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9/30/2002 Page 1 of 54 4:01PM

**CONDOMINIUM DECLARATION
CONTAINING COVENANTS, CONDITIONS
RESTRICTIONS AND RESERVATIONS
FOR
SKAGIT AIRPORT HANGAR CONDOMINIUM**

TITLE OF DOCUMENT:

CONDOMINIUM DECLARATION FOR SKAGIT
AIRPORT HANGAR CONDOMINIUM
DEAN HOLT CONSTRUCTION, LLC
THE GENERAL PUBLIC
LOTS 2-5, SKAGIT REGIONAL AIRPORT BNDG
SITE PLAN, PHASE 2, DIV. 1"

GRANTOR:

GRANTEE:

ABBREV. LEGAL DESCRIPTION:

TAX PARCEL NO.:

TABLE OF CONTENTS

ARTICLE I – SUBMISSION OF PROPERTY; PURPOSE 1

 1.1. Submission of Property 1

 1.2. Reference to Survey Map. 1

 1.3. Purpose 1

ARTICLE II – DEFINITIONS 1

ARTICLE III – DESCRIPTION OF LAND, BUILDINGS, DEVELOPMENT RIGHTS
AND GROUND LEASE 4

 3.1. Land and Street Address. 4

 3.2. Buildings 5

 3.3. Development Rights. 5

 3.3.1. Description 5

 3.3.2. Procedure for Exercise. 5

 3.3.3. Time Limits on Development Rights. 6

 3.3.4. Sequence of Exercise of Rights 6

 3.3.5. Declarant's Liability for Expenses. 6

 3.4. Ground Lease 6

 3.4.1. Description of Ground Lease - Statement of Ultimate Superiority. 6

 3.4.2. Inspection of Ground Lease. 7

 3.4.3. Term and Expiration of Ground Lease - No Option to Renew. 7

 3.4.4. No Right to Redeem Reversion. 7

 3.4.5. Right to Remove Improvements. 7

 3.4.6. Consent of Ground Lessor Required. 7

 3.4.7. Association is Owners' Representative for All Matters Under Ground Lease. 7

 3.4.8. Additional Matters in Ground Lease. 8

ARTICLE IV – UNITS 8

 4.1. Number and Location. 8

 4.1.1. Initial Units 8

 4.1.2. Units Created by Phased Development 8

 4.1.3. Assurances Connected with Phased Development 8

 4.2. Unit Boundaries. 8

 4.2.1. Upper and Lower (horizontal) Boundaries. 8

 4.2.2. Vertical (perimetric) Boundaries. 9

 4.3. Monuments as Boundaries. 9

 4.4. Additional Items Included in Units 9

 4.5. Items Excluded from a Unit 9

 4.6. Maintenance of Units. 9

 4.7. Alterations of Units 10

 4.8. Combining Units and Relocation of Unit Boundaries. 10

 4.9. Subdivision of Units. 11

ARTICLE V – COMMON ELEMENTS 11

 5.1. Common Elements 11

 5.2. Partition, Conveyance, or Encumbrance 12

 5.3. Allocated Interests. 12

 5.3.1. Initial Allocation 12

 5.3.2. Reallocation 12

 5.4. Maintenance, Repair and Replacement. 12

 5.5. Right of Access. 12

(i)



200209300320
Skagit County Auditor

5.6.	Parking Spaces.	12
ARTICLE VI – LIMITED COMMON ELEMENTS		13
6.1.	Limited Common Elements	13
6.2.	Maintenance.	13
6.3.	Reallocation Between Units.	13
6.4.	Change in Character.	13
ARTICLE VII		
UNIT OWNERS ASSOCIATION		14
7.1.	Name and Form of Association	14
7.2.	Powers of Association.	14
7.3.	Membership	14
7.4.	Voting	14
	7.4.1. Voting Rights	14
	7.4.2. Allocated Interests.	14
7.5.	Bylaws of Association	14
ARTICLE VIII – MANAGEMENT OF CONDOMINIUM ASSOCIATION		15
8.1.	Management by Declarant	15
8.2.	Professional Management	15
8.3.	Authority of the Board	15
	8.3.1. General Authority	15
	8.3.2. Common Expenses	15
	8.3.3. Liens or Encumbrances	15
	8.3.4. Acquisition of Property	15
	8.3.5. Business Authority of the Board of Directors	16
8.4.	Right of Entry.	16
8.5.	Board as Attorney in Fact.	16
8.6.	Limitations on Power of Board.	16
ARTICLE IX – PERMITTED USES; ARCHITECTURAL UNIFORMITY		16
9.1.	Permitted Uses.	17
	9.1.1. General Aviation Aircraft Hangar Use Only	17
	9.1.2. Residential Uses Prohibited.	17
	9.1.3. Antennas, Electromagnetic Radiation, Light Pollution.	17
	9.1.4. Use of Apron Areas and Taxi-ways	17
	9.1.5. Vehicle Parking	17
	9.1.6. Interference with Common Elements	18
	9.1.7. Effect on Insurance	18
	9.1.8. Signs	18
	9.1.9. Animals	18
	9.1.10. Offensive or Illegal Activity - Fueling Prohibited	18
	9.1.11. Compliance with Environmental Laws	18
	9.1.12. Hazardous Substances	19
	9.1.13. Reportable Uses	19
	9.1.14. Notice of Actions and Reportable Uses; Inspections	19
	9.1.15. Duty to Cleanup	19
	9.1.16. Security Systems	20
	9.1.17. Lease Restrictions	20
	9.1.18. Assignment or Subletting	20
	9.1.19. Timesharing	20

(ii)



200209300320

Skagit County Auditor

9/30/2002 Page 3 of 54

4:01PM

9.2.	Architectural Uniformity	20
ARTICLE X – COMMON EXPENSES AND ASSESSMENTS		21
10.1.	Budget for Common Expenses	21
10.2.	Meeting of Association to Approve Budget.	21
10.3.	Reserves for Capital Improvements, Replacements, Major Repairs, & Insurance Deductibles. .	21
10.4.	Assessments for Common Expenses	21
10.4.1.	Liability of Units	22
10.4.2.	Payable in Installments.	22
10.5.	Assessments to Pay Judgment Against Association	22
10.6.	Allocated Interests; Procedure on Reallocation	22
10.6.1.	Allocated Interests.	22
10.6.2.	Reallocation.	22
10.7.	Special Assessments	22
10.8.	Limited Common Assessments	23
10.9.	Accounts; Commingling Prohibited	23
10.10.	Surplus Funds.	23
10.11.	Liability of Unit Owners for Association Obligations.	23
10.12.	Declarant Control Period	23
10.13.	Owners Personally Liable for Common Expenses	24
10.14.	Liability Following Conveyance of Unit	24
10.15.	Statement of Unpaid Assessments	24
10.16.	Lien for Assessments and Power of Sale.	24
10.17.	Perfection of Lien.	25
10.18.	Priority of Lien.	25
10.19.	Enforcement of Lien.	26
10.20.	Limitation of Lien Enforcement.	26
10.21.	Rent Subject to Lien for Assessments	26
10.22.	Remedies Cumulative	26
ARTICLE XI – INSURANCE, DESTRUCTION, RESTORATION AND DISTRIBUTION		27
11.1.	Authority, Name of Insured, Ground Lessor Named Additional Insured	27
11.2.	Coverage	27
11.3.	Deductible	27
11.3.1.	General Provisions	27
11.3.2.	Deductible May Be Assessed Against Owner	27
11.4.	Notice of Insurance Coverage or Termination Thereof	27
11.5.	Individual Policies for Unit Owners and Tenants	27
11.6.	Unavailability, Cancellation or Nonrenewal	28
11.7.	Adjustment and Payment of Loss Proceeds	28
11.8.	Reconstruction Following Casualty Loss	29
11.9.	Assessments if Insurance is Inadequate	29
11.10.	Notice to Mortgagees and Ground Lessor	29
11.11.	Miscellaneous	29
ARTICLE XII – CONDEMNATION		29
ARTICLE XIII – COMPLIANCE WITH LAW AND COVENANTS		30
13.1.	Compliance by Owners and Occupants	30
13.2.	Enforcement by Association.	30
ARTICLE XIV – LIMITATION OF LIABILITY		30
14.1.	No Liability for Utility Failure, Etc.	30



14.2.	Liability of Officers and Directors, Indemnification	30
ARTICLE XV – MORTGAGEE PROTECTION		31
ARTICLE XVI – EASEMENTS AND SPECIAL DECLARANT RIGHTS		31
16.1.	Easements for Units and Unit Owners, and Association Functions	31
16.2.	Easement for Emergency Access and Governmental Functions	31
16.3.	Easements for Declarant	31
16.3.1.	General Reservation.	31
16.3.2.	Specific Rights.	32
16.3.3.	Liability for Costs and Restoration.	32
16.4.	Easements Shown on Survey Map	32
16.5.	Special Declarant Rights	32
ARTICLE XVII – AMENDMENT OF DECLARATION, SURVEY MAP, PLANS		33
17.1.	Procedure for Amendment of Declaration	33
17.2.	Recordation Required.	33
17.3.	Special Restrictions.	33
17.4.	Amendment of Survey Map and Plans.	33
17.5.	Consent of Mortgagees and the Ground Lessor Required.	34
17.6.	Amendments by Declarant	34
ARTICLE XVIII – TERMINATION OF CONDOMINIUM		34
ARTICLE XIX – MISCELLANEOUS		34
19.1.	Notices for All Purposes, Delivery	34
19.2.	Severability	35
19.3.	No Right of First Refusal	35
19.4.	Policy of Non-discrimination	35
19.5.	Effective Date	36
ARTICLE XX – CERTIFICATE OF COMPLETION		36
EXHIBIT "A"		39
EXHIBIT "B"		40
EXHIBIT "C"		41
SCHEDULE 8 – MANAGEMENT OF CONDOMINIUM ASSOCIATION		41
8.3.2	Common Expenses	41
SCHEDULE 11 – INSURANCE		41
11.2	Insurance Policies and Coverage.	41
11.2.1	Master Policy.	41
11.2.2	Directors' and Officers' Insurance.	42
11.2.3	Fidelity Insurance	42
11.2.7	General Policy Provisions and Limitations	42
11.8	Reconstruction Following Casualty Loss.	43
11.8.1	Duty to Reconstruct.	43
11.8.2	Decision Not To Reconstruct	43
11.8.3	Manner of Reconstruction.	43
11.8.4	Payment of and Procedure for Reconstruction	43



SCHEDULE 12 – CONDEMNATION 44

12.1. Condemnation Affecting Whole Unit. 44

12.2. Condemnation of Part of Unit. 44

12.3. Condemnation of Common Elements. 44

12.4. Condemnation of Limited Common Elements. 44

12.5. Association Necessary Party to Proceeding. 45

12.6. Complete Taking. 45

12.7. Reconstruction and Repair. 45

12.8. Notice to Mortgagees. 45

12.9. Payment of Award 45

SCHEDULE 15 – PROTECTION OF MORTGAGEES 45

15.1. Percentage of Eligible Mortgagees. 45

15.2. Notice of Actions. 45

15.3. Consent and Notice Required 46

15.3.1. Document Changes. 46

15.3.2. Actions. 46

15.3.3. Implied Approval by Mortgagee 47

15.4. Development Rights. 47

15.5. Inspection of Books. 47

15.6. Financial Statements. 47

15.7. Enforcement. 48

15.8. Attendance at Meetings. 48

15.9. Appointment of Trustee. 48

15.10. Limitations on Mortgagees' Rights. 48

(v)



200209300320
Skagit County Auditor

ARTICLE I

SUBMISSION OF PROPERTY; PURPOSE

1.1. Submission of Property.

DEAN HOLT CONSTRUCTION, LLC, hereinafter referred to as the "Declarant," being the Lessee named in the Ground Lease described in Section 3.4 hereof, under which certain land more fully described in the attached Exhibit "A" has been leased to Declarant subject to various conditions, hereby submits Declarant's interest in 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 may be expanded and further improved under Development Rights reserved hereinafter and which shall be known as "Skagit Airport Hangar 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. 200209300319.

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. "Airport" means the Skagit Airport, which is owned and operated by the Ground Lessor described in Section 3.4 hereof.



2.2. "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 .

2.3. "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.

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

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

2.6. "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.

2.7. "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 8.3.2 in Exhibit C to this Declaration.

2.8. "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.

2.9. "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.

2.10. "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.

2.11. "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 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 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.

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

2.19. "Ground Lease" means the document under which the condominium is permitted to exist on airport property. The Ground Lease is more fully described in Section 3.4 hereof. The term "Ground Lease" shall include any and all amendments to such document.

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 a leasehold Condominium. See Section 3.3.4 of this Declaration for information regarding the Ground Lease which significantly affects this Condominium project.

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



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

2.26. "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 one year at the time of creation of the Unit, or (b) as security for an obligation.

2.27. "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.

2.28. "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 hereof.

2.29. "Timeshare" shall have the same meaning specified in the timeshare act, RCW 64.36.010(11). Timesharing is not permitted in this Condominium.

2.30. "Unit" means a physical portion of the Condominium designated for separate ownership, the boundaries of which are described in Section 4.2 hereof. "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.

2.31. "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.

