



CAPITOL CITY TOWNEHOME CONDOMINIUM ASSOCIATION DECLARATION OF COVENANTS & BYLAWS

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CAPITOL CITY TOWNEHOME CONDOMINIUM ASSOCIATION DECLARATION OF COVENANTS & BYLAWS

South Slope Ltd., hereinafter referred to as the "Declarant", sole owner of real property described herein, makes this declaration pursuant to the requirements of RCW Ch. 64.34, The Washington Condominium Act.

ARTICLE I – DEFINITIONS AND INTERPRETATION

1.01 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of this condominium under the provisions of the relevant Washington statutes. It is intended also that, insofar as it affects this Declaration and condominium, the provisions of the Act references herein under which this Declaration is operative, shall be liberally construed to effect the intent to this Declaration.

1.02 Terms Consistent With Act. The terminology used herein is intended to have the meaning set forth in the Act unless the context clearly requires otherwise.

1.03 Covenants Running With Land. It is intended that this Declaration (until terminated as provided herein, or as provided in the Act) shall be operative as a set of covenants running with the land, or equitable servitudes, supplementing and interpreting the Act, and operating independently of the Act, should the Act be, in any respect, inapplicable.

1.04 Singular/Plural. Etc. The singular may include the plural, and the masculine may include the feminine, or vice versa, where the context so requires.

1.05 Declarant Is Original Owner. The Declarant is the original owner of all units and property and will continue to be deemed the owner thereof except as conveyances or documents changing such ownership regarding specifically described units are filed of record. **1.06 Unit and Building Boundaries.** In interpreting the Survey Map and Plans, the existing physical boundaries of the buildings and each condominium unit, as constructed, shall be conclusively presumed to be the correct boundaries.

1.07 Captions and Exhibits. Captions given to the various Sections herein are for convenience only and are not intended to modify or affect the meaning of any of the substantive provisions hereof. The various exhibits referred to herein and attached hereto shall be deemed incorporated herein by reference as though fully set forth where such reference is made.

1.08 Increase in Dollar Limits. The dollar amounts specified in Article 8, 12 and 13, may be increased in the discretion of the Board of Directors.

1.09 Inconsistency with Bylaws. To the extent this Declaration is inconsistