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M-10633 LAND TITLE COMPANY OF SKAGIT COUNTY

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DECLARATION OF CONDOMINIUM SUBDIVISION AND COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATIONS FOR SEDRO WOOLLEY TOWNHOUSE CONDOMINIUM

JERRY McINTURFF
SKAGIT COUNTY AUDITOR
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ARTICLE I

SUBMISSION OF PROPERTY; PURPOSE

1.1. Submission of Property.

Anthony and Myrna Radosevich, hereinafter collectively referred to as the "Declarant," being the owner in fee simple of the land described in the attached Exhibit "A", hereby submits said land, together with all improvements, easements, rights and appurtenances thereunto belonging, collectively referred to hereinafter as "the Property", to the provisions of the Washington Condominium Act ("the Condominium Act", i.e., Chapter 64.34 of the Revised Code of Washington), and creates from such Property a Condominium, which Condominium shall be known as "Sedro Woolley Townhouse 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. 9408020029 in Volume 15 of Condominiums, at pages 184-186, on August 2, 1994.

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 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 or possessors, and their heirs, personal representatives, successors and assigns, through all successive transfers of all or part of the Property or any security interest therein, without requirement of further specific reference or inclusion in deeds, contracts or security instruments, and regardless of any subsequent forfeiture, foreclosures, or sales of Units under security instruments, or of any forfeiture, foreciosures, or sales instituted for nonpayment of government tax, levy or assessment of any kind.

ARTICLE II

DEFINITIONS

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

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

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

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

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

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

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

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

2.9. "Condominium Instruments" means the Declaration, the Survey Map and Plans, and the Bylaws of the Association.

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

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

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

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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; or (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. In this Condominium, Development rights are described in Section 3.3 hereof.

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

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

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

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

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

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

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

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

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 twenty years 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. "Real property" includes parcels, with or without upper or lower boundaries, and spaces that may be filled with air or water.

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

2.29. "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 64.34.276; (f) make the Condominium subject to a master Association under RCW 64.34.280; 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.

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

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

2.32. "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, not the vendor, of a Unit under a real estate contract.

ARTICLE III

DESCRIPTION OF LAND, BUILDINGS, AND DEVELOPMENT RIGHTS

3.1. Land and Street Address.

The land on which the building and improvements of this Condominium are located is situated at 105 Warner Street, Sedro Woolley, Skagit County, Washington, and is more particularly described in Exhibit "A" which is attached hereto and incorporated herein.

3.2. Buildings.

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

3.3. Development Rights.

No Development Rights have been reserved by the Declarant.

ARTICLE IV

UNITS

4.1. Number and Location.

The Condominium contains six (6) Units which are depicted on the Survey Map and Plans. The location of existing Units within the building and their dimensions are shown on the Condominium Survey Map and Plans. Exhibit B hereto contains a list of all Units, their identifying numbers, location, style and the Allocated Interests appurtenant to each Unit.

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 plane of the bottom surface of the concrete slab or wood joists (as the case may be) of the ceiling except where there is a dropped

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ceiling in which locations the upper boundary shall be the horizontal plane which includes the top side of the plasterboard or acoustical tile, as the case may be, of the dropped ceiling.

(b) Lower Boundary: The horizontal plane of the top surface of the undecorated concrete floor slab or subflooring material, as the case may be.

(c) The floor of the second level of a two-story Unit constitutes a part of the Unit rather than a horizontal boundary thereof.

4.2.2. Vertical (perimetric) Boundaries. The vertical boundaries of the Unit shall be the vertical planes which include the back surface of the plaster, panelling or plasterboard, as the case may be, of all walls bounding the Unit, extended to intersections with each other and with the upper and lower boundaries.

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) all nonstructural interior partition walls located within the boundaries of the Unit; (ii) the decorated surfaces of all boundary walls, ceilings and floors, including any wallpaper, paint, lath, wallboard, plastering, carpeting, floor and wall tiles and other floor coverings and all other finishing materials; and (iii) all interior doors and all immediately visible fixtures, appliances, mechanical, electrical and intercom systems and equipment, heating and air-conditioning units installed for the sole and exclusive use of the Unit, commencing at the point of disconnection from the structural body of the building or from utility lines, pipes or systems serving any Unit.

4.5. Items Excluded from a Unit.

A Unit shall be deemed not to include: pipes, wires, conduits and other public utility lines, ventilation or other ducts, bearing walls and structural portions of the building running through a Unit which are utilized for or serve more than one Unit, 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 his or her Unit and its equipment, appliances, and appurtenances in good order, condition and repair and shall do all redecorating and painting at any time necessary to maintain the good appearance and condition of his or her Unit. Each Owner shall be responsible for the maintenance, repair or replacement of any fixtures, appliances, systems and 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 8.4.2(g) of this Declaration.

4.7. Alterations of Units.

Subject to the provisions of this Declaration and other provisions of law, 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 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 of 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 or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this subsection is not 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.

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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 Eligible Mortgagee holding a mortgage in the affected Unit pursuant to Section 15.3 hereof, 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, main walls (as opposed to nonbearing interior partitions of Units), and all other structural parts of the building, to the boundaries of the Units as described above in Section 4.2.

5.1.3. Installations of central services such as power, light, gas, hot and cold water, heating and ventilating; pipes, conduits, and wires, wherever they may be located,

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whether in partitions or otherwise; tanks, pumps, motors, fans, compressors, chutes and ducts; and in general all apparatus and installations existing for common use rather than for any one Unit.

5.1.4. The driveway areas which provide access to any Limited Common Elements reserved for parking.

5.1.5. The yards, gardens, landscaped areas and walkways which surround and provide access to the building, along with gates, exterior lighting facilities, mail and trash facilities.

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

5.2. Partition, Conveyance, or Encumbrance.

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

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

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

5.3. Allocated Interests.

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 equality. Each Unit's Allocated Interest in the Common Elements is expressed as a percentage and is stated with particularity on the attached Exhibit B.

5.4. Maintenance, Repair and Replacement.

The Association is responsible for maintenance, repair, and replacement of the Common Elements, including the Limited Common Elements, with the exception noted 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 8.5 hereof.

5.6. Parking Spaces.

The Condominium contains a total of twelve (12) parking spaces. All of these parking spaces are assigned for the exclusive use of individual Unit Owners pursuant to Section 6.1 of this Declaration. Use of all parking spaces shall be governed by the provisions of Section 9.1.3 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:

6.1.1. The decks and patios which are immediately adjacent to the Units and are shown on the Survey Map and Plans, and described with greater particularity on the attached Exhibit B.

6.1.2. Any shutters, awnings, window boxes, doorsteps, stoops, and all exterior doors and windows or other fixtures designed to serve a single Unit, but which are located outside the Unit's boundaries. If any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside the designated boundaries

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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.

6.1.3. The numbered parking spaces which are shown on the Survey Map, and are assigned as indicated on Exhibit C to this Declaration.

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 sightly condition. The Association shall have exclusive control of painting, decorating, repairing, reconstructing and maintaining all Limited Common Elements, with the exception of any additions to or coverings for the decks and patios identified in Section 6.1.1 hereof, which may be authorized by the Board of directors pursuant to Section 9.1.4 hereof. Maintenance, painting, repair or replacement of the structure and finish of all other Limited Common Elements shall be a Common Expense.

6.3. Reallocation Between Units.

A Limited Common Element, other than one described in Sections 6.1.1 or 6.1.2 hereof (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. 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

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7.1. Name and Form of Association.