ARTICLE III

DESCRIPTION OF LAND, BUILDINGS, DEVELOPMENT RIGHTS AND GROUND LEASE

3.1. Land and Street Address.

The land on which the buildings and improvements of this Condominium are located is situated at Crosswind Drive, Skagit Regional Airport, Skagit County, Washington, and is more particularly described



in Exhibit "A" which is attached hereto and incorporated herein. Portions of this land may be withdrawn from the Condominium, under Development Rights reserved by the Declarant as appears more fully in Section 3.3 below.

3.2. Buildings.

The Condominium contains one building depicted on the Survey Map and Plans.

3.3. Development Rights.

Development Rights have been reserved by the Declarant.

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: add improvements to the Condominium so as 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; to reallocate Limited Common Elements with respect to Units that have not been conveyed by the Declarant; to assign portions of the Common Elements as Limited Common Elements pursuant to RCW 64.34.216(1)(i), and to withdraw portions of the real property from the Condominium, but solely in accordance with Section 21(c) of the Ground Lease.

Without limiting the foregoing, the Declarant reserves the right to expand the scope of development within the Condominium through phased development, as described below.

(a) Phase 1, in general, shall consist of the ten (10) Units described in Exhibit B to this Declaration, located in Building 4, along with parking spaces serving the Building.

(b) Phase 2, in general, would consist of an additional four (4) Units, in Building 5, with additional parking spaces.

(c) Phase 3, in general, would consist of an additional ten (10) Units, in Building 3, with a common rest-room facility and additional parking spaces.

(d) Phase 4, in general, would consist of an additional four (4) Units, in Building 2, with additional parking spaces.

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 either a new Survey Map and Plans necessary to conform to the requirements of subsections (1), (2), and (3) of RCW 64.34.232, or new certifications of the Survey Map and Plans previously recorded if the documents otherwise conform to the requirements of those subsections, 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 two 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 may be exercised at any time, at different times and in any order, without further assurances or limitation of any sort.

3.3.5. Declarant's Liability for Expenses.

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. 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. Ground Lease.

3.4.1. Description of Ground Lease - Statement of Ultimate Superiority.

This Condominium exists on land that is owned by and leased from the Port of Skagit County, a municipal corporation, hereinafter known as the "Ground Lessor"; such land is legally described on the attached Exhibit A. The Declarant thus does not own the land upon which the buildings and improvements of this Condominium are situated. The written lease agreement between the Declarant and the Ground Lessor, is known herein as the "Ground Lease." **This Declaration is subject to and subordinate in all respects to the terms and conditions of the Ground Lease, as amended. ANY PERSON OBTAINING ANY INTEREST IN A UNIT IN THIS CONDOMINIUM TAKES TITLE SUBJECT TO THE GROUND LEASE. ANY UNCURED DEFAULT UNDER THE GROUND LEASE MAY RESULT IN TERMINATION OF THE CONDOMINIUM.** Upon the termination of the Ground Lease, this Condominium shall also terminate and, except as may be otherwise provided in the Ground Lease, title to the Units and Common Elements of the Condominium other than the buildings constructed thereon shall revert to and become the property of the Ground Lessor, its successors and/or assigns. See, however, Section 3.4.5 hereof.



3.4.2. Inspection of Ground Lease.

The Ground Lease was recorded at Auditor's File No. 200204190119, records of Skagit County, Washington. A true and complete copy of the Ground Lease may also be inspected at the office of the Port of Skagit County.

3.4.3. Term and Expiration of Ground Lease - No Option to Renew.

The Term of the Ground Lease is for thirty-one (31) years, commencing October 1, 2001 and terminating on the September 30, 2032, unless sooner terminated under the terms of the Ground Lease. The Unit Owners Association of the Condominium has no option to renew the lease term.

3.4.4. No Right to Redeem Reversion.

Under the Ground Lease, neither the Unit Owners nor the Association have the right to redeem the reversionary interest of the Ground Lessor.

3.4.5. Right to Remove Improvements

Under Section 11 of the Ground Lease, Unit Owners shall have the right to remove all equipment, personal property, improvements, fixtures and trade fixtures which may have been placed upon the Premises during the period of the Ground Lease, *provided* that the same are removed upon conclusion of the Ground Lease and that the Ground Lease is in good standing *and further provided* that Unit Owners shall not have the right to remove any equipment, personal property, improvements, fixtures or trade fixtures during any period of default under the Ground Lease. Any equipment, personal property, improvements, fixtures and trade fixtures not removed from the premises by Unit Owners at the termination or expiration of the Ground Lease shall revert to the Ground Lessor. All other improvements shall become the property of the Ground Lessor. If Unit Owners do not remove all equipment, personal property and trade fixtures which have been placed on the Premises during the period of the Ground Lease and the Ground Lessor wants the property removed, then the same shall be removed and stored at Unit Owners's expense and the Ground Lessor shall recover any costs and expenses from the Unit Owners resulting from the removal. Following removal of said described property, the premises shall then be restored by the Unit Owners to a condition requiring the Ground Lessor to only undertake normal excavation for construction of a new building, or to such other condition approved by the Ground Lessor prior to termination of the Ground Lease.

3.4.6. Consent of Ground Lessor Required.

Under the Ground Lease and elsewhere in this Declaration, the consent or approval of the Ground Lessor to certain activities or conduct of Unit Owners and of the Association is required. Where such consent is required, it must be evidenced in writing, but shall not be unreasonably withheld.

3.4.7. Association is Owners' Representative for All Matters Under Ground Lease.

Under the Ground Lease, the Association shall collect from each Unit Owner a proportionate share of the Rent owing to the Ground Lessor under the Ground Lease, and shall timely pay to the Ground Lessor all Rent owing under the Ground Lease. The Association shall be the representative of all the Unit Owners on all matters relating to the Ground Lease.

3.4.8. Additional Matters in Ground Lease.

The Ground Lease further provides that no Unit Owner shall have standing to intervene in any judicial proceeding between the Association and the Ground Lessor, nor shall any Unit Owner be entitled to partially cure any default of the Association under the Ground Lease. Further, no Unit Owner may be entitled to engage in any commercial activity on the Condominium Property other than use of a Unit for aircraft storage without the written consent of the Ground Lessor, which consent may be subject to various conditions specified in the Ground Lease. See also Article IX of this Declaration.

ARTICLE IV

UNITS

4.1. Number and Location.

4.1.1. Initial Units.

The Condominium contains four (4) Units which are depicted on the Survey Map and Plans. The location of existing Units within the buildings 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 twenty-eight (28) 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, the Units themselves, and all Common Elements supporting such additional Units, shall be well constructed, and to the extent reasonably appropriate, shall use materials of quality and appearance comparable to those used in the earlier phases of development. Any buildings containing such additional Units shall be of architecturally compatible design so as to preserve a reasonably harmonious appearance relative to the initial phases of development.

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:** The horizontal or oblique planes of the bottom surfaces of the metal roofing materials. The structural members supporting the metal roof are Common Elements.

(b) **Lower Boundary:** The horizontal plane of the top surface of the undecorated concrete floor slab.

4.2.2. Vertical (perimetric) Boundaries.

The vertical boundaries of the Unit shall be the vertical planes which include the interior surfaces of the metal siding materials comprising portions of the exterior and interior walls of the building in which the Unit is located, extended to intersections with each other and with the upper and lower boundaries. The metal walls themselves comprise portions of the Common Elements. Insulation covering any such walls constitute Limited Common Elements serving the Unit(s) located on either side of any wall so covered.

4.3. Monuments as Boundaries.

The physical boundaries of a Unit constructed in substantial accordance with the original Survey Map and Plans constitute its boundaries rather than any metes and bounds expressed in the Survey Map or Plans, regardless of settling or lateral movement of the building or minor variance between boundaries shown on the Survey Map or Plans and those of the building.

4.4. Additional Items Included in Units.

Each Unit contains: (I) any nonstructural interior partition walls located within the boundaries of the Unit; (ii) any insulation other finishing materials; and (iii) any interior flooring materials, mezzanine structures, interior doors or windows, and any fixtures, appliances, mechanical, plumbing, electrical or communication systems and equipment serving only that Unit, 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.

4.5. Items Excluded from a Unit.

A Unit shall be deemed not to include: pipes, wires, conduits and other public or private utility lines, bearing columns, structural roofing members, or other 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.

4.6. Maintenance of Units.

Each Unit Owner shall, at his or her sole expense, have the right and the duty to keep the interior of such person's Unit and its fixtures, equipment, and appurtenances in good order, condition and repair and shall do all maintenance, repair and replacements at any time necessary to maintain the good appearance and condition of such 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, and of any device or equipment lying outside the boundaries of the Unit but installed for the sole and exclusive use of the Unit, and of any other fixtures, appliances, systems or

equipment described in Section 4.4(iii) hereof. This Section shall not be construed as permitting any interference with or damage to the structural integrity of the 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.

4.7. Alterations of Units.

Subject to the provisions of this Declaration, the Ground Lease and other provisions of law, and following the written consent of the Ground Lessor, a Unit Owner:

4.7.1. May make any improvements or alterations to the 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;

4.7.2. May not change the appearance of the Common Elements or the exterior appearance of a Unit without permission of the Association;

4.7.3. May, after acquiring an adjoining Unit or an adjoining part of an adjoining Unit, and following approval by the Board of Directors, remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a Common Element, if those acts do not adversely affect the structural integrity or mechanical or electrical systems of any other Units or the Common Elements, or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this Subsection shall not constitute a relocation of boundaries. The Board of Directors shall approve a Unit Owner's request, which request shall include the plans and specifications for the proposed removal or alteration, under this Subsection within thirty days, unless the proposed alteration does not comply with the Condominium Act or the Declaration or impairs the structural integrity or mechanical or electrical systems in the Condominium. The failure of the Board of Directors to act upon a request within such period shall be deemed approval thereof.

4.8. Combining Units and Relocation of Unit Boundaries.

4.8.1. Subject to the provisions of any applicable building, zoning or other applicable regulations, and with the consent of any Eligible Mortgagees holding mortgages in the affected Units pursuant to Section 15.3 hereof, the boundaries between adjoining Units may be relocated, or Units may be combined, but only by an amendment to the Condominium Instruments as provided in Article XVII hereof, following application to the Association by the Owners of those Units. If the Owners of the adjoining Units have specified a reallocation between their Units of their Allocated Interests, the application must state the proposed reallocations. Where two or more entire Units are combined, the Allocated Interests allocated to the resulting Unit shall equal the sum of the Allocated Interests formerly allocated to each of the Units which were combined. Unless the Board of Directors determines within thirty days that the reallocations are unreasonable, the Association shall prepare an amendment to the Declaration that identifies the Units involved, states the reallocations, is executed by those Unit Owners, contains words of conveyance between them, and is recorded in the name of the grantor and the grantee in the Office of the County Auditor.

4.8.2. The Association shall obtain and record Survey Maps or Plans complying with the requirements of RCW 64.34.232(4) necessary to show the altered boundaries between adjoining Units and their dimensions and identifying numbers.



4.8.3. The reasonable costs incurred in preparing and recording amendments to the Condominium Instruments shall be paid by the Owners of the adjoining Units to the Association prior to recordation of such amendments.

4.9. Subdivision of Units.

4.9.1. Subject to the provisions of any applicable building, zoning or other applicable regulations, and with the consent of any Mortgagee holding a mortgage in the affected Unit, a Unit may be subdivided into two or more Units. Upon application of a Unit Owner to lawfully subdivide a Unit, the Association shall, after determining the lawfulness of the application, prepare, execute, and record amendments to the Condominium Instruments subdividing that Unit. The amendment to the Declaration must be executed by the Owner of the Unit to be subdivided, assign an identifying number to each Unit created, and reallocate the Allocated Interests formerly allocated to the subdivided Unit to the new Units in any reasonable and equitable manner prescribed by the Owner of the subdivided Unit.

4.9.2. The reasonable costs incurred in preparing and recording amendments to the Condominium Instruments shall be paid by the Unit Owner to the Association prior to recordation. The Association shall obtain and record Survey Maps or Plans complying with the requirements of RCW 64.34.232(4) necessary to show the boundaries of new Units and their dimensions and identifying numbers.

ARTICLE V

COMMON ELEMENTS

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, including all open spaces depicted on the Survey Map.

5.1.2. The roofs, foundations, columns, girders, studding, joists, beams, supports, walls (as opposed to nonbearing interior partitions, if any, located within Units), and all other structural parts of the buildings, to the boundaries of the Units as described above in Section 4.2.

5.1.3. Installations of services for common use such as main power lines, exterior lighting, main water or sewer lines, pipes, conduits, and wires, wherever they may be located; any common rest-room facilities, trash receptacles, containers or "dumpsters"; and in general any and all apparatus and installations existing for common use rather than for any one Unit.

5.1.4. The apron areas and parking areas adjacent to the Buildings.

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, consisting of three additional buildings containing Units and additional parking areas and apron areas.

5.2. Partition, Conveyance, or Encumbrance.

Except as permitted by this Declaration, the Ground Lease or the Condominium Act and with the advance written consent of the Ground Lessor, 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. 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 undivided interest in the Common Elements of the Condominium, which is known as the Unit's Allocated Interest in the Common Elements. The allocation of these undivided interests has been determined generally on the basis of the size of each Unit relative to all other Units in the Condominium. 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. Parking Spaces.

The Condominium contains a total of twelve (12) motor vehicle parking spaces. Use of all parking spaces shall be governed by the provisions of Section 9.1.4 hereof.



