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Skagit County Auditor

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Return Address:

Portalis Limited Liability Co.,
4902 Portalis Way
Anacortes, WA 98221

Document Title: Declaration for Portalis Townhomes Condominium

Grantor: Portalis Limited Liability Co.

Grantee: Portalis Townhomes Condominium

Legal Description: Lots 7, 8 and 9, City of Anacortes Short Plat No. ANA 04-005, recorded under No. 200411030031

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

P122193, P122194 and P122196

**Declaration For
Portalis Townhomes Condominium**

Portalis Limited Liability Co., a Washington limited liability company, (herein called Declarant), desires to establish a plan for the ownership of the real property herein described as a condominium in accordance with the Washington Condominium Act, Ch. 64.34 of the Revised Code of Washington (herein called the Act). Therefore, in order to accomplish the foregoing, the Declarant makes the following Declaration and has simultaneously recorded this Declaration with a survey map and plans for the units created by this Declaration under Recording No. 200512160095 records of Skagit County, Washington.

1 DEFINITIONS

1.1 Definitions. Terms used in this Declaration shall have the same meaning as defined in the Act. Masculine words shall include the feminine and neuter counterparts. If the context requires, the singular shall include the plural and the plural shall include the singular.

2 RIGHTS CREATED

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

2.2 Real Property. The real property included in the condominium is described on Exhibit A attached hereto and made a part hereof as though here fully set forth. The ownership interest in each unit created hereby and available to the owners of each unit is an interest in fee simple.

2.3 Number of Units. The number of units created hereby, and the number of units which the Declarant reserves the right to create are set forth on Exhibit A.

2.4 Identifying Number for Units. The identifying number for each of the units created by this Declaration consists of a four digit number which is the street address number for the unit. The identifying number of each of the units is set forth on Exhibit A.

2.5 Unit Boundary. The unit boundaries are as set forth in RCW 64.34.204.

2.6 Unit Details. At the time of recording of this Declaration, the approximate square footage, number of bathrooms, whole or partial, number of rooms designated primarily as bedrooms, and number of built-in fireplaces for each existing unit, and the level or levels on which each unit is located are shown on Exhibit A. Nothing in this paragraph shall restrict the use of any portion of any unit to bedroom or bathroom uses.

2.7 Parking. The number of covered, open and enclosed parking spaces in the condominium are set forth in Exhibit A attached hereto.

2.8 Limited Common Elements. The limited common elements consist of the following limited common elements provided for in RCW 64.34.204(2) and (4), namely:

Any portion of a chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture which lies partially within and partially outside of the designated boundaries of a unit and which serves only that unit is a limited common element allocated to that unit, and any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios and exterior doors and windows and other fixtures which are designed to serve a single unit, and which are located outside the unit's boundaries, are limited common elements allocated exclusively to that unit.

In addition to the limited common elements provided for in RCW 64.34.204(2) and (4), decks, patio areas, and porch areas are limited common elements.

2.8.1 The deck or patio limited common elements shall be restricted to use as a balcony or patio. Each Deck LCE or Patio LCE area as shown on the plans shall be a limited common element allocated to the unit to which it is adjacent.

2.8.6 The Porch LCE areas adjacent to a unit as shown on the plans shall be limited common elements allocated to the unit having direct access thereto.

2.9 Maintenance of Limited Common Elements. The owners of the respective unit to which a limited common element doorstep, stoop, patio, balcony, exterior door and window, or porch, patio or deck area, is allocated shall maintain the limited common element in a clean, sightly and neat condition at all times. The Association shall maintain and repair the structure and finish of the limited common elements at common expense. The Association shall have exclusive control of painting, decorating, repairing, reconstructing, and maintaining all limited common elements and may control by rule the exterior appearance of the limited common elements. The respective owner of a unit to which a limited common element is allocated shall comply with the determination of the Association with respect to the foregoing.

2.10 Allocation of Common Elements and Voting Interests. The interests in the common elements shall be determined by dividing the interests by the number of units in the Condominium from time to time so that each unit shall have and is allocated an equal undivided interest in the common elements. There shall be an aggregate of votes in the Association which is equal to the number of units in the Condominium and no more. The aggregate of votes shall be held by all unit owners in the Association, and each unit shall have and is allocated one vote in the Association.

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

2.12 Allocation of Common Expenses. The common maintenance expenses shall be allocated by dividing such expenses by the number of units in the Condominium from time to time so that the common expenses of the Association shall be allocated equally among all of the units.