The name of the Association shall be the "Unit Owners Association of Sedro Woolley Townhouse 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 Title 23B RCW, the business corporation act, chapter 24.03 RCW, the nonprofit corporation act, or 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 the power to:

7.2.1. Adopt and amend bylaws, rules and regulations;

7.2.2. Adopt and amend budgets for revenues, expenditures, and reserves, and impose and collect Assessments for Common Expenses from Unit Owners;

7.2.3. Hire and discharge or contract with managing agents and other employees, agents, and independent contractors;

7.2.4. Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Unit Owners on matters affecting the Condominium;

7.2.5. Make contracts and incur liabilities;

7.2.6. Regulate the use, maintenance, repair, replacement, and modification of Common Elements;

7.2.7. Cause additional improvements to be made as a part of the Common Elements;

7.2.8. Acquire, hold, encumber, and convey in its own name any right, title, or interest to real or personal property, but Common Elements may be conveyed or subjected to a security interest only pursuant to Section 5.2 hereof;

7.2.9. Grant easements, licenses, and concessions through or over the Common Elements, subject to the provisions of Article XV hereof, and petition for or consent to the vacation of streets and alleys;

7.2.10. Impose and collect any payments, fees, or charges for the use, rental, or operation of certain Common Elements, and for services provided to Unit Owners;

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7.2.11. Impose and collect reasonable charges for late payment of Assessments and, after notice and an opportunity to be heard by the Board of Directors or by such representatives thereof designated by the Board of Directors, and in accordance with such procedures as provided in this Declaration or Bylaws or Rules and Regulations adopted by the Board of Directors, levy reasonable fines in accordance with a previously established schedule thereof adopted by the Board of Directors and furnished to the Owners for violations of this Declaration, Bylaws, and Rules and Regulations of the Association;

7.2.12. Impose and collect reasonable charges for the preparation and recording of amendments to the Condominium Instruments, resale certificates required by RCW 64.34.425, and statements of unpaid Assessments;

7.2.13. Provide for the indemnification of its officers and Board of Directors and maintain directors' and officers' liability insurance;

7.2.14. Exercise any other powers conferred by the Declaration or Bylaws;

7.2.15. Exercise all other powers that may be exercised in the State of Washington by the same type of corporation as the Association; and

7.2.16. Exercise any other powers necessary and proper for the governance and operation of the Association.

7.3. Membership.

7.3.1. Qualification.

Each fee Owner (including Declarant), or real estate contract vendee of a Unit in the Condominium, shall be a member of the Association. Ownership of a Unit shall be the sole qualification for membership in the Association, and the membership of the Association at all times shall consist exclusively of all the Unit Owners.

7.3.2. Transfer of Membership.

The Association membership of each Owner (including Declarant) shall be appurtenant to the Unit giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon the transfer of title to said Unit and then only to the transferee of title to such Unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

7.4. Voting.

7.4.1. Voting Rights.

Each Unit Owner has a right to vote at meetings of the Association, on such matters as may lawfully come before such meetings. The total number of votes available to each Owner

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shall be equal to the Allocated Interest for voting appertaining to his or her Unit, as described in Section 7.4.2 hereof.

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 equality. 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.

7.4.3. Joint Owner Disputes.

The vote for a Unit must be cast as a single vote, and fractional votes shall not be allowed. If only one of the multiple Owners of a Unit is present at a meeting of the Association, in person or by proxy or written ballot, the Owner is entitled to cast all the votes allocated to that Unit. If more than one of the multiple Owners are so present, the votes allocated to that Unit may be cast only in accordance with the agreement of a majority in interest of the multiple Owners. There is majority agreement if any one of the multiple Owners casts the votes allocated to that Unit without protest being made promptly to the person presiding over the meeting by any of the other Owners of the Unit. In the absence of majority agreement, the conflicting votes shall be deemed an abstention of the vote for such Unit.

7.4.4. Proxies and Voting by Written Ballot.

Votes allocated to a Unit may be cast pursuant to a written ballot or proxy, duly executed by the Unit Owner and delivered to the Association's Secretary or the Officer presiding at the meeting, in person or by mail, at or before the commencement of the meeting. If a Unit is owned by more than one person, each Owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. An Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. Unless stated otherwise in the proxy, a proxy terminates eleven months after its date of issuance.

7.4.5. Quorums.

A quorum is present throughout any meeting of the Association if the Owners of Units to which at least fifty percent of the votes of the Association are allocated are present in person or by proxy or written ballot at the beginning of the meeting.

7.4.6. Units Owned by Association.

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

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7.5. Meetings, Notices of Meetings.

7.5.1. Annual Meetings.

There shall be an annual meeting of the Association for the principal purpose of electing the Board of Directors, which shall be held in the first quarter of each year at such reasonable place and time as may be designated by written notice of the Board delivered to the Owners not less than ten (10) nor more than sixty (60) days prior to the date fixed for said meeting. At the annual meeting, there shall be presented a report by the Board of Directors containing, at minimum, the following information:

(a) A balance sheet and a revenue and expense statement of the Association prepared on an accrual basis, which shall be current to sixty days;

(b) The annual financial statement of the Association, including the audit report required by Section 8.9 hereof, if it has been prepared, for the year immediately preceding the current year.

(c) A statement of the amount of any reserves for repair or replacement and of any portions of those reserves currently designated by the Association for any specified projects;

(d) A statement of any anticipated repair or replacement cost in excess of five percent of the annual budget of the Association that has been approved by the Board of Directors; and

(e) A statement of any unsatisfied judgments against the Association and the status of any pending suits to which the Association is a party.

7.5.2. Special Meetings.

Special meetings of the Owners may be called at any time for the purpose of considering matters which by the terms of the Condominium Act or of this Declaration require the approval of all or some of the Owners, or for any other reasonable purpose. Such meetings shall be called by written notice of the president of the Association upon the decision of the president, or after request signed by a majority of the Board, or by written request by the Owners having at least 20% of the total votes, which notice shall be delivered not less than ten (10) nor more than sixty (60) days prior to the date fixed for said meeting. The notice shall specify the place, day and hour of the meeting, and a general description of the matters to be considered. In the event that a special meeting is called to approve an annual Budget, or to approve changes to a previously approved Budget that result in a change of Assessment obligations, the notice shall be given not less than fourteen (14) days in advance of the meeting.

7.6. Bylaws of Association.

7.6.1. Initial Bylaws.

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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.

7.6.2. Amendment of Bylaws.

Amendments to the Bylaws may be adopted by the concurrence of Owners holding at least 51% of the voting power in the Association at a regular or special meeting. Notice of time and place of such meeting together with changes to be voted on shall be delivered to each Unit Owner at least thirty (30) days prior to such meeting.

ARTICLE VIII

MANAGEMENT OF CONDOMINIUM

8.1. Management by Declarant.

The Declarant, pursuant to RCW 64.34.308, has reserved certain Special Declarant Rights described more fully in Section 16.5 hereof, for a period of time, not to exceed three years after the conveyance by the Declarant of the first Unit in the Condominium, known as the "Declarant Control Period," subject to the following limitations:

8.1.1. Not later than sixty days after conveyance of twenty-five percent of the Units which may be created to Unit Owners other than the Declarant, at least one member and not less than twenty-five percent of the members of the Board of Directors must be elected by Unit Owners other than the Declarant. Not later than sixty days after conveyance of fifty percent of the Units which may be created to Unit Owners other than the Declarant, not less than thirty-three and one-third percent of the members of the Board of Directors must be elected by Unit Owners other than the Declarant.

8.1.2. Notwithstanding the provisions of subpart 8.1.1 of this Section, the Declarant Control Period shall terminate no later than the earlier of: (a) Sixty days after conveyance of seventy-five percent of the Units which may be created in the Condominium to Unit Owners other than the Declarant, or (b) two years after the last conveyance or transfer of record of a Unit except as security for a debt.

8.1.3. The Declarant Control Period is established in order to assure that the property and Condominium will be adequately administered in the initial phases of development, and to assure an orderly transition of Association operations. 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. Management by Unit Owners' Board.

Within thirty days after the termination of the Declarant Control Period, the Unit Owners shall elect a Board of Directors of at least three members, all of whom must be Unit Owners.

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The Board of Directors shall thereupon elect the officers of the Association. Such members of the Board of Directors and officers shall take office upon election.

8.3. Professional Management.

8.3.1. Authority.

The Board may employ a professional Manager or Managing Agent, (which terms shall be interchangeable herein), to assist the Board in discharging its responsibilities to the Association.

8.3.2. Scope of Delegation.

The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors of the Association by this Declaration other than the powers to amend the Condominium Instruments or Rules and Regulations, to make Assessments against Unit Owners or determine the manner for doing so, to open bank accounts for the Association or to designate the signatories thereon, to borrow money on behalf of the Association, or to acquire any real property or any personal property with a value in excess of Five Hundred Dollars in absence of a special resolution of the Board.

8.3.3. Management Agreement.

In the event the Declarant or the Board enters into a management agreement with a professional Manager or Managing Agent, said agreement shall be in writing and shall contain provisions authorizing termination of the agreement without penalty by the Owners' Association for cause upon thirty (30) days' written notice or without cause upon ninety (90) days' written notice and shall not exceed a term of one (1) year, renewable by agreement of the parties for successive one-year periods.

8.3.4. Termination.

A decision to terminate professional management, once established, and assume self-management by the Association may first require the prior written approval of that percentage of Eligible Mortgagees specified in Article XV of this Declaration.

8.4. Authority of the Board.

8.4.1. General Authority.

The Board, for the benefit of the Condominium and the Owners, shall enforce the provisions of this Declaration, the Bylaws, and Rules and Regulations, 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.

8.4.2. Common Expenses.

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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 following:

(a) Water, sewer, garbage collection, common electrical, common gas, and any other necessary utility service as required for the Common Elements. If one or more Units or the Common Elements are not separately metered, the utility service may be paid as a Common Expense, and the Board may by reasonable formula allocate a portion of such expense to each such Unit involved as a portion of its Common Expense, or reimburse any Unit Owner who pays, in whole or in part for utilities serving the Common Elements.