ARTICLE VI

LIMITED COMMON ELEMENTS

6.1. Limited Common Elements.

Limited Common Elements are those portions of the Common Elements allocated to and reserved for the exclusive use of one or more, but fewer than all of the Units. They consist of the exterior doors, windows, and any other fixtures designed to serve a single Unit, but which are located outside the Unit's boundaries, and any insulating material attached to any Unit boundary wall. If any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture (including without limitation any individual heating, ventilating or air conditioning equipment) lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit is a Limited Common Element allocated solely to that Unit, and any portion thereof serving more than one Unit or any portion of the Common Elements is a part of the General Common Elements.

6.2. Maintenance.

The Owners of the respective Units to which the above-described Limited Common Elements are appurtenant shall be responsible for cleaning and caring for such Limited Common Elements, and keeping them in slightly condition. The Association shall bear the costs of and shall have exclusive control over painting, decorating, repairing, replacing, reconstructing and maintaining the hangar doors and exterior windows. The Unit Owner will be responsible for the costs of repairing and replacing any HVAC, electrical or plumbing wires, pipes, fixtures and equipment, along with the motorized equipment operating the Unit's hangar door, as provided in Sections 4.6 or 10.8.1 hereof.

6.3. Reallocation Between Units.

A Limited Common Element, other than one described in Sections 6.1.1 (which may not be reallocated), may be reallocated between Units, but only with the approval of the Board of Directors and by an amendment to the Declaration executed by the Owners of the Units to which the Limited Common Element was and will be allocated. The Board of Directors shall approve the request of the Owner or Owners under this Subsection within thirty days, unless the proposed reallocation does not comply with the Condominium Act or this Declaration. The failure of the Board of Directors to act upon a request within such period shall be deemed approval thereof. The amendment shall be recorded in the names of the parties and of the Condominium.

6.4. Change in Character.

A Limited Common Element may be (a) created from and reallocated to one or more Units from the General Common Elements, or (b) incorporated into an existing Unit or Units, only on the following conditions. After the consent of the Ground Lessor is obtained, Owners of Units to which at least sixty-seven percent of the votes in the Association are allocated, including the Owner(s) of the Unit(s) to which the Limited Common Element will be assigned or incorporated, along with that percentage of Eligible Mortgagees specified in Article XV of this Declaration, must agree to reallocate a Common Element as a Limited Common Element or to incorporate a General Common Element or a Limited Common Element into



an existing Unit. Such reallocation or incorporation shall be reflected in an amendment to the Declaration and Survey Map or Plans.

ARTICLE VII

UNIT OWNERS ASSOCIATION

7.1. Name and Form of Association.

The name of the Association shall be the "Unit Owners Association of Skagit Airport Hangar 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, have 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. In particular, and without limitation, such powers include the right to collect from each Unit Owner a fractional share of the Rent owing to the Lessor under the Ground Lease.

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 a vote in the Association which is known as the Unit's Allocated Interest for voting, or "vote". The allocation of voting power among the Units has been determined generally on the basis of the size of each Unit relative to all other Units in the Condominium. Each Unit's Allocated Interest for voting is expressed as a percentage of the total voting power and is stated with particularity on the attached Exhibit B. 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 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. Business Authority of the Board of Directors.

Nothing herein contained shall be construed to give the Board the authority to conduct an active business for profit on behalf of all of the Owners or any of them, absent the vote or agreement of Owners holding not less than 51% of the voting power of the Association, following the advice of the Association's attorney and tax advisor.

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, repair or construction for which the Board is responsible, or in the event of *bona fide* 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. The Ground Lessor also has rights of access under the terms Section 30 of the Ground Lease.

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 handle all matters relating to the Ground Lease, 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. General Aviation Aircraft Hangar Use Only.

The Units and Common Elements may be used only for purposes of storing and maintaining aircraft and related equipment, and for such ancillary uses and purposes compatible with general aviation use as may be authorized through the advance written approval of the Ground Lessor and which are consistent with applicable laws, ordinances and regulations of any governmental authority with jurisdiction, including without limitation those of the Federal Aviation Administration ("FAA"). No use of the Condominium Property may interfere with landings or take-offs by aircraft using the Airport, nor otherwise constitute a hazard to any person or activity in or around the Airport.

9.1.2. Residential Uses Prohibited.

No residential or overnight uses of any sort are permitted on the Property.

9.1.3. Antennas, Electromagnetic Radiation, Light Pollution.

No antenna greater than one meter in height or diameter shall be installed anywhere within the Condominium Property, unless contained entirely within a Unit, or unless installed by the Association with the consent of the Ground Lessor. No antenna of any nature or description may be used in such a fashion as to produce electromagnetic radiation that creates interference with any air navigational aids or communications equipment in use at the Airport, or which otherwise violate FAA rules and regulations. Lighting within the Condominium Property shall be designed, used and operated in such a fashion as to create no interference with normal nocturnal activities at the Airport, or confusion to nocturnal navigation by aircraft in the vicinity of the Airport.

9.1.4. Use of Apron Areas and Taxi-ways.

Apron areas and parking areas within the Common Elements shall be used exclusively for normal transit consistent with the intended purposes of such areas, and shall remain unobstructed for such uses absent the express written consent of the Ground Lessor and the Board of Directors. The Taxi-ways adjacent to the Buildings in the Condominium shall be used only for the purpose of taxiing to and from the public airstrip and shall otherwise remain unobstructed.

9.1.5. Vehicle Parking.

Motor vehicle parking is permitted only in those areas that are specifically designated for such purposes, and no parking is permitted on any public streets, rights of way or other properties within the Airport not included within the Condominium Property. Parking of any motor vehicle at any location within the Condominium is further subject to the limitation that no such motor vehicle shall obstruct in any fashion the free passage of aircraft nor the free passage of vehicles and/or pedestrians to and from other Units or to or from the Airport. Persons may park motor vehicles within Units while such persons are operating their aircraft outside such Units, but the Units are not otherwise to be used as parking facilities for motor vehicles. The Board may require removal of any improperly parked, or inoperative or unregistered vehicle, and any other equipment or item improperly stored or parked within the Condominium property. 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.

9.1.6. 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 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.

9.1.7. 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.

9.1.8. 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 and the Ground Lessor; provided that consent of the Board need not be obtained with respect to signage placed by apply to Declarant or Declarant's agents during the construction and sale of Units in the project.

9.1.9. Animals.

The keeping of animals other than medical animals is discouraged, and shall be limited by Rules and Regulations adopted by the Board of Directors. The owner of any animal permitted 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 brings 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. 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.

9.1.10. Offensive or Illegal Activity - Fueling Prohibited.

No unduly noxious, smelly or noisy activity, nor any illegal activity shall be carried on in any Unit or the Common Elements, nor shall anything be done therein which is or may become a nuisance or an unreasonable source of annoyance to other Owners, other lawful occupants of the Condominium Property, other occupants of the Airport property or the Ground Lessor. No storage of fuel or fueling of aircraft shall be permitted in any Unit.

9.1.11. Compliance with Environmental Laws.



Use of the Units and Common Elements of this Condominium is subject to various federal, state and local laws, regulations and guidelines now in effect and/or hereafter enacted, relating to or affecting the Property, concerning the impact on the environment of construction, land use, the maintenance and operation of structures and the conduct of business. No Unit Owner shall cause, or permit to be caused, any act or practice by negligence, or omission, or otherwise, that would adversely affect the environment or do anything or permit anything to be done that would violate any of the said laws, regulations or guidelines. The foregoing shall cover all requirements whether or not foreseeable at the present time and regardless of their expense.

9.1.12. Hazardous Substances.

A person shall maintain or store on or in the Property only such property and materials which may be legally possessed by such person. No person shall improperly store or release from a Unit or the Common Elements any hazardous substance, as that term is defined in CERCLA, 42 USC 9601, et. seq. or the Washington Model Toxics Control Act, which without limitation include petroleum distillates, liquid or aromatic hydrocarbons, medical wastes or infectious biological agents, acids, caustics, carcinogens, mutagens or heavy metals; nor shall there be any improper storage or release of any other inflammable, toxic, explosive, radioactive, or other type of substance which may be hazardous to either the public health or safety, to the Property or to the health or safety of any lawful occupants of the Property or the Airport, any and all such substances also being known herein as "Hazardous Substances".

9.1.13. Reportable Uses.

A Reportable Use shall mean (i) the installation or use of any above or below ground storage tank, or (ii) the generation, possession, storage, use, transportation or disposal of a Hazardous Substance that requires a permit from, or with respect to which a report, notice, registration or business plan is required to be filed with any governmental authority. Reportable Use shall also include an Owner's being responsible for the presence in, on or about the Property of a Hazardous Substance with respect to which any applicable law, ordinance or regulation requires that a notice be given to persons entering or occupying the Property or any adjacent or neighboring property.

9.1.14. Notice of Actions and Reportable Uses; Inspections.

Any person lawfully occupying any portion of the Property shall promptly provide written notice to the Association and to the Ground Lessor of any Reportable Uses or of any receipt of notice of governmental action or third party claims alleging noncompliance or suspected noncompliance with environmental laws or laws relating to hazardous substances. The Association shall have a right of entry into any Unit and its Limited Common Elements at any reasonable time in order to inspect for compliance with environmental laws or laws relating to hazardous substances.

9.1.15. Duty to Cleanup.

In the event of a spill or release of any hazardous substances within or from the Property, the person(s) causing or otherwise responsible for such spill or release shall promptly undertake thorough cleanup measures and provide notice to the Association, to the Ground Lessor, and to any governmental entity with appropriate jurisdiction, of the occurrence of the spill or release, and of the measures taken for cleanup and remediation.



9.1.16. 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 such 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. No security system of any sort which has the capacity to interfere with any security system installed by or on behalf of the Ground Lessor for the Airport may be maintained within the Condominium. If at any time during the term of the Ground Lease, additional security requirements are imposed on the Airport by the FAA or any other agency having jurisdiction over Airport, the Association shall comply with said security requirements.

9.1.17. Lease Restrictions.

(a) General 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. All leases shall be in writing and each lease agreement shall be required and deemed to provide that the terms of such lease shall be subject in all respects to the provisions of the Ground Lease and the Condominium Instruments, and that any failure by the tenant 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. A lease, as defined herein, shall include month-to-month rentals. Any tenant or subtenant of a Unit shall be deemed to have assumed all the responsibilities of an Owner under Article 9 of this Declaration. An Owner shall notify the Association and the Ground Lessor within five (5) business days following the execution of any lease or rental agreement affecting such Owner's Unit. Such notice shall include (i) the name, address, telephone number of each tenant, (ii) the type and FAA registration number of any aircraft which will be maintained within the Unit, and (iii) the commencement date and termination date of the lease. Each tenant must maintain liability insurance in such form and in such amounts as are described in Section 11.5 hereof

(b) Specific Restrictions Relating to Ground Lease. Under the Ground Lease, the Ground Lessor has reserved the right to approve all subleases of Units in the Condominium, and no lease of a Unit shall be valid absent the written consent of the Ground Lessor. A Unit Owner desiring to sell his/her Unit to a bona fide purchaser need not obtain such approval.

9.1.18. 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 or the Ground Lease by assigning or subleasing the occupancy rights to his or her Unit.

9.1.19. 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 buildings, and the Common Elements visible to the public, the Board shall provide for the painting and other decorative finish of the buildings and other Common Elements, and may prohibit or regulate any modification or decoration of the Common Elements undertaken or proposed by any Owner.

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 2.7 of this Declaration, to be paid during such year. The Budget shall make provision for payment of all Rent owing to the Lessor under the Ground Lease, 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 held under the provisions of the Bylaws, may otherwise decide.

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 as provided in Section 10.8 below.

10.4.2. Payable in Installments.

Unless otherwise determined by the Board of Directors, the annual Assessment against each Unit for its proportionate share of the Common Expenses shall be payable on or before February 1st of each year. The Board may by resolution provide for quarterly or monthly payments.

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 a liability for payment of the Common Expenses of the Association which is known as the Unit's Allocated Interest for Common Expense Liability. The allocation of this liability among the Units has been determined generally on the basis of the size of each Unit relative to all other Units in the Condominium. 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. 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 Sections 10.6.1 and 15.3 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 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 either allocate, by reasonable formula, a portion of such expense to each such Unit involved as a Limited Common Expense, or reimburse any Unit Owner who pays, in whole or in part for utilities serving the Common Elements, as appropriate. Further, any Common Expense or portion thereof benefitting fewer than all of the Units, such as the costs of water and sewer supplied to the Condominium, shall be assessed exclusively against the Units benefitted.

10.8.2 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 any other costs, fees, charges, insurance deductibles or fines imposed or incurred by the Association for any Unit, 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.

10.9. 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.

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) the Ground Lease; (b) liens and encumbrances recorded before the recording of the Declaration; (c) a mortgage on the Unit recorded before the date on which the Assessment sought to be enforced became delinquent; and (d) liens for real property taxes and other governmental assessments or charges against the Unit.

10.18.2. Except as provided in Sections 10.16.2, 10.18.3 and 10.19.2 hereof, the lien shall also be prior to the mortgages described in subpart (c) 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.

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, Ground Lessor Named Additional 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 Skagit Airport Hangar Condominium, for the use and benefit of the individual Owners thereof." The Lessor under the Ground Lease shall be named as an additional insured under all policies maintained by the Association.

11.2. Coverage.

See Schedule 11.2 in Exhibit C to this Declaration. The Ground Lease requires certain minimum levels of insurance coverage. The provisions of said Schedule are intended to be complementary to the coverage required under the Ground Lease.