2.13 Restrictions. Except for the rights reserved by the Declarant in section 2.14, the units shall be



restricted to residential use and uses appurtenant thereto. The condominium shall be restricted as follows:

2.13.1 The limited common elements and common elements shall not be used, decorated or adorned in any way inconsistent with the rules and regulations adopted from time to time by the Association.

2.13.2 No sign shall be displayed to public view on or from any unit or the common elements or limited common elements without and subject to the consent of the Association; provided that until all of the units are first sold, the Declarant may maintain signs on the property advertising the sale of the units.

2.13.3 No pets, animals, livestock or poultry shall be kept or bred in or about any unit, except that the keeping of usual household pets which do not unreasonably interfere with the reasonable use and enjoyment of any other unit shall be permitted subject to reasonable rules and regulations adopted from time to time by the Association. Any animal which is kept or brought onto the condominium shall be physically restrained within a unit at all times or be under physical control of a lead so that the animal may not freely roam in the condominium. Pet excrement shall be immediately picked up by the owner of the pet and properly and sanitarily disposed of.

2.13.4 No part of the common elements shall be obstructed, impeded or otherwise used for keeping of things by any person, except as otherwise permitted by this Declaration or by the Association.

2.13.5 By rule and regulation adopted from time to time by the Association, curtains, drapes or other coverings on windows and glass doors may be required by the Association to present a uniform appearance when viewed from the exterior, and if so regulated, no curtain, drape or other covering shall be maintained in any unit contrary to such rule or regulation.

2.13.6 All leases or rental agreements made for any unit shall be in writing and be specifically subject to this Declaration and the rules and regulations of the Association as adopted from time to time. No unit may be leased or rented for a period of less than six months.

2.13.7 No person shall engage in any activity or shall allow any condition in the condominium which activity or condition shall unreasonably interfere with or disturb the quiet use and peaceful enjoyment of any unit or any part of the common elements. No part of the common elements or any unit shall be used for any unlawful purpose.

Each owner and person using the property subject to this Declaration or any part thereof shall comply strictly with the provisions of this Declaration and rules and regulations governing use of the condominium as the same may be adopted by the Association from time to time. Such performance may be enforced by an action to recover damages and for injunctive relief or either, which action may be maintained by the Association or by an aggrieved owner. Unit owners shall have a right of action against the Association for failure to comply with the provisions of this Declaration or the articles of incorporation or bylaws of the Association. Failure to enforce any rule or restriction shall not constitute a waiver thereof.

2.14 Declarant Use. The Declarant may use units in the Condominium as a sales office, management office and model unit in connection with the business of developing and marketing of any real property which is a part of the City of Anacortes Short Plat No. ANA 04-005 including specifically without limitation any such real property which may not be a part of this Condominium. Initially, Units 4816 and 4819 shall be used for such purposes. Declarant shall have the right to use any one or more other units for those purposes.

2.15 Owners' Access. The owner or owners of each unit shall have and are hereby granted a perpetual non-exclusive easement and right of way over and across the common elements for the purpose of ingress and egress from a public right of way to their unit, which easement shall be subject to reasonable regulation by the Association provided that the right of ingress and egress is not prohibited by any such regulation.

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

3 MANAGEMENT AND MAINTENANCE

3.1 Authority of the Association. The Association shall have all of the power and authority conferred by RCW 64.34.304, except that the Association shall not assign its right to future income. In addition and without



limitation on the foregoing, the Association shall have the exclusive authority for administration and management of the condominium; the exclusive right to contract for goods and services for the operation and management of the condominium; to pay for all goods and services contracted by the Association; to maintain one or more bank accounts in the name of the Association and, subject to limitations elsewhere in this Declaration, to authorize persons to draw on such accounts; to delegate authority to its employees and agents and to contract for management of the condominium; and to do any and all things necessary and convenient to the administration and caretaking management of the condominium and to carry out the provisions of this Declaration. However, the Association shall not have the authority to enter into any agreement for professional management of the condominium on behalf of the Association unless by its terms the agreement may be terminable by the Association for cause upon not more than 30 days' notice and the term of the agreement shall not exceed more than one year, provided that the agreement may be renewable for successive one-year periods by agreement of the parties. Any decision of the Association for self-management in lieu of professional management shall require concurrence of 67 percent of the votes of the unit owners and the consent of mortgagees required under Section 6. Under no circumstances shall the Association be authorized to or actually conduct, manage or engage in any business for profit for or resulting in return to the unit owners, including without limitation the business of management of any of the units for hire; provided that nothing herein shall prevent the Association from placing its funds at interest nor permitting use of portions of the common elements in exchange for payments or other valuable consideration to the Association. The board of directors of the Association shall act in all instances on behalf of the Association.