(b) Policies of insurance or bonds required by Article XI.

(c) The services of persons or firms as required to properly manage the affairs of the Condominium to the extent deemed advisable by the Board as well as such other personnel as the Board shall determine are necessary or proper for the operation of the Common Elements, whether such personnel are employed directly by the Board or are furnished by a Manager.

(d) The services of attorneys, along with bookkeepers and accountants qualified to maintain Association records in the manner required by Section 8.8 hereof, and to perform the independent audit required by Section 8.9 hereof.

(e) 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.

(f) Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board is required to by law to pay or procure or which in its opinion shall be necessary or proper for the operation of the Condominium, the maintenance, repair or replacement of the Common Elements, or for the enforcement of this Declaration.

(g) Maintenance and repair of any Unit, its appurtenances and appliances, if such maintenance or repair is reasonably necessary, in the opinion of the Board, to protect the Common Elements or 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 Section 4.6 hereof 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 10.7.2 hereof.

8.4.3. 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.

8.4.4. Acquisition of Property.

The Board may, from common funds of the Association, 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; and the beneficial interest in such property shall be owned by the Owners in the same proportion as their respective interests in the Common Elements. 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. The Board shall not, however, in any case acquire real property or personal property valued in excess of Two Thousand Dollars ($2,000) by lease or purchase except upon a majority vote of the Unit Owners.

8.4.5. No Business Authority.

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

8.5. Right of Entry.

The Board and its agents or employees may enter any Unit or Limited Common Elements when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible, or in the event of emergencies. Except in the case of an emergency, reasonable advance notice shall be given to the Unit Owner and, if applicable, to any lawful tenant or subtenant in the Unit. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board 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.

8.6. Board as Attorney in Fact.

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

8.7. Limitations on Power of Board.

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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.

8.8. Association Records.

The Board of Directors shall annually cause a proper and accurate financial statement to be prepared according to generally accepted accounting principles, and shall otherwise keep financial records sufficiently detailed to enable the Association to comply with RCW 64.34.425, regarding information to be supplied to prospective purchasers upon resale of a Unit in the Condominium, along with such other records as may be required by the Bylaws. All financial and other records shall be made reasonably available for examination by any Unit Owner and the Owner's authorized agents, any Mortgagees or Eligible Insurers.

8.9. Audit of Records Required.

The annual financial statements of a condominium such as this Condominium, consisting of fewer than fifty Units, are required by law to be audited at least annually by a certified public accountant. This annual audit may, however, be waived annually by Unit Owners other than the Declarant of Units to which sixty percent of the votes are allocated, excluding the votes allocated to Units owned by the Declarant. The Declarant strongly recommends in the event the Unit Owners vote to waive the annual audit, that the Association employ a certified public accountant to conduct a review of the Association's financial records.

ARTICLE IX

PERMITTED USES; ARCHITECTURAL UNIFORMITY

9.1. Permitted Uses.

9.1.1. Residential Use.

The building and Units shall be used for single family residential purposes only, whether on an ownership, rental or lease basis and for common social, recreational or other reasonable uses normally incident to such purposes. The Board may also permit the use of all or part of a Unit for a professional office, provided that such use is consistent with all applicable laws, ordinances and regulations of any governmental authority. As a condition to consenting to such office use, the Board may require the Unit Owner to pay any increase in the rate of insurance for the Condominium which may result from such office use, and to provide proof of adequate personal/business liability insurance coverage.

9.1.2. Commercial Use.

Other than the professional office use authorized in Section 9.1.1 hereof, there shall be no commercial uses permitted on the property.

9.1.3. Vehicle Parking.

Parking spaces are restricted to use for parking of operable, properly registered automobiles, light trucks and family vans; other items and equipment may be parked or kept therein only if expressly permitted by Rules and Regulations and only in such parking areas, if any, as may be designated for such purpose by the Board of Directors. Vehicle repairs other than ordinary light maintenance are not permitted on the Property. The Board may require removal of any inoperative or unregistered vehicle, and any other equipment or item improperly stored in parking spaces. If the same is not removed, the Board may cause removal at the risk and expense of the owner thereof, under such reasonable procedures as may be provided by Rules and Regulations adopted by the Association.

9.1.4. Interference with Common Elements.

No Unit Owner shall damage or 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 altered or constructed in or removed from the Common Elements except with the prior written consent of the Board of Directors.

9.1.5. 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.

9.1.6. Signs.

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

9.1.7. Animals.

The maintenance, keeping, boarding and/or raising of animals, livestock, poultry, or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of a well-behaved, quiet dog, cat bird or aquarium fish, cats and other limited types of species of animals which do not normally leave the Unit is permitted, subject to the Rules and Regulations adopted by the Board of Directors. Any Unit Owner who keeps or maintains any animal upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Unit Owners Association, each Unit Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever

arising by reason of keeping or maintaining such animal within the Condominium. All animals shall be registered and inoculated as required by law. The Board of Directors may establish reasonable fees for registration of animals not to exceed the additional costs incurred by the Unit Owners Association resulting from the presence of such animals. The Board may at any time require the removal of any animal which it finds is or has become an unreasonable source of annoyance, and may exercise this authority for specific animals even though other animals are permitted to remain.

9.1.8. Offensive or Illegal Activity.

No noxious, offensive or illegal activity shall be carried on in any Unit or Common Elements, nor shall anything be done therein which may be or become an unreasonable source of annoyance or nuisance to other Owners.

9.1.9. Lease Restrictions.

With the exception of an institutional lender in possession of a Unit following a default under a first mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no Unit Owner shall be permitted to lease his or her Unit for periods of less than thirty (30) days. No Unit Owner may lease less than the entire Unit. Any lease agreement shall be required and deemed to provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration, the Bylaws and Rules and Regulations, and that any failure by the Lessee to comply with such provisions shall be a default under the lease, entitling the Association to enforce such provisions as a real party in interest. All leases shall be in writing. A lease, as defined herein, shall include month-to-month rentals. Other than the foregoing, there is no restriction on the right of any Unit Owner to lease his or her Unit. See also Sections 10.12 and 10.20 of this Declaration.

9.1.10. 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 this Declaration or the Bylaws or Rules and Regulations by assigning or subleasing the occupancy rights to his or her Unit.

9.1.11. 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.

9.2.1. Exterior Appearance.

In order to preserve a uniform exterior appearance to the building, and the Common Elements visible to the public, the Board shall provide for the painting and other decorative finish of the building, decks, or other Common Elements, and may prohibit or regulate any

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modification or decoration of the decks or other Common Elements undertaken or proposed by any Owner. This power of the Board extends to screens, doors, awnings, rails or other visible portions of each Unit and any Limited Common Elements appurtenant thereto. The Board may also require use of a uniform color of draperies, blinds, under-draperies or drapery lining for all Units.

ARTICLE X

COMMON EXPENSES AND ASSESSMENTS

10.1. Budget for Common Expenses.

Within thirty (30) days following the Annual meeting of the Association, or at such other time as may be deemed necessary or desirable by the Association's accountant, the Board shall prepare an Annual Budget which shall estimate the Common Expenses, described generally in Sections 2.6 and 8.4.2 of this Declaration, to be paid during such year. The Budget shall make provision for creating, funding and maintaining reserves required by Section 10.3 hereof, and shall take into account any expected income and any surplus available from the prior year's operating fund. The Declarant or the initial Board may at any suitable time establish the first such estimate.

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, and 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 portion of the Units' Assessments paid into such reserves shall be conclusively deemed to be non-refundable contributions to the capital of the Condominium by the Unit Owners. Such reserves may be expended only for the purposes for which they were established. The Board may also establish and maintain reserve funds for such other purposes as may in its discretion appear advisable.

10.3.1. Restrictions on Reserve Funds. The Board shall have no authority to acquire and pay from the reserve funds any capital additions or improvements to the Common Elements having a total cost in excess of Five Thousand Dollars ($5,000), without first obtaining the affirmative vote of the Owners holding a majority of the voting power in the Association present or represented at a meeting called for such purpose, or if no such meeting is held, then the written consent of Owners having a majority of the voting power; provided that any expenditure or contract for capital additions or improvements in excess of Twenty-Five Thousand Dollars ($25,000) must be similarly approved by Owners having not less then 75% of the voting power.

10.3.2. Working Capital Fund. To facilitate project approval by institutional lenders, the Declarant may also require that an initial Working Capital Fund be established and maintained by the Association to insure that the Association will have the funds to meet unforeseen expenditures or to purchase any additional equipment or services. Unless otherwise agreed between affected lenders and the Declarant, if such fund is established, each purchaser of a Unit in the Condominium shall be required to pay at closing of the sale of the Unit a nonrefundable sum equal to one month of the regular Common Expense Assessment then allocated to such Unit, plus a pro rata portion of such Assessment for the month in which closing occurs. These funds are not to be considered as advance payments of regular Assessments. During the Declarant Control Period described in Section 8.1 hereof, the Declarant may not use any of these working capital funds to defray its expenses, its reserve contribution requirements, its construction costs, or any Association budget deficits. When unsold units are sold, the Declarant may use funds collected at closing to reimburse itself for funds it may have paid the Association for each unsold Unit's share of the Working Capital Fund.

10.4. Assessments for Common Expenses.

10.4.1. Liability of Units.

The total amount of the estimated funds required to pay the Common Expenses of the Condominium set forth in the Annual Budget adopted by the Board of Directors for the fiscal year shall be assessed against the Units in proportion to their respective Allocated Interests for Common Expense liability described in Section 10.6 hereof, except that the Board may by resolution require that:

(a) Any Common Expense associated with the maintenance, repair, or replacement of an addition to or covering for a Limited Common Element deck or patio authorized under Section 9.1.4 hereof shall be paid by the Owner of or assessed against the Unit to which that Limited Common Element is assigned, in proportion to the actual cost of such maintenance, repair or replacement;

(b) If one or more Units or the Common Elements are not separately metered, the utility service shall be paid as a Common Expense, and the Board may allocate, by reasonable formula, a portion of such expense to each such Unit involved as a portion of its Common Expense, or reimburse any Unit Owner who pays, in whole or in part for utilities serving the Common Elements, as appropriate.

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

10.5. Assessments to Pay Judgment Against Association.

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

10.6. Allocated Interests; Procedure on Reallocation.

10.6.1. Allocated Interests.

Pursuant to RCW 64.34.224(1), the Declarant has allocated to each Unit in the Condominium 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 equality. Each Unit's Allocated Interest for Common Expense Liability is expressed as a percentage and is stated with particularity on the attached Exhibit B.

10.6.2. Reallocation.

Subject to the provisions of Section 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.

10.7.1. 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, and 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 ten 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.

10.7.2. 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

13.2.7 hereof, levy a Special Assessment for that expense against the Owner's Unit. In addition and without limitation, the liability of a Unit Owner to pay for any maintenance or repair of a Limited Common Element which is the responsibility of such Unit Owner pursuant to Section 6.2 hereof, or to pay any payments, fees, charges or fines described in Sections 7.2.10 or 7.2.11 hereof, 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 Special Assessment.

10.8. Accounts; Commingling Prohibited.

Amounts collected by the Board of Directors as Assessments against the Units for operating expenses or Reserves shall by 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.

10.9. 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.

10.10. 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.

10.11. 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.

10.12. 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.

10.13. 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 10.17.2 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.

10.14. Statement of Unpaid Assessments.

The Association, upon written request and subject to Section 7.2.12 hereof, 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.

10.15. Lien for Assessments and Power of Sale.

10.15.1. 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.

10.15.2. 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, a corporation located in Mount Vernon, Washington, 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 or farming purposes, together with all tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any wise appertaining, and the

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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.

10.16. 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 10.17.3 hereof.

10.17. Priority of Lien.

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

10.17.2. Except as provided in Sections 10.17.3 and 10.18.2 hereof, the lien shall also be prior to the mortgages described in subpart (b) of Section 10.17.1 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.

10.17.3. 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

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

10.18. Enforcement of Lien.

10.18.1. 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, subject to the provisions of Section 8.4.4 hereof, 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.

10.18.2. 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 10.17.2 hereof.

10.19. 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.

10.20. 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.

10.21. Remedies Cumulative.

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

ARTICLE XI

INSURANCE, DESTRUCTION, RESTORATION AND DISTRIBUTION

11.1. Authority, Name of Insured.

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

11.2. Coverage.

11.2.1. Master Policy.

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

(a) loss or damage by fire, vandalism, malicious mischief, windstorm, and other hazards covered by the standard 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 condominium projects. Such coverage shall insure all buildings and other General and Limited Common Elements that are normally included in coverage. The policy shall also cover all of the Units and their bathroom, laundry and kitchen equipment, fixtures and cabinets, and electrical fixtures, together with all included ventilating, heating and other equipment, but not including furniture, furnishings or other personal property supplied or installed by Unit Owners. The policy shall also cover other Condominium property including fixtures, building service equipment and common personal property and supplies owned by the Owners Association or included in the Common Elements. An insurance policy that includes either of the following endorsements will assure full insurable value replacement cost coverage:

(i) a Guaranteed Replacement Cost Endorsement (under which the insurer agrees to replace the insurable property regardless of the cost) and, if the policy includes

a coinsurance clause, an Agreed Amount Endorsement (which waives the requirement for coinsurance); or

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

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

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

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

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

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

11.2.2. Flood Insurance.

If any part of the Condominium's improvements are in a Special Flood Hazard Area -- which is designated as A, AE, AH, AO, A1-30, A-99, V, VE, or V1-30 on a Flood Insurance Rate Map (FIRM), the Association must maintain a "master" or "blanket" policy of flood insurance which should cover buildings and any other improvements constituting Common Elements. If the project consists of high-rise or other vertical buildings, the Association must have a separate flood insurance policy for each building that houses dwelling units. The amount of flood insurance should be at least equal to the lesser of 100% of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. If the Condominium consists of high-rise buildings or other vertical buildings, the building coverage should equal 100% of the insurance value of the building, including machinery and equipment that are part of the building. The contents coverage must include 100% of the insurable value of all contents, including any machinery and equipment that

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are not part of the building, but which are owned in common by the association members. The maximum deductible amount for policies covering the Common Elements or for those covering each building in a high-rise or vertical condominium project, is the lesser of $5,000 or 1% of the policy's face amount. Funds to cover this deductible amount should be included in the Association's operating reserve account, as provided in Section 10.3.

11.2.3. Fidelity Insurance.

The Association shall obtain blanket fidelity insurance for any person who either handles (or is responsible for) funds that he or she holds or administers, whether or not that individual receives compensation for services. The policy shall name the Association as the insured and must include a provision that calls for ten days' written notice to the Association and all Eligible Mortgagees before the policy can be canceled or substantially modified for any reason, in the manner provided in Section 15.2 hereof. The policy should cover the maximum funds that will be in the custody of the Association or its Manager at any time while the policy is in force. A Manager that handles funds for the Association shall be covered by its own fidelity insurance policy, which must provide the same coverage required of the Association.

11.2.4. Additional Insurance.

The Board shall also acquire such additional insurance coverage as it may deem advisable and appropriate or as may be requested from time to time by a majority of the Unit Owners, including Officers' and Directors' errors and omissions insurance to satisfy the Association's indemnification responsibilities under Section 14.2 of this Declaration and Workmen's Compensation insurance, where necessary to meet the requirements of law. Further, and notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity insurance meeting the insurance and fidelity bond requirements for condominium projects established by Federal National Mortgage Association, Government National Mortgage Association, Federal Home Loan Mortgage Corporation, Veteran's Administration, or other governmental or quasi-governmental agencies involved in the secondary mortgage market, so long as any such agency is a Mortgagee or Owner of a Unit within the Condominium; in the event that such additional coverage is not reasonably available, the procedures described in Section 11.6 shall be followed.

11.2.5. Deductible.

The deductible, if any, on any policy of insurance purchased by the Board of Directors, shall be paid by the Association as a Common Expense, subject to Section 13.2.7 hereof, and, except as provided in Section 11.2.2, shall not exceed the lesser of $10,000 or 1% of the face amount of the policy. Funds to cover the deductible should be included in the Association's operating reserve account, as provided in Section 10.3.

11.3. 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.

(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 or substantially modified or reduced without at least 30 days' prior written notice to all insureds named thereon, including all named Mortgagees.

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

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

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

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

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

(i) The insurer issuing the policy may not modify the amount or the extent of the coverage of the policy or cancel or refuse to renew the policy unless the insurer has complied with all applicable provisions of chapter 48.18 RCW pertaining to the cancellation or nonrenewal of contracts of insurance. The insurer shall not modify the amount or the extent of the coverage of the policy, or cancel or refuse to renew the policy without complying with RCW 64.34.352.