11.3. Deductible.

11.3.1. General Provisions.

Insurance coverage may be subject to a reasonable deductible. 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. Deductible May Be Assessed Against Owner.

Where damage is limited to a single Unit, or where damage is caused by the fault of an Owner or that Owner's tenant, employee or family member, the Owner shall be held responsible and specially assessed for the deductible.

11.4. Notice of Insurance Coverage or Termination Thereof.

11.4.1. The Board of Directors shall promptly furnish to the Ground Lessor, to each Unit Owner and to 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 for Unit Owners and Tenants.



11.5.1. Each Unit Owner should obtain and keep in force a commercial general liability policy providing Combined Single Limit Bodily Injury and Property Damage insurance, insuring the Owner, the Ground Lessor and the Association against any liability arising out of the Owner's use, occupancy or maintenance of the Unit and the Common Elements. Unless approved in writing by the Ground Lessor, such insurance shall be in an amount not less than One Million Dollars (\$1,000,000.00) per occurrence, and may not contain exclusions from coverage for hazards required to be insured against under the Ground Lease.

11.5.2. The Owner of any Unit which is used for any purpose for which special insurance is required by any statute or regulation shall obtain and keep in force such special insurance, which in each case shall name the Association and the Ground Lessor as an additional insured, and shall provide that the insurance provided thereunder may not be canceled, substantially modified or reduced without at least 30 days' prior written notice to the Association.

11.5.3. It is recommended that each Unit Owner also obtain the commercial equivalent of a "Condominium Unit Owner's Policy," to insure against loss or damage to any trade fixtures, tenant improvements, betterments or upgrades to the Unit not covered by any "master" policy obtained by the Association, or to other personal property used in or incidental to the conduct of business within the Unit, including coverage for vandalism or malicious mischief, theft, 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.

11.5.4. 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 shall 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.

11.5.5. A tenant or subtenant of any Unit or portion thereof shall obtain insurance coverage equivalent to that described above for Owners; any such policy shall name the Association and the Ground Lessor as additional insureds.

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 the Ground Lessor, 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 provision 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 and Ground Lessor.

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) the Ground Lessor and 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.


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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 and Governmental Functions.

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, and to representatives from the Ground Lessor and the Federal Aviation Administration to the extent necessary to discharge their official functions.

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 withdrawn from the Condominium, irrespective of whether such land is actually withdrawn therefrom, 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 travel over 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 public utility companies and to convey to such companies utility lines, pipes, wires, ducts, conduits and/or other 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. Reference should be made to the Survey Map and, if relevant, to Schedule 8.3.2 in Exhibit C to this Declaration.

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 under 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, and to appoint or remove any officer of the 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.

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 hereof, by the Association under Section 6.4 hereof or under statutory authority in the case of condemnation or a termination of the condominium, or by certain Unit Owners under Sections 4.8, 4.9 or 6.3 hereof, 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 and the Ground Lessor 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. No amendment shall be effective absent the written consent of the Ground Lessor, by authorized signature appearing on the Amendment, per RCW 64.34.220(1).

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 or Special Declarant Right reserved by the Declarant under this Declaration; or
- (c) correct title-related matters at the request of any title insurance company, or correct any nonmaterial technical errors contained in the Condominium Instruments or clarify provisions of same.

ARTICLE XVIII

TERMINATION OF CONDOMINIUM

The provisions of RCW 64.34.268 and the Ground Lease shall govern the termination of the condominium.

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. Right of First Refusal.

The Declarant holds a right of first refusal with regard to the sale or transfer of any Unit in the Condominium until 60 days after the completion date of the final Phase described in Section 3.3.1 hereof.

19.4. Policy of Non-discrimination.

19.4.1. The Association shall conduct all its operations in a manner that satisfies federal and state non-discrimination guidelines. Specifically,

1) except as provided by law, no person on the grounds of race, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to, discrimination in the use any portion of the Condominium Property,

2) that in the construction of any improvements on, over, or under the Property and the furnishing of services thereon, no person on the grounds of race, color, sex, or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination, and

3) that the Condominium Property shall be used in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, DOT, Sub-title A, Office of the Secretary, Part 21, Non-discrimination in Federally Assisted Programs of the Department of Transportation, Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended;

4) that the Association and its members shall furnish all accommodations and/or services on a fair, equal, and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable, and not unjustly discriminatory prices for each item;

5) that noncompliance with these requirements shall constitute a material breach of the Ground Lease and, in the event of such noncompliance, the Ground Lessor shall have the right to terminate the Ground Lease and the estate hereby created without liability therefor or, at the election of the Ground Lessor or the United States, either or both said Governments shall have the right to judicially enforce the provisions of said Section 30(d).

19.4.2. The Association shall insert the above five subsections in any lease, license, or sublease agreement by which the Association grants a right or privilege to any person, firm, or corporation to render accommodations and/or services to the public within the Condominium Property.



19.4.3. The Association will undertake an Affirmative Action program as required by 14 CFR Part 152, Sub-part E, ("Sub-part E") to ensure that no person shall on the grounds of race, creed, color, national origin, or sex, be excluded from participating in any employment activities covered in Sub-part E. The Association shall assure that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by Sub-part E. The Association shall assure that it will require that its any covered sub-organizations shall provide assurances to it that they similarly will undertake Affirmative Action programs, and that they will require assurances from their any sub-organizations, as required by Sub-part E, to the same effort.

19.5. 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 structural components and mechanical systems of all buildings containing or comprising any Units in the Condominium are substantially completed.

DATED this 30th day of September, 2002.

Declarant:
DEAN HOLT CONSTRUCTION, LLC

By [Signature]
DEAN HOLT, Its Authorized Member



200209300320

Skagit County Auditor

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT ~~WHATCOM~~)

I hereby certify that I know or have satisfactory evidence that Dean Holt is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the authorized Member of the Declarant, DEAN HOLT CONSTRUCTION, LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: September 30, 2002.





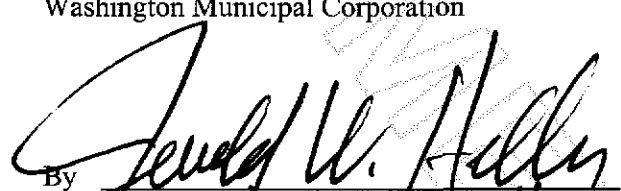
NOTARY PUBLIC for the State of
Washington. My Commission
expires 6-26-06

CONSENT OF LESSOR

PORT OF SKAGIT COUNTY, a Washington municipal corporation, as the Lessor under the Ground Lease described in Section 3.4 of this Declaration, hereby consents that the Property described herein may be submitted to Chapter 64.34 RCW in accordance with the foregoing. Nothing in this consent shall create liability of the Port of Skagit County to any party, known or unknown, in any fashion or manner. Such consent exists for no other purpose than to satisfy the requirements of RCW 64.34.220(1). The Port of Skagit County makes no warranty or representation in any fashion or manner, other than that such consent has been duly granted.