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

3.3 Maintenance Duty. The Association shall have the duty to maintain the common elements and limited common elements. Each unit owner shall have the right at the owner's cost and expense to maintain, repair, paint, paper, panel, plaster, tile and finish or refinish in new or different materials the interior surfaces of the unit ceilings, floors, doors, window frames, trim and perimeter walls; to alter floors, ceilings, and walls and the facilities within those areas which may be part of the unit; and to maintain, repair, remove and replace any fixtures attached to the interior floors, ceilings or walls of the unit. Each unit owner shall have the duty to maintain that owner's unit in good repair and condition and shall not interfere with the use and enjoyment of the common elements or limited common elements nor interfere with or damage the structural integrity of the building in which the unit is located.

3.4 Indemnity of Officers and Directors. Every officer and director of the Association shall be indemnified by it against all liabilities and expenses, including attorneys' fees, which may be incurred by or imposed upon the officer or director in connection with any matter or proceeding in which the officer or director may become involved by reason of being or having been an officer or director of the Association, except in actions by or on behalf of the Association in which the officer or director is adjudged guilty of a breach of duty toward the Association. Such



indemnification shall include settlement of any such matter when the Association approves such settlement. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which the officer or director may be entitled.

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

3.6. The Community. It is the intent of the Declarant that, for the purpose of general external appearance of the completed development of the real property within the City of Anacortes Short Plat No. ANA-04-005, of which this condominium is a part, shall be treated and maintained as a single community. The development is intended to be accomplished through at least two different condominium projects including this condominium. No binding obligation will be imposed on these projects to act in cooperation to the intended end; however, it is the wish of the Declarant that such cooperation be forthcoming through the directors of the condominium associations involved. This Association is authorized to make expenditures for the overall benefit of this community even though the expenditure may improve property which is not within this condominium.

4 ASSESSMENTS

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

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

4.1.2 Goods, supplies and services required to maintain, repair and operate the real property, common elements and limited common elements.

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

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

4.1.5 Maintenance and repair required for any unit or units to protect or preserve the common elements, if after notice the owners thereof have failed to make such repairs.

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

4.1.7 Other costs and expenses as may be paid as common expenses as elsewhere provided for herein, including contributions to maintenance of the community as provided in paragraph 3.6.

4.1.8 A reasonable sum for contingencies.

The total budget for items shall contain a reduction for any surplus of assessments over actual expenditures and reserves for prior years and for any receipts expected from sources other than from assessments for the current year. Common expenses may include such other goods and services and reserves as the directors deem advisable for the benefit of the Condominium, except that unless the holders of 60 percent of the votes in the Association shall first approve, no expenditures for capital improvements or additions shall be budgeted or made if the aggregate cost of such capital improvements and additions for the calendar year exceed the sum of One Thousand and 00/100 Dollars (\$1,000.00) multiplied by the number of units in the condominium at the beginning of the calendar year. This exception shall not apply to expenditures for repair, reconstruction and restoration of common elements as provided for herein. Within thirty days after adoption of any proposed budget for the condominium, the directors of the Association shall provide a summary of the budget to all unit owners and shall set a date for a meeting of the unit owners to consider ratification of the budget as provided in RCW 64.34.308.

4.2 Unit Owner Liability. Each party who is an owner of a unit shall be jointly and severally obligated to pay the assessments which were assessed against the unit while the party was an owner of the unit. As used in this Declaration, "assessment" includes charges and fines, interest and late charges on a delinquent account, and costs of



collection, including reasonable attorneys' fees in connection with the collection of a delinquent account. The personal obligation for assessments shall not pass to a successor in title unless the obligation is assumed by the successor. No unit owner may waive or otherwise escape liability for assessments by non-use of the common elements or abandonment of the owner's unit.

4.3 Assessments. As of the first day of each calendar month during the calendar year, one twelfth of the portion of the budgeted common expenses allocated to each unit in accordance with Section 2.12 shall be assessed against each unit. The allocation and assessment shall be determined by the board of directors in a manner consistent with the provisions of this Declaration. Notwithstanding the foregoing, to the extent that any common expense is caused by the misconduct of any unit owner, the Association may assess that expense against the owner's unit. The directors of the Association shall have the responsibility for levying and collecting assessments for common expenses in the manner provided for herein.

4.4 Assessments Due. A statement of the assessment against the owner's unit, which may be in the form of a payment coupon booklet, shall be mailed or delivered to each unit owner addressed to the owner's address shown in the Association's records. Notwithstanding the actual time the statement is rendered or the budget is adopted, the board of directors may determine the period or periods for which an assessment has been made and its due date. Any assessment not paid within 15 days after the due date set forth in the statement therefor which has been mailed or delivered to a unit owner shall be delinquent and bear interest as provided in RCW 64.34.364(13) from the due date specified until paid. However, no assessment may be delinquent and bear interest before 15 days after such a statement is mailed or delivered.

4.5 Funds. The common expenses shall be paid from funds received because of such assessments and from other Association funds not specifically designated for other purposes, and such sums, together with any other receipts on behalf of the property, shall belong to the Association. Funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with funds of any manager of the Association or any other person responsible for the custody of the Association's funds. Any reserve funds of the Association shall be kept in a segregated account. Any transaction affecting such funds, including the issuance of checks, shall require the signature of at least one person who is an officer or director of the Association.

4.6 Surplus Funds. Surplus funds of the Association shall not be refunded to the unit owners or used to reduce future assessments but shall be held as funds of the Association and recognized in the budget as provided for in paragraph 4.1.

4.7 First Assessment. The Association shall make the first assessment for common expenses on the first calendar day of the calendar month following the first conveyance of a unit by the Declarant to a third party. The amount of the first six monthly assessments shall be calculated excluding the amount of reserves set forth in the budget. Commencing with the seventh monthly assessment and each assessment thereafter, the amount of each assessment shall be calculated including any reserves set forth in the budget. Until the first assessment is made, the Declarant shall pay all common expenses, provided that common expenses shall be prorated and adjusted between the Association and the Declarant as of the date that the first common expense assessment is made.

4.8 Contribution. In addition to the assessments herein provided for, at the time that the Declarant shall have conveyed a unit to a third party, a sum equal to two times the amount of the first assessment made against the unit, including reserves, shall be paid or shall have been paid to the Association by the owner of the unit, provided that in any event at the time that the Declarant's right to control the Association terminates, such a sum shall be paid to the Association by the owner of each unit for which no such sum had been previously paid. Such sum shall be a contribution to working capital of the Association belonging to it, shall not be deemed an advance payment or security for common expense assessments, and is referred to as a "Contribution" herein. Immediately on receipt, Contributions shall be deposited to a segregated fund in the name of the Association. While the Declarant has control of the Association, no part of any Contribution may be used by the Declarant to defray any of Declarant's expenses, reserve contributions, or construction costs or make up any deficits in the budget. Nothing shall prohibit the Declarant from reimbursing itself for Contributions previously made for a unit from funds collected from a purchaser of the unit.

4.9 Adjustments to Contributions. The following adjustment shall be made with respect to Contributions paid on units before the last time that units are added to this condominium by exercise of the Declarant's reserved development rights under Section 8, if the Contribution paid for a unit is different from an amount equal to two times the first monthly assessment, including reserves, made against that unit after the last time when units are added to this condominium by the Declarant. After and only after the Declarant's development rights have expired or have



been fully exercised, if the amount is less than the Contribution, upon demand the then owner of the unit shall be entitled to a refund of the difference between the amount and the Contribution paid without interest from the Association, or if that amount is greater than the Contribution, then the owner of the unit shall contribute to the Association on its demand, the difference between the amount and the Contribution paid. If no Contribution has been paid for a unit before the last units are added to the condominium by the Declarant, the amount of the Contribution for that unit shall be adjusted so that it is equal to two times the first monthly assessment made against the unit after the time that the additional units were last added to the condominium by the Declarant.

4.10 Lien. Unpaid assessments and interest thereon shall constitute a lien on each unit against which the assessment was made, and the owner of the unit against which the assessment is made shall pay the assessment before it is delinquent. The lien shall have the priority and may be enforced by the Association as provided by RCW 64.34.364, the provisions of which are incorporated herein as though here fully set forth, except that with respect to the priority under RCW 64.34.364(c) of the lien to a mortgage recorded before delinquency of the assessment which is subject of the lien, the date of recording a deed which is given by the unit owner in lieu of foreclosure of such a mortgage shall be treated with the same effect as the date of sheriff's sale had the mortgage been foreclosed. The lien shall not be affected by the sale or transfer of the unit, except that where foreclosure of a mortgage is involved, lien rights shall be affected as provided by statute as modified by this Section 4.10.

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

4.12 Rent Applied. If an owner shall rent a unit and the assessments on the unit are delinquent, then, as long as the delinquencies continue, at the option of the Association it may demand and receive from the tenant of the unit the rent due or to become due in an amount sufficient to pay all sums due to the Association from the owner of the unit. Payment of such rent to the Association shall discharge the tenant's obligations to the unit owner to the extent of such payment. No demand or acceptance of rent under this paragraph shall be deemed to be a consent or approval of the unit rental or a waiver of the owner's obligations hereunder. No tenant shall have the right to question the authority of the Association to make the demand hereunder, and the tenant shall be obligated to comply with the demand.

5 INSURANCE

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

5.1.1 Property insurance for loss from fire with extended coverage on the condominium in an amount which shall be equal to the full insurable replacement value of the property. The policy may provide insurance coverage for parts of the condominium and equipment which are not part of the common elements but which are within the boundaries of the various units. Such other fire and casualty insurance may be provided which, in the determination of the directors, gives substantially equal or greater protection than is required by law and this Declaration. All such insurance shall provide for separate insurance protection for each unit owner to the full insurable replacement value of the unit with separate loss payable endorsements in favor of the mortgagee or mortgagees, if any, of the unit. Loss payable endorsements in favor of mortgagees shall be subject to paragraph 5.2.

5.1.2 Insurance against liability incident to the ownership and use of the condominium for personal injury and property damage with limits of not less than \$2,000,000 for each occurrence. Liability insurance shall include medical payment insurance in the amount determined by the Association.

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

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

5.1.5 As insurance, a fidelity bond or bonds with the Association as obligee for officers and agents of the Association handling its funds. For each officer and agent of the Association and for each other person



who is responsible for the funds of the Association or for funds on behalf of the Association, a fidelity bond shall be maintained in an amount deemed advisable by the Association but in any event not less than the aggregate amount equal to three months assessments payable to the Association plus the amount of any reserves of the Association.

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

In the event that the property damage or liability insurance provided for above is not reasonably available, or is modified, canceled, or not renewed, then the Association shall promptly cause notice of that fact to be given as provided in RCW 64.34.352. Each unit owner shall be an insured person under the liability policy with respect to liability arising out of the owner's interest in the common elements or membership in the Association. Each insurer shall waive its right to subrogation under its policy against any unit owner, member of the owner's household, and lessee of the owner. The insurance shall provide that it is the primary insurance in the event that there is other insurance in the name of a unit owner. All insurance policies shall provide that the policy may not be canceled by the insurer without ten days' prior notice to the Association and the mortgagees scheduled in the policy. No insurance against property loss or liability shall be required of the Association to insure the contents of a unit, an event occurring within a unit, or any improvement which the owner of a unit may make to the interior finish and fixtures of the unit. Such excluded coverage shall be the responsibility of each unit owner with respect to that owner's respective unit.

5.2 Proceeds. Insurance proceeds for damage or destruction to any part of the condominium shall be paid to the Association which shall segregate such proceeds from other funds of the Association, hold the proceeds as trustee for unit owners and lienholders as their interests may appear, and subject to paragraph 5.3 shall be disbursed first for the repair or restoration of the damaged property. No unit owner or lienholder shall be entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the damaged property has been completely repaired or restored or the condominium is terminated. Insurance shall not be payable to any mortgagee. The Association shall have the authority to settle and compromise any claim under insurance obtained for the Association, and the insurer may accept a release and discharge of liability made by the Association on behalf of the named insured including owners under the policy, except for mortgagees who are named insured under the policy. The Association is hereby appointed as the attorney-in-fact for each owner in order to implement the intent of this paragraph.

