantial destruction.
- (b) Any action to abandon or terminate the legal status of the Condominium for reasons other than substantial destruction or condemnation, as to which a sixty-seven percent (67%) Eligible Mortgagee approval is required.
- (c) Abandon, partition, subdivide, encumber, sell, transfer or convey the Common Elements or any portion thereof, as to which the approval of Owners to which at least eighty percent (80%) of the votes in the Association are allocated is required, and the procedures specified in Section 5.2 hereof must be followed. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Association will not be deemed a transfer within the meaning of this clause;



(d) Change any of the Allocated Interests allocated to any Unit other than as permitted in Sections 4.5 or 4.6 hereof; in any other case the vote or agreement of the Owner of each Unit particularly affected and his or her Mortgagee and the Owners of Units to which at least ninety percent (90%) of the votes in the Association are allocated other than the Declarant must be obtained, pursuant to Section 17.3 hereof and to RCW 64.34.264 (4).

(e) Increase the number of Units, change the boundaries of any Unit (other than as provided in Sections 4.8 and 4.9 hereof) or change the uses to which any Unit is restricted, as to which the approval of Owners of Units to which at least ninety percent (90%) of the votes in the Association are allocated must be obtained, pursuant to Section 17.3 hereof and to RCW 64.34.264 (4).

(f) The assignment of the future income of the Association, including its right to receive Common Expense Assessments.

(g) The restoration or repair of the Property after hazard damage, as to which the approval of Owners to which at least eighty percent (80%) of the votes in the Association are allocated is required, pursuant to Section 11.8, ? hereof, or after a partial condemnation, in a manner other than specified in the Condominium Instruments.

(h) The merger of the Condominium with any other common interest community.

15.3.3. Timing of Payment of Assessments.

The Association may not change the period for collection of regularly budgeted Common Expense Assessments to other than monthly without the consent of all Eligible Mortgagees.

15.3.4. Implied Approval by Mortgagee.

The failure of an Eligible Mortgagee or Insurer to respond within thirty (30) days to any written request of the Association delivered by certified or registered mail, "return receipt requested" for approval of an amendment to the Condominium Instruments, wherever Eligible Mortgagee or Insurer approval is required, shall constitute an implied approval of the addition or amendment.

15.4. Development Rights.

No Development Rights may be exercised or voluntarily abandoned or terminated by the Declarant unless all persons holding mortgages in the Development Rights consent to the exercise, abandonment, or termination.

15.5. Inspection of Books.

The Association must maintain current copies of the Declaration, Bylaws, Articles of Incorporation, Rules and Regulations, books and records and financial statements. The Association shall permit any Eligible Mortgagee, Eligible Insurer or other first mortgagee of a Unit, to inspect the books and records of the Association during normal business hours.

15.6. Financial Statements.

The Association shall provide any Mortgagee or Eligible Insurer who submits a written request, a copy of an annual financial statement within one hundred twenty (120) days following the end of each fiscal year of the Association. Such financial statement shall be audited by an independent certified public accountant if:

(a) The Condominium contains fifty or more Units, in which case the cost of the audit shall be a Common Expense;
or

(b) The Condominium contains fewer than fifty Units and any Eligible Mortgagee or Eligible Insurer requests it, in which case the Eligible Mortgagee or Eligible Insurer shall bear the cost of the audit.

15.7. Enforcement.



The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors, and may be enforced by any of them by any available means, at law, or in equity.

15.8. Attendance at Meetings.

Any representative of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting which a Unit Owner may attend.

15.9. Appointment of Trustee.

In the event of damage or destruction under Article XI or condemnation of all or a portion of the Condominium, any Eligible Mortgagee may require that such proceeds be payable to a Trustee established pursuant to Section 11.7 of this Declaration. Proceeds will thereafter be distributed pursuant to Article XI or pursuant to a condemnation award.

15.10. Limitations on Mortgagees' Rights.

No requirement for approval contained in this Article may operate to (1) deny or delegate control over the general administrative affairs of the Association by the Unit Owners or the Board of Directors, or (2) prevent the Association or the Board of Directors from commencing, intervening in, or settling any litigation or proceeding, or receiving and distributing any insurance proceeds except pursuant to RCW 64.34.352.