DATED this 30 day of SEPT, 2002.

LESSOR: PORT OF SKAGIT COUNTY, a
Washington Municipal Corporation

By 
Printed Name: DEROD W. HELLER
Title: EXEC DIR



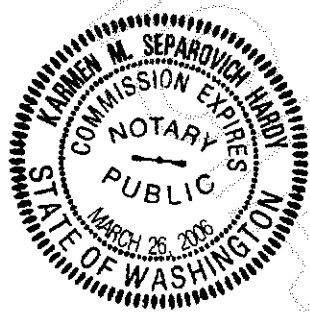
200209300320

Skagit County Auditor

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I hereby certify that I know or have satisfactory evidence that TEROLD W. HELLER is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the EXECUTIVE DIRECTOR of PORT OF SKAGIT COUNTY, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: SEPTEMBER 30, 2002.



Karmen M. Separovich Hardy
Karmen M. Separovich Hardy
My appointment expires 3/26/06



200209300320
Skagit County Auditor
9/30/2002 Page 44 of 54 4:01PM

EXHIBIT "A"
TO DECLARATION FOR
SKAGIT AIRPORT HANGAR 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:

A leasehold interest in the following described property:

Lots 2 through 5, inclusive, "SKAGIT COUNTY REGIONAL AIRPORT BINDING SITE PLAN, PHASE 2, DIV. 1", as recorded January 22, 2002, under Auditor's File No. 200201220163, records of Skagit County, Washington, and being a portion of Sections 3, 4 and 10, Township 34 North, Range 3 East, W.M.

Subject to covenants, conditions, restrictions, reservations, agreements, encumbrances and other matters of record, including without limitation the Ground Lease described in Section 3.4 hereof.

LEGAL DESCRIPTION OF LAND SUBJECT TO
DEVELOPMENT RIGHTS

The legal description of the land on which future phases of development within the Condominium may be constructed by the Declarant, pursuant to Section 3.3 of the Declaration, is as follows:

Lots 2, 3 and 5, "SKAGIT COUNTY REGIONAL AIRPORT BINDING SITE PLAN, PHASE 2, DIV. 1", as recorded January 22, 2002, under Auditor's File No. 200201220163, records of Skagit County, Washington.



EXHIBIT "B"
TO DECLARATION FOR SKAGIT AIRPORT HANGAR CONDOMINIUM

Unit No.	Unit Style	Square Footage	Utilities	Type of Heat	Allocated Interest*
400	T-Hanger	1,762	Rough Electric	None	13.31%
401	T-Hanger	1,365	Rough Electric	None	10.31%
403	T-Hanger	1,164	Rough Electric	None	8.79%
404	T-Hanger	1,164	Rough Electric	None	8.79%
405	T-Hanger	1,164	Rough Electric	None	8.79%
406	T-Hanger	1,164	Rough Electric	None	8.79%
407	T-Hanger	1,164	Rough Electric	None	8.79%
408	T-Hanger	1,164	Rough Electric	None	8.79%
409	T-Hanger	1,762	Rough Electric	None	13.31%
410	T-Hanger	1,365	Rough Electric	None	10.31%
Totals		13,238			100.00%

* Allocated interests are the percentages of undivided interests in the Common Elements, fractional liability for the Common Expenses of the Association, and portions of the 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). ALL ALLOCATED INTERESTS ARE SUBJECT TO CHANGE UPON AN EXERCISE OF DEVELOPMENT RIGHTS, as described at Section 3.3.2(a) of the Declaration.



EXHIBIT "C"
TO DECLARATION FOR SKAGIT AIRPORT HANGAR 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) All Rent owing under the Ground Lease described in Section 3.4 hereof.
- (b) 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 further provisions.
- (c) Policies of insurance or bonds required by Article XI.
- (d) *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 Common Elements, whether such personnel are employed directly by the Board or are furnished by a Manager.*
- (e) 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.
- (f) Painting, maintenance, repair and all landscaping and gardening work for the Common Elements, and such furnishings and equipment for the Common Elements as the Board shall determine are necessary and proper.
- (g) 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.
- (g) Maintenance and repair of any Unit, its Limited Common Elements, other appurtenances and appliances, if such maintenance or repair is reasonably necessary, in the opinion of the Board, to protect the Common Elements or to preserve the appearance and value of the Condominium development, and the Owner of said Unit has failed or refused to perform said maintenance or repair as required by Sections 4.6 and 6.2 of the Declaration, within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered by the Board to the Owner. The cost of such maintenance or repair shall constitute a special Assessment against the Unit of such Owner, pursuant to Section 10.8 of the Declaration.

SCHEDULE 11 – INSURANCE

11.2 Insurance Policies and Coverage.

11.2.1 Master Policy.

The insurable improvements within this Condominium shall be insured under one or more policies of insurance, 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 the structural portions of the buildings within the Condominium, including their mechanical, electrical and plumbing equipment, interior partitioning and doors and windows, but 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(s) of the insurance companies 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 extended coverage endorsement together with coverage for Common Expenses with respect to Condominium Units during any period of repair or reconstruction; and such other perils customarily covered by insurance for similar projects. Such coverage shall insure all buildings and other General and Limited Common Elements that are normally included in commercial coverage. The policy shall also cover all of the insurable improvement within the Units constructed by the Declarant, together with all included ventilating, heating and other equipment, but not including trade fixtures, furniture, furnishings, aircraft, tools 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:

(b) 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 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.

11.2.3 Fidelity Insurance.

The Association may 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.

11.2.4 Additional Insurance Required under Ground Lease.

The Board shall also acquire such additional insurance coverage as may be required under the Ground Lease; in the event that the insurance requirements of the Ground Lease are greater than those expressed herein, the provisions of the Ground Lease shall supercede the requirements of this Declaration; to the extent that the insurance requirements of the Declaration contain greater coverage requirements than those owing under the Ground Lease, the provisions of this Declaration shall control.

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 under the Ground Lease.

(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 the Ground Lessor and 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, the Ground Lessor, 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 the Ground Lessor and 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, and/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 Allocated 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 a 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 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 by such Eligible Mortgagee;
- (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, 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, 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 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. 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) Restoration or repair of the project after damage or partial condemnation in a manner other than that specified in the Condominium Instruments;
- (m) 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



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:

- (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, 19.5 hereof, or after a partial condemnation, in a manner other than specified in the Condominium Instruments.

15.3.3. 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 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 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 requests it, in which case the Eligible Mortgagee shall bear the cost of the audit.

15.7. Enforcement.

The provisions of this Article are for the benefit of Eligible Mortgagees 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 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.