5.3 Obligation to Restore. Any portion of the condominium for which insurance is required by law or for which insurance coverage has been provided and 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) 80 percent of all of the unit owners vote not to repair, rebuild or restore, including in that 80 percent every owner of each damaged unit which will not be repaired, rebuilt or restored and of each unit to which damaged limited common elements are allocated and will not be repaired, rebuilt or restored. The cost of repair or replacement in excess of the insurance proceeds and reserves is a common expense, provided that if the damage or destruction affects fewer than all of the units, then that common expense shall be assessed only against the units benefited by the repair, replacement or restoration. If all of the damaged or destroyed portions of the condominium are not repaired, then the provisions of RCW 64.34.352 shall apply.

5.4 Uninsured Damage or Destruction. In the event that any portion of the condominium is damaged or destroyed and there is no insurance required by law to cover the loss or there is no insurance coverage, then the Association shall promptly cause the damage or destruction to be repaired, replaced or restored as a common expense which shall be assessed against the units benefitted by such repair, unless the unit owners of units which are affected by the damage and which will be required to bear assessments for 90 percent of the cost of the repair, replacement and restoration and all of the eligible mortgagees of units affected by the damage, vote not to repair, replace or restore the damaged portion. If the election is made not to repair, replace or restore, then within 30 days after such election, the unit owners whose units are not affected by the damage may elect to terminate the condominium by a vote of 80 percent of those units. If there is no election made within 30 days to terminate the condominium, the interest of the units affected by the damage shall be allocated automatically as though the units had been condemned under RCW 64.34.060(l). The provisions of this paragraph shall apply unless the unit owners agree otherwise with the consent of all eligible mortgagees.

6 MORTGAGEE'S PROTECTION

6.1 Definitions. As used in this Declaration, "mortgage" includes any deed of trust or other security instrument, "mortgagee" includes the beneficiary of a deed of trust, a secured party or other holder of a security interest,



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

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

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

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

6.4.1 Any loss by condemnation or casualty affecting a material portion of the condominium subject to the mortgage;

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

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

6.4.4 Any proposed action which requires the consent of the holder of the mortgage;

and
6.4.5 All meetings of the Association.

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

6.5.1 The consent of holders of mortgages which have requested notice under paragraph 6.4 and which have mortgages on units which have at least 51 percent of the votes held by the owners of all of the units subject to such mortgages shall be required for the following action:

6.5.1.1 Other action than restoration or repair of the condominium substantially in accordance with the original Declaration and the original plans and specifications of the property in the event of partial condemnation or insurable casualty;

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

6.5.1.3 A decision to establish self-management by the Association in lieu of professional management;

6.5.1.4 Any addition or amendment to any material provision of this Declaration or the Association bylaws which establish, provide for, govern or regulate any of the following: voting; assessments, assessment liens or subordination of such liens; reduction in reserves for maintenance, repair or replacement of the common elements or units; reallocation of interests in the common elements or limited common elements or in the right to their use; insurance or fidelity bonds; rights to use common elements; responsibility for maintenance and repair of the several portions of the condominium; expansion or contraction of the condominium or the addition, annexation or withdrawal of any portion of the condominium; ability to convert units into common elements or of common elements into units; boundaries of any unit; interests in the common elements and limited



common elements; leasing of units; or imposition of rights of first refusal or similar restriction of a unit owner to sell, transfer or otherwise convey the owner's unit. If a holder of a mortgage is requested to approve any such addition or amendment and fails to deliver or mail a negative response within 30 days after it receives notice of the request, the holder shall be deemed to have approved the requested addition or amendment; provided that the notice was delivered by certified or registered mail with a "return receipt" requested.

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

6.5.3 Nothing herein contained shall be construed to give any owner or any other party priority over any rights of the mortgagee of a unit pursuant to its mortgage in case of a distribution to such owner of insurance proceeds or condemnation awards for losses to or a taking of units and common elements or either.

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

7 MISCELLANEOUS

7.1 Notices. Notices required hereunder shall be in writing and shall be effective when deposited in the mail, postage prepaid, and addressed to the person entitled thereto at the address shown on the records of the Association, except as specifically otherwise provided in paragraph 6.5.1.4. Notices to the Association may be addressed to the secretary of the Association either to its published business address or in care of its registered agent.

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

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

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

7.5 Audit. At any time at the expense of an owner or a mortgagee, the owner or mortgagee may cause an audit of the books and records of the Association to be made. The financial statements of the Association shall be audited by a certified public accountant at least annually at the expense of the Association. The audited financial statement, if required, shall be available within 120 days after the end of the Association's fiscal year. By a vote of 60 percent of the votes allocated to units owned by others than the Declarant, the unit owners may waive annually for that year an audit of the financial statements of the Association. In any event, any mortgagee shall have the right to have an audited financial statement of the Association prepared at the mortgagee's expense.