11.4. Notice of Insurance Coverage or Termination Thereof.

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

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

11.5. Individual Policies.

It is recommended that each Unit Owner obtain, in addition to the insurance hereinabove provided to be obtained by the Association, a "Condominium Unit Owner's Policy," or equivalent, to insure against loss or damage to any upgrades, improvements or betterments to the Unit, or to personal property used in or incidental to the occupancy of the Unit, additional living expense, vandalism or malicious mischief, theft, personal liability and the like. No Unit Owner shall maintain insurance coverage which will tend to decrease the amount which the Association may realize under any insurance policy which it may have in force at any particular time; the Board of Directors may require that each Unit Owner 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. The Board of Directors may also require that each Unit Owner shall notify the Board of Directors of all improvements made by him to his or her Unit having a value in excess of $1,000.

11.6. Unavailability, Cancellation or Nonrenewal.

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

11.7. Adjustment and Payment of Loss Proceeds.

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

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

(b) If, pursuant to the 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.

11.8.1. Duty to Reconstruct.

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

11.8.3. Manner of Reconstruction.

If any Building or improvement constructed or erected within the Condominium shall be destroyed or damaged by some casualty and such destroyed or damaged property is to be reconstructed or repaired, the reconstruction or repair thereof shall, at least, be to the extent of the replacement value of the property destroyed or damaged, and 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 the outstanding building code requirements of the State of Washington and may be done with contemporary building materials, and achieved by utilizing updated construction systems and technology. 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 Unit Owner shall be responsible for reconstruction and repair after casualty and shall be entitled to apply, with the assistance of the Board of Directors, for and use the applicable

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insurance proceeds. In all other instances the responsibility of reconstruction and repair after casualty shall be that of the Board of Directors.

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:

(i) 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 hereinafter provided;

(ii) If the estimated costs of reconstruction and repair of the buildings or other improvement is more than $50,000, then the construction fund shall be disbursed in payment of such costs upon approval of an architect qualified to practice in the State of Washington and employed by the Board of Directors to supervise such work, payment to be made from time to time as the work progresses. The architect shall be required to furnish a certificate giving a brief description of the services rendered and materials furnished by various contractors, subcontractors, materialmen, the architect, 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 said architect for the services and materials described; and (c) the cost as estimated by said architect 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.

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 are not sufficient to defray such estimated costs, a Special Assessment shall be made against all the Units in proportion to their Allocated Interests for Common Expenses, 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 Allocated Interests for Common Expense liability, in sufficient amounts to provide funds for the payment of such costs.

11.10. Notice to Mortgagees.

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

11.11. Miscellaneous.

The provisions of this Article XI shall constitute the procedure by which a determination is made by the Unit Owners to repair, restore, reconstruct or rebuild as provided in the Condominium Act. 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

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.

ARTICLE XIII

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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, this Declaration, the Bylaws and any Rules and Regulations properly adopted by the Board of Directors, as the same may be lawfully amended from time to time.

13.2. Enforcement by Association.

13.2.1. Authority of the Board.

The Board of Directors shall have primary responsibility for maintaining and enforcing compliance with the covenants, conditions and restrictions contained in the Condominium Declaration, the Bylaws, and any Rules and Regulations adopted by the Board of Directors. Without limiting the authority and powers conferred upon the Board by the Condominium Act, the Board shall have the following power and authority:

13.2.2. Abatement of Violations.

No violation of any of the Rules and Regulations adopted by the Board of Directors, the breach of any provision of the Condominium Instruments or the Condominium Act shall give the Association the right to enter a Unit or any Limited Common Element in which, or as to which, a violation or breach exists or may exist, except in the case of a bona fide emergency caused by such violation, and provided that such entry is otherwise conducted in accordance with the provisions of Section 8.5 of this Declaration. FURTHER PROVIDED, that this remedy shall not be utilized when a breach of the peace may ensue or if any items of construction within the Unit or any of the Common Elements will be altered or demolished.

13.2.3. Legal Proceedings.

Failure to comply with any of the terms of the Condominium Instruments, the Rules and Regulations, or published resolutions of the Board shall be grounds for legal relief, including without limitation, actions to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of Assessments, any other relief provided for in the Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Unit Owners Association, the Board of Directors, the Managing Agent or, if appropriate, by any aggrieved Unit Owner, and shall not constitute an election of remedies.

13.2.4. Costs and Attorney's Fees.

The Association shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Assessments, whether or not such collection activities result in suit being commenced or prosecuted to judgment. In addition, the Association shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal, or in the enforcement of a judgment. In any other proceeding arising out of an alleged

default by a Unit Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorney's fees as may be determined by the court. In the event that the prevailing party is the Association, the costs and attorney's fees so awarded shall constitute a Special Assessment against the Owner's Unit.

13.2.5. Late Charges and Interest.

The Board may impose and collect reasonable late charges to encourage prompt payment of Assessments. Until changed by resolution of the Board with advice of counsel, the Board may collect a late charge: (a) when any Assessment or installment thereof is received by the Association more than ten (10) days beyond the due date of such Assessment or installment; (b) in an amount not to exceed the greater of $25.00 or ten percent (10%) of the amount of said Assessment or installment. Delinquent Assessments shall bear interest from the date of delinquency at the rate of 12% per annum, or the maximum rate permitted under RCW 19.52.020 on the date on which the Assessments became delinquent.

13.2.6. Fines.

The Board may impose and collect reasonable fines against Unit Owners for violations of the Condominium Act, the Condominium Instruments, or the Rules and Regulations of the Association. PROVIDED, however, that no fine may be levied unless (1) the Board has by resolution established a schedule of fines which has been furnished to all Unit Owners prior to the alleged violation, and (2) the allegedly offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to provisions of the Bylaws. Until changed by resolution of the Board with advice of counsel, the amount of any fine so assessed shall not exceed fifty dollars for a single offense or ten dollars per diem for any offense of a continuing nature, and shall constitute a Special Assessment against such Unit Owner's Condominium Unit.

13.2.7. Liability for Conduct Causing Common Expense.

Each Unit Owner shall be liable for the cost of all maintenance, repair or replacement rendered necessary by his or her or her act, neglect or carelessness, or the act, neglect or carelessness of any member of his or her or her family or his or her or her employees, agents, tenants or licensees, but only to the extent that such cost is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. To the extent that any Common Expense is caused by the misconduct of any Unit Owner, the Association may specially assess that expense against the Owner's Unit, PROVIDED that no such Special Assessment may be levied unless the allegedly offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to provisions of the Bylaws.

13.2.8. No Waiver of Rights.

The failure of the Unit Owners Association, the Board of Directors or of a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the

Condominium Instruments or the Condominium Act, shall not constitute a waiver of the right of the Association, the Board or the Unit Owner to enforce such right, provision, covenant or condition in the future.

13.2.9. Remedies Cumulative.

A suit to recover a money judgment for unpaid Assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment. All rights, remedies and privileges granted to the Unit Owners Association, the Board of Directors or any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments or the Condominium Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other rights, remedies or privileges as may be granted to such party by the Condominium Instruments or the Condominium Act or at law or in equity.

13.2.10. Alternative Forms of Dispute Resolution Authorized.

In addition to the rights, remedies and procedures described above, the Association may, with the consent of an affected Unit Owner and/or any other interested party, agree to resolve any dispute through mediation, binding or nonbinding arbitration, or such other alternative dispute resolution mechanism as may be deemed appropriate, at the discretion of the Board.

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 Unit Owners 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.

ARTICLE XV

MORTGAGEE PROTECTION

This Article 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 Article shall control.

15.1. Percentage of Eligible Mortgagees.

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

15.2. Notice of Actions.

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

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

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

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

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

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

15.3. Consent and Notice Required.

15.3.1. Document Changes.

Notwithstanding any lower requirement permitted by this Declaration or the Condominium Act, no amendment of any material provision of the Condominium Instruments by the Association or Unit Owners described in this Subsection may be effective without notice to all Eligible Mortgagees and Eligible Insurers, as required by Section 15.2(d) above, and the vote of at least sixty-seven percent (67%) of the Unit Owners (or any greater Unit Owner vote required in Section 17.3 of this Declaration or the Condominium Act) and until approved in writing by at least fifty-one percent (51%) of the Eligible Mortgagees (or any greater Eligible Mortgagee approval required by this Declaration.) 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) Convertability of Units into Common Elements or Common Elements into Units;

(h) Expansion or contraction of the Condominium, or the addition, annexation or withdrawal of property to or from the Condominium;

(i) Hazard or fidelity insurance requirements;

(j) Imposition of any restrictions on the leasing of Units;

(k) Imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit;

(l) If the Condominium consists of 50 or more Units, a decision by the Association to establish self-management when professional management had been required previously by the Condominium Instruments or by an Eligible Mortgagee;

(m) Restoration or repair of the project after damage or partial condemnation in a manner other than that specified in the Condominium Instruments;

(n) Any provision that expressly benefits mortgage holders, insurers, or guarantors.

15.3.2. Actions.

Notwithstanding any lower requirement permitted by this Declaration or the Condominium Act, the Association may not take any of the following actions (other than rights reserved to the Declarant as Special Declarant 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 at least 51% (or the indicated percentage, if different,) of the Eligible Mortgagees and/or Eligible Insurers:

(a) Any action to abandon or terminate the legal status of the Condominium after condemnation or substantial destruction.

(b) Any action to abandon or terminate the legal status of the Condominium for reasons other than substantial destruction or condemnation, as to which a sixty-seven percent (67%) Eligible Mortgagee approval is required.

(c) Abandon, partition, subdivide, encumber, sell, transfer or convey the Common Elements or any portion thereof, as to which the approval of Owners to which at least eighty percent (80%) of the votes in the Association are allocated is required, and the procedures specified in Section 5.2 hereof must be followed. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Condominium will not be deemed a transfer within the meaning of this clause;

(d) Change any of the Allocated Interests allocated to any Unit, in which case the vote or agreement of the Owner of each Unit particularly affected and his or her Mortgagee and the Owners of Units to which at least ninety percent (90%) of the votes in the Association

are allocated other than the Declarant must be obtained, pursuant to Section 17.3 hereof and to RCW 64.34.264 (4).

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

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

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

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

15.3.3. Timing of Payment of Assessments.

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

15.3.4. Implied Approval by Mortgagee.

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

15.4. Development Rights.

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

15.5. Inspection of Books.

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

15.6. Financial Statements.

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

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

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

15.7. Enforcement.

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

15.8. Attendance at Meetings.

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

15.9. Appointment of Trustee.

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

15.10. Limitations on Mortgagees' Rights.

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

ARTICLE XVI

EASEMENTS AND SPECIAL DECLARANT RIGHTS

16.1. Easements for Units and Unit Owners.

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.

16.2. Easement for Association Functions.

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 Declaration, the Bylaws, or the Rules and Regulations. See Section 8.5 hereof.

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.

16.4. Easements Shown on Survey Map.

Easements shown on the Survey Map filed simultaneously 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 any easement described on the attached Exhibit A which benefits any real property not included within the Condominium, confer 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, Exhibit A to this Declaration and, if relevant, to Section 8.4.2 hereof.

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 8.1 hereof. 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.

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, the Association under Sections 4.8, 4.9, 6.4, or 12.1 hereof or RCW 64.34.268(8), or certain Unit Owners under Sections 4.8, 4.9 or 6.3 hereof or pursuant to RCW 64.34.268(2), amendments may be adopted only at a meeting of the Owners if at least sixty-seven percent (67%) of the votes in the Association are cast for such amendment, or without any meeting if all Owners have been duly notified and Owners holding at least sixty-seven percent (67%) of the votes in the Association consent in writing to such amendment. In all cases, the amendment when adopted shall bear the acknowledged signature of the President of the Association, who shall certify that the amendment was properly adopted.

17.2. Recordation Required.

Every amendment to the Declaration must be recorded with the County Auditor and is effective only upon recording. An amendment shall be indexed in the name of the Condominium and shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment thereto.

17.3. Special Restrictions.

Except to the extent expressly permitted or required by other provisions of this Declaration, or of the Condominium Act, no amendment may create or increase Special Declarant Rights, increase the number of Units, change the boundaries of any Unit, the Allocated Interests of a Unit, or the uses to which any Unit is restricted, in the absence of the vote or agreement of the Owner of each Unit particularly affected and his or her Mortgagee and the Owners of Units to which at least ninety percent (90%) of the votes in the Association are allocated other than the Declarant, and that percentage of Eligible Mortgagees specified in Article XV hereof. No amendment may restrict, eliminate, or otherwise modify any Special Declarant Right provided in the Declaration without the consent of the Declarant and any mortgagee of record with a security interest in the Special Declarant Right or in any real property subject thereto, excluding mortgagees of Units owned by persons other than the Declarant.

17.4. Amendment of Survey Map and Plans.

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

17.5. Consent of Mortgagees Required.

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

17.6. Amendments by Declarant.

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

(a) conform them to the actual location of any of the constructed improvements and to establish, vacate and relocate utility easements, access road easements and parking areas;

(b) exercise any Development Right reserved by the Declarant under Section 3.3 of this Declaration; or

(c) correct any nonmaterial technical errors contained in the Condominium Instruments or clarify provisions of same.

ARTICLE XVIII

TERMINATION OF CONDOMINIUM

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

ARTICLE XIX

MISCELLANEOUS

19.1. Notices for All Purposes, Delivery.

19.1.1. Except as otherwise provided by law, or by Section 15.2(d) 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 Declarant until the initial

UNOFFICIAL DOCUMENT

Board has been constituted and thereafter shall be given to the President or Secretary of the Association, or to its Registered Agent.

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

19.2. Severability.

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

19.3. No Right of First Refusal.

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

19.4. Effective Date.

This Declaration shall take effect upon recording.

ARTICLE XX

CERTIFICATE OF COMPLETION

Declarant hereby certifies, pursuant to RCW 64.34.200(2), that all structural components and mechanical systems of all buildings containing or comprising any Units in the Condominium are substantially completed.

DATED this 15th day of July, 1994.

Declarant:

Anthony Radosevich
ANTHONY RADOSEVICH

Myrna Radosevich
MYRNA RADOSEVICH

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I hereby certify that I know or have satisfactory evidence that ANTHONY RADOSEVICH is the person who appeared before me, and said person acknowledged that (s)he signed this instrument and acknowledged it to be the free and voluntary act of such person for the uses and purposes mentioned in the instrument.

DATED: July 15, 1994.

HUGH LEWIS NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES JUNE 26, 1998

NOTARY PUBLIC for the State of Washington. My Commission expires 6-26-98

STATE OF WASHINGTON)
) ss.
COUNTY OF SKAGIT)

I hereby certify that I know or have satisfactory evidence that ANTHONY RADOSEVICH is the person who appeared before me, and said person acknowledged that (s)he signed this instrument and acknowledged it to be the free and voluntary act of such person for the uses and purposes mentioned in the instrument.

DATED: July 15, 1994.

HUGH LEWIS NOTARY PUBLIC STATE OF WASHINGTON COMMISSION EXPIRES JUNE 26, 1998

NOTARY PUBLIC for the State of Washington. My Commission expires 6-26-98

UNOFFICIAL DOCUMENT

EXHIBIT "A"
TO DECLARATION FOR
SEDRO WOOLLEY TOWNHOUSE 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:

Lots 3 and 4, Block 48, "FIRST ADDITION TO THE TOWN OF SEDRO IN SKAGIT COUNTY, WASHINGTON", as per plat recorded in Volume 3 of Plats, page 29, records of Skagit County, Washington.

UNOFFICIAL DOCUMENT

BK 1359 PG 0112

EXHIBIT "B"
TO DECLARATION FOR SEDRO WOOLLEY TOWNHOUSE CONDOMINIUM

Unit No.	Square Footage	Number of Bedrooms	Number of Bathrooms	Number of Fireplaces	Level(s) in Building	Type of Heat	Limited Common Elements**	Allocated Interest*
A	1,055.01	2	2	0	both	Natural Gas	Patio/Deck	16.6667%
B	1,061.64	2	2	0	both	Natural Gas	Patio/Deck	16.6667%
C	1,043.17	2	2	0	both	Natural Gas	Patio/Deck	16.6667%
D	1,056.22	2	2	0	both	Natural Gas	Patio/Deck	16.6667%
E	1,061.42	2	2	0	both	Natural Gas	Patio/Deck	16.6667%
F	1,048.81	2	2	0	both	Natural Gas	Patio/Deck	16.6667%
								100.0000%

* 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).

** Items listed are Limited Common Elements permanently assigned to their respective Units as identified above, pursuant to Section 6.1.1 and, if applicable, Section 6.1.4 of the Declaration. Parking spaces, if any, assigned or assignable as Limited Common Elements, are separately described on Exhibit C to this Declaration.

9408020030

EXHIBIT "C"
TO DECLARATION FOR SEDRO WOOLLEY TOWNHOUSE CONDOMINIUM

ASSIGNMENT, IDENTIFICATION AND DESCRIPTION OF PARKING SPACES

Parking Space No.	Description*	Unit Assignment**
P1	U	A
P2	U	F
P3	U	A
P4	U	F
P5	C	B
P6	C	B
P7	C	C
P8	C	C
P9	C	D
P10	C	D
P11	C	E
P12	C	E

* C = covered (carport area); U - uncovered (open); E = enclosed (garage)

**All parking spaces depicted on the Survey Map and Plans are assigned as Limited Common Elements to Units as indicated above on this Exhibit pursuant to Section 6.1.3 of the Declaration.