7.6 Subdivision and Combination of Units. No units shall be subdivided. Subject to compliance with this paragraph 7.6, any part or parts of one or more units may be combined and made a part of another unit or units, or two or more units may be combined into one or more units by the owners thereof, provided that the aggregate interest in the common elements and the common expense liability of the resulting unit or units shall be equal to the combined



interest and common expense liability of the units involved prior to their combination. Incident to the foregoing, such combination may involve inclusion of common elements between such units and incident thereto changes and alterations in the structure of the common elements. Prior to making any such combination, the owners of the units involved shall cause a written plan of the proposed action to be prepared by a licensed architect or engineer acceptable to the Association showing the boundaries of the proposed new units to be created and the changes required to the structure of the condominium improvements. Such architect or engineer shall certify to the Association that execution of the proposed plan of combination shall not materially impair or affect the structural integrity of the improvements. Such plan shall be submitted to the directors of the Association for their approval. If the directors approve the plan as in the best interests of all parties concerned, the combination shall be submitted to the Association. If 67 percent of the votes are cast in favor of the combination at a meeting of the Association, the prior written approval of each holder of first-lien mortgages on the units has been obtained and paragraph 6.5 has been complied with, then the combination may be made in accordance with the proposed plan. The directors of the Association may impose conditions on the Association's approval which conditions shall be complied with. When so approved, the owners of the affected units shall, prior to making any changes in the structure of the building involving the common elements, provide to the Association a bond or security in amount and form satisfactory to the directors guaranteeing to the Association that any changes made to the building shall be performed in accordance with the approved plan and conditions thereto and that such owners will pay all costs and expenses incurred incident thereto. When the work of alteration and change to the improvements has been completed to the satisfaction of the Association as complying with the approved plan and conditions thereto, the Association shall prepare, execute and record an amendment to the Declaration, including the survey map and plans, combining the units. The amendment to the Declaration must be executed by the owners of the units involved, assign an identifying number to the resulting unit or units, and reallocate to the new unit or units the interests and common expense liability of the former unit or units in any reasonable and equitable manner prescribed by the owners of the unit or units combined. The owners of the unit or units so combined shall reimburse and pay any costs and expenses incurred by the Association incident to the combination including all legal, engineering, architectural or other professional fees and expenses involved.

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

7.8 Amendment. Subject to the express provisions hereof and consistent with the provisions of the Act, this Declaration and the survey map and plans referred to herein may be amended by the vote or agreement of the unit owners to whom 67 percent of the votes in the Association have been allocated; provided that any amendment which increases the number of units, changes the boundary of any units, the allocated interests of the unit, or the uses to which any unit is restricted shall require the affirmative vote of the owners of the units affected and a vote of 90 percent of the votes in the Association allocated to units other than the Declarant. When an amendment has been approved by the owners, then the Association shall forthwith cause a written instrument to be prepared, signed and acknowledged by the president of the Association and recorded in the county where this Declaration is recorded, setting forth the amendment and certifying that the amendment was duly adopted. Except as provided in paragraph 8.3 for amendments on exercise of Declarant's development rights, upon such recording the amendment shall become effective.

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

8 DECLARANT DEVELOPMENT RIGHTS

8.1 Development Rights. The Declarant reserves the development rights to expand the condominium by adding, from time to time, one or more of the parcels of real property to this condominium as described on Exhibit A. Declarant shall exercise this right by executing an amendment to this Declaration and recording the amendment together with a survey map and plans as required by RCW 64.34.232(6) and for this purpose hereby reserves the right, power and authority to make, execute and record such an amendment and survey map and plans. Each party with an



interest in the condominium hereby irrevocably grants to Declarant the right, power and authority to make and execute such an amendment and survey map and plans by the act of accepting an interest in the condominium. Declarant shall have the right to divide the southeasterly half and the northwesterly half of said Lot 5 in such manner as Declarant deems advisable in its discretion. All improvements to the real property shall be substantially completed prior to recording the amendments exercising the right to expand the condominium, the standards of construction of those improvements shall be consistent with the improvements in the condominium before expansion, and the external appearance of the buildings in which the units are located shall be consistent with the external appearance of the buildings in the condominium before the expansion.. The amendment shall be effective as of the first day of the next calendar month following recording.