UNOFFICIAL DOCUMENT

EXHIBIT II

SURVEY MAP AND PLANS

9408020030

BK 1359 PG 0115

SEDRO WOOLLEY TOWNHOUSE CONDOMINIUM

LOCATED IN THE SE 1/4 OF THE SW 1/4 OF SEC. 24, TWP. 35N., RGE. 4E.

CITY OF SEDRO WOOLLEY, SKAGIT COUNTY, WASHINGTON.

LEGAL DESCRIPTION

LOTS 3 AND 4, BLOCK 68, "FIRST ADDITION TO THE TOWN OF SEDRO IN SKAGIT COUNTY, WASHINGTON", AS PER PLAT RECORDED IN VOLUME 3 OF PLATS, PAGE 29, RECORDS OF SKAGIT COUNTY, WASHINGTON.

SITUATE IN THE CITY OF SEDRO-WOOLLEY, COUNTY OF SKAGIT, STATE OF WASHINGTON.

SURVEYOR'S CERTIFICATE

I HEREBY CERTIFY THAT THIS SURVEY MAP AND PLANS FOR THE SW TOWNHOUSES, A CONDOMINIUM, ARE BASED UPON AN ACTUAL SURVEY OF THE PROPERTY HEREIN DESCRIBED, THAT THE BEARINGS AND DISTANCES SHOWN ARE CORRECT, THAT ALL INFORMATION REQUIRED BY RCW 64.30.232 IS SUPPLIED HEREIN, AND THAT ALL HORIZONTAL AND VERTICAL BOUNDARIES OF THE UNITS ARE SUBSTANTIALLY COMPLETED IN ACCORDANCE WITH SAID PLANS.

DAVID R. DOWNING
P.L.S. NO. 11064

RECORDING CERTIFICATE

FILED FOR RECORD AT THE REQUEST OF _____
THIS ___ DAY OF _____, A.D., 1994 AT ___ MINUTES PAST ___ O'CLOCK __.M., AND RECORDED IN VOLUME ___ OF PLATS, ON PAGE _____ RECORDS OF SKAGIT COUNTY, WASHINGTON.

SKAGIT COUNTY AUDITOR

DEPUTY COUNTY AUDITOR

ACKNOWLEDGEMENT

STATE OF WASHINGTON)
)ss.
COUNTY OF SKAGIT)

ON THIS ___ DAY OF _____, 1994, BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR THE STATE OF WASHINGTON, DULY COMMISSIONED AND SWORN, PERSONALLY APPEARED _____ AND _____, TO ME KNOWN TO BE THE INDIVIDUALS DESCRIBED IN AND WHO EXECUTED THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT THEY SIGNED THE SAME AS THEIR FREE AND VOLUNTARY ACT AND DEED FOR THE USES AND PURPOSES THEREIN MENTIONED.

WITNESS MY HAND AND OFFICIAL SEAL HERETO AFFIXED ON THE DAY AND YEAR FIRST ABOVE WRITTEN.

NOTARY PUBLIC IN AND FOR THE STATE OF WASHINGTON, RESIDING AT _____
MY COMMISSION EXPIRES _____

STATE OF WASHINGTON)
)ss.
COUNTY OF SKAGIT)

DAVID R. DOWNING, BEING FIRST ON OATH DULY SWORN, STATES THAT HE IS THE REGISTERED LAND SURVEYOR SIGNING THE ABOVE CERTIFICATE, THAT HE HAS EXAMINED THESE PLANS AND SURVEY MAP, AND BELIEVES THE CERTIFICATE TO BE A TRUE STATEMENT.

SUBSCRIBED AND SWORN TO ME THIS ____ DAY OF _____, 1994.

WITNESS MY HAND AND OFFICIAL SEAL THE DAY AND YEAR LAST ABOVE WRITTEN.

NOTARY PUBLIC IN AND FOR THE STATE OF WASHINGTON, RESIDING AT _____
MY COMMISSION EXPIRES _____

DECLARATION

WE, THE UNDERSIGNED OWNER OR OWNERS OF THE INTEREST IN THE REAL PROPERTY DESCRIBED HEREIN, HEREBY DECLARE THIS SURVEY MAP AND PLANS AND DEDICATE THE SAME FOR A CONDOMINIUM SOLELY TO MEET THE REQUIREMENTS OF THE WASHINGTON CONDOMINIUM ACT, RCW 64.34., ET. SEQ., AND NOT FOR ANY PUBLIC PURPOSES.

WE FURTHER CERTIFY THAT ALL STRUCTURAL COMPONENTS AND MECHANICAL SYSTEMS OF ALL BUILDINGS CONTAINING OR COMPRISING ANY UNITS HEREBY CREATED ARE SUBSTANTIALLY COMPLETED.

THIS SURVEY MAP AND THESE PLANS AND ANY PORTION THEREOF ARE RESTRICTED BY LAW AND THE DECLARATION FOR THE SW TOWNHOUSES, A CONDOMINIUM, RECORDED UNDER SKAGIT COUNTY, WASHINGTON, RECORDING NO. _____ IN VOLUME _____, AT PAGE _____.

DECLARANTS:

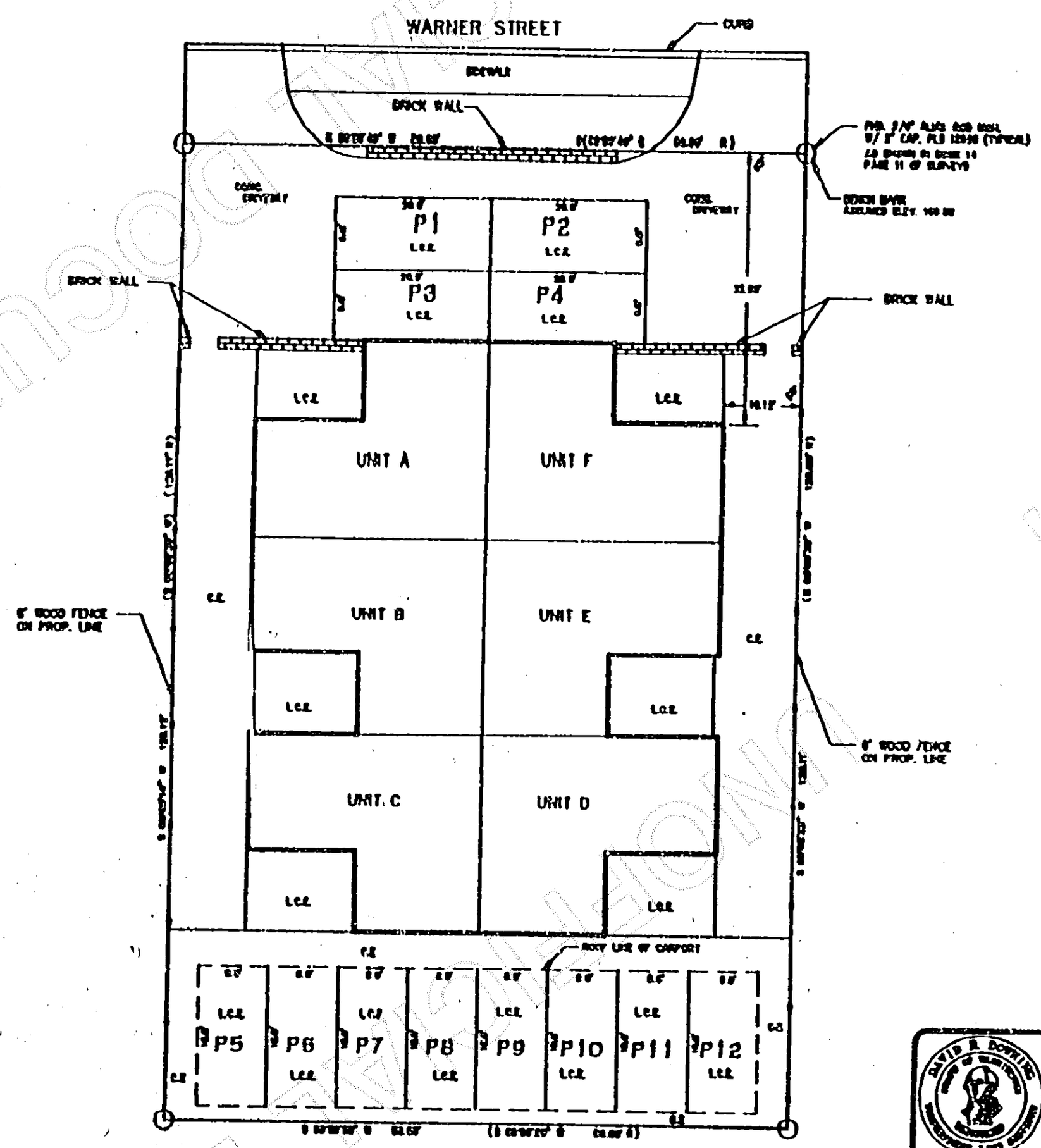
_____ _____
ANTHONY T. PANOSYICH NIPHA PANOSYICH

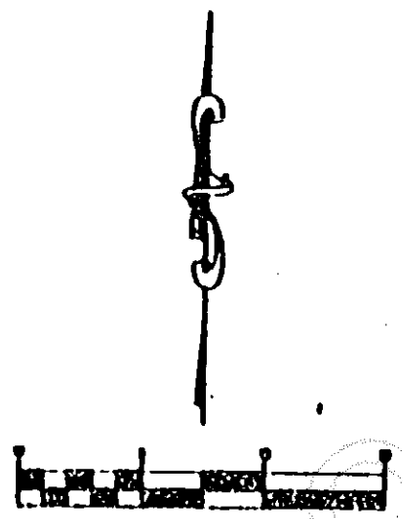
DAVID R. DOWNING & ASSOCIATES
Professional Land Surveyor
0259 - 70th ST. N.E. MARYSVILLE WA. 98270
206-659-8328

DRAWN BY	SAA	CHECKED BY	SAA	DATE	6/1/94
JOB NO.	94-014	SCALE	1 Inch = 10 ft.	SHEET	1 OF 3

SEDRO WOOLLEY TOWNHOUSE CONDOMINIUM

LOCATED IN THE SE 1/4 OF THE SW 1/4 OF SEC. 24, TWP. 35N., RGE. 4E.
CITY OF SEDRO WOOLLEY, SKAGIT COUNTY, WASHINGTON.





LEGEND

L.C.E. - LIMITED COMMON ELEMENT

DAVID R. DOWNING & ASSOCIATES
Professional Land Surveyor
4220 - 70th ST. N.E.
360-653-0300

DRAWN BY: CAR	CHECKED BY: DRD	DATE: 6/2/94	
JOB NO: 93-044	SCALE: 1 INCH = 10 FT.	SHEET 2 OF 3	

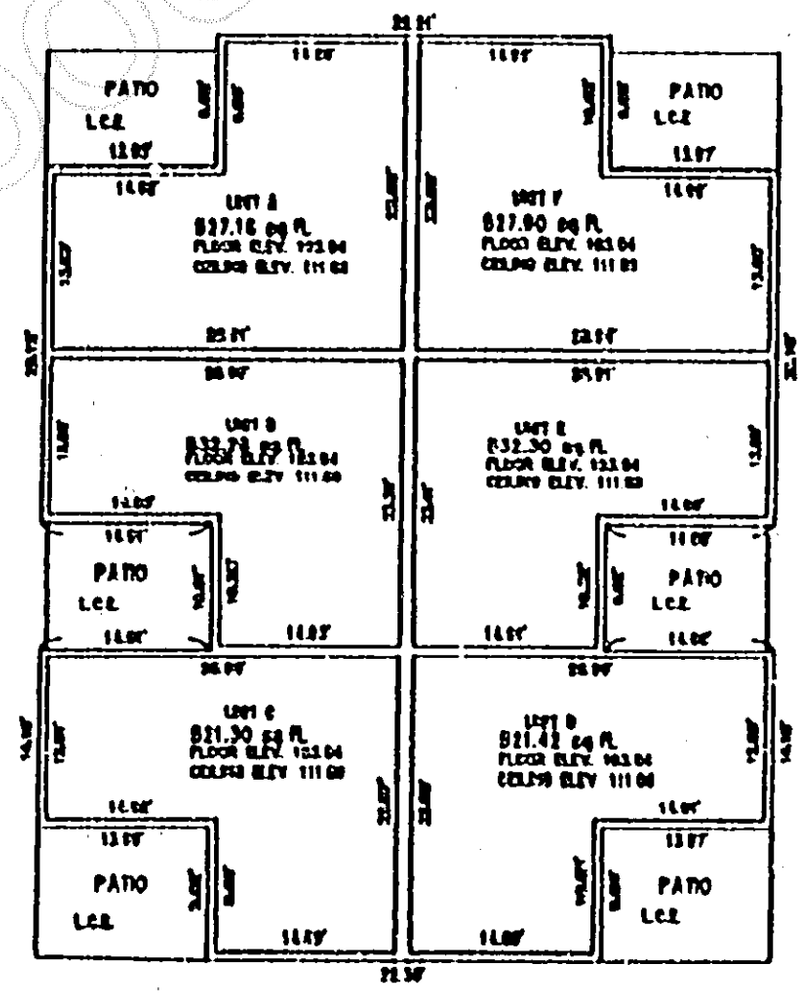
9408020030

BK1359PG0116

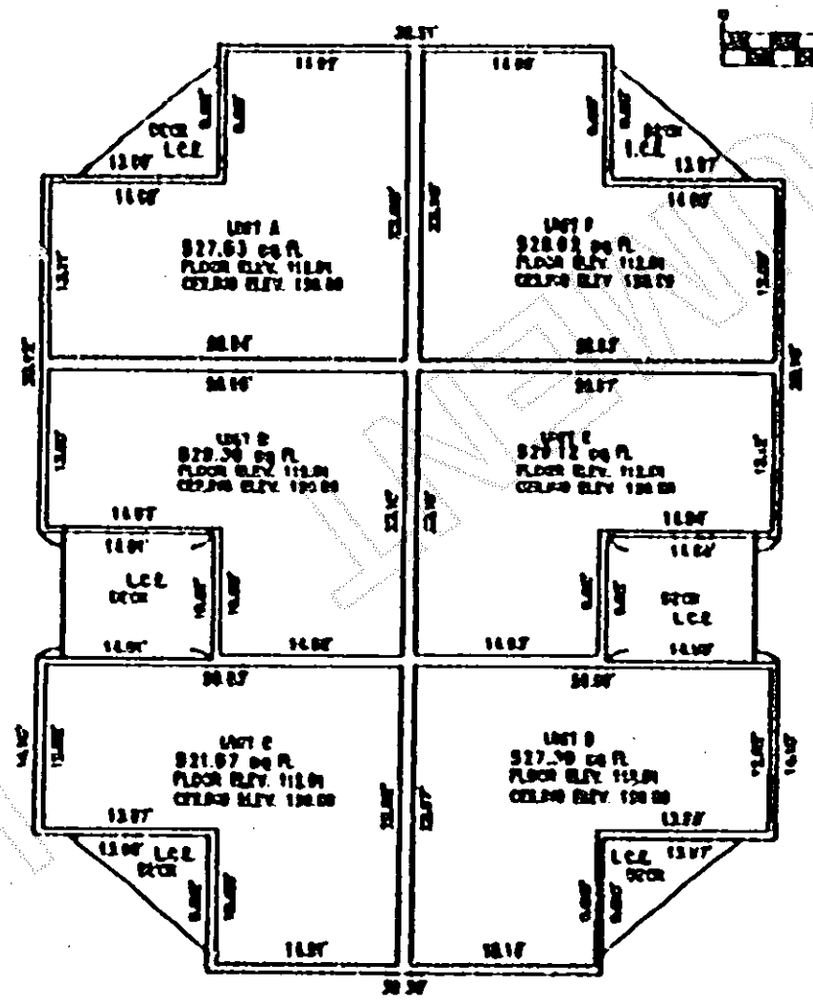
SEDRO WOOLLEY TOWNHOUSE CONDOMINIUM

LOCATED IN THE SE 1/4 OF THE SW 1/4 OF SEC. 24, TWP. 35N., RGE. 4E.

CITY OF SEDRO WOOLLEY, SKAGIT COUNTY, WASHINGTON.



LOWER FLOOR



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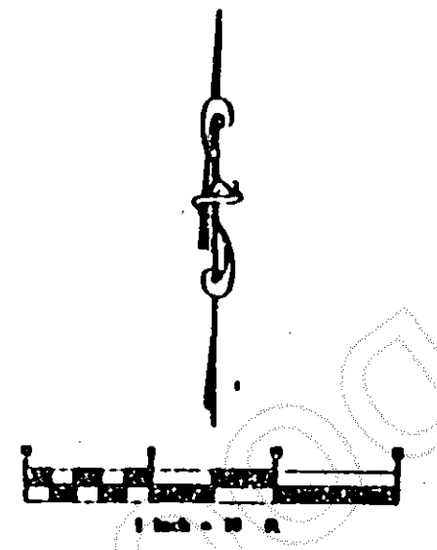

DAVID R. DOWNING & ASSOCIATES
Professional Land Surveyor
4220 - 76th ST. N.E.
[illegible]

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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UNOFFICIAL DOCUMENT