8.2 Time of Exercise. Declarant shall exercise this right to expand the condominium on or before December 31, 2010, and if not so exercised, then this right to expand the condominium shall terminate and be of no further force and effect.

8.3 Allocations on Exercise. If the Declarant exercises the right to expand the condominium, then the fraction or percentage of undivided interest in the common elements shall be reallocated equally between all units then in the condominium, each unit then in the condominium shall be reallocated and have one vote in the Association, and the common expenses shall be reallocated equally between the units then in the condominium. The units added to the condominium shall be subject to assessment from and after the first day of the month after the expansion becomes effective, and the units existing before the expansion shall be assessed on the basis of the new allocation of common expense liability from and after the first day of the month after the expansion becomes effective.

8.4 Special Declarant Rights. The Declarant reserves the right to maintain sales offices, management offices and models as provided in paragraph 2.14, and an easement right under RCW 64.34.260 through the common elements for the purpose of exercising the rights is reserved herein.

Dated this 16 day of December, 2005.

Portalis Limited Liability Co.

By Allan Schroeder
Allan Schroeder, Manager

State of Washington
County of Skagit

I certify that I know or have satisfactory evidence that Allan Schroeder is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the manager of Portalis Limited Liability Co., a limited liability company, to be the free and voluntary action of such party for the use and purposes mentioned in the instrument.

Dated: 12-16, 2005.

James Y. Zivala
Notary Public

My appointment expires 10-1-09



Exhibit A continued

Exhibit A to Declaration for Portalis Townhomes Condominium

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

Lots 7, 8 and 9, City of Anacortes Short Plat No. ANA-04-005, approved November 2, 2004, recorded November 3, 2004, under Skagit County Auditor's File No. 200411030031, being a portion of the Southeast Quarter of the Southwest Quarter of Section 22, Township 35 North, Range 1 East W.M.

Unit Numbers, Area, Number of Bathrooms and Bedrooms, Fireplaces, Fraction of Interest and Levels
The number of each of the units and the respective area of each unit, the number of bathrooms, whole or part, in each respective unit, the number of rooms intended as bedrooms in each respective unit, the fraction of interest of each respective unit in the common elements and the level of the building on which each respective unit is located is shown in the following table.

Unit Numbers	Area	Number of Bathrooms	Number of Bedrooms	Fraction of Interest	Building Levels of Unit
4813	1,308 sf	3	2	1/9th	1 and 2
4815	1,305 sf	3	2	1/9th	1, 2 and 3
4817	1,309 sf	3	3	1/9th	1 and 2
4819	1,308 sf	3	3	1/9th	1 and 2
4901	1,306 sf	3	2	1/9th	1, 2 and 3
4903	1,306 sf	3	3	1/9th	1 and 2
4905	1,306 sf	3	3	1/9th	1 and 2
4907	1,308 sf	3	2	1/9th	1, 2 and 3
4909	1,306 sf	3	3	1/9th	1 and 2

Each unit has one built in fireplace.

Parking. There are eighteen (18) enclosed parking spaces in the condominium, each of which spaces is a part of a unit. There are no open parking spaces or covered parking spaces in the condominium.



Exhibit A continued

Property Subject to Development Rights. The following parcels of property which are situate in Skagit County, Washington, is subject to development rights described in Section 8 of the Declaration:

Parcel 1. Lot 6, City of Anacortes Short Plat No. ANA-04-005, approved November 2, 2004, recorded November 3, 2004, under Skagit County Auditor's File No. 200411030031, being a portion of the Southeast Quarter of the Southwest Quarter of Section 22, Township 35 North, Range 1 East W.M., containing three (3) units in one building,

Parcel 2. The northeasterly half of Lot 5, City of Anacortes Short Plat No. ANA-04-005, approved November 2, 2004, recorded November 3, 2004, under Skagit County Auditor's File No. 200411030031, being a portion of the Southeast Quarter of the Southwest Quarter of Section 22, Township 35 North, Range 1 East W.M., containing three (3) units in one building, and

Parcel 3. The southwesterly half of Lot 5, City of Anacortes Short Plat No. ANA-04-005, approved November 2, 2004, recorded November 3, 2004, under Skagit County Auditor's File No. 200411030031, being a portion of the Southeast Quarter of the Southwest Quarter of Section 22, Township 35 North, Range 1 East W.M., containing three (3) units in one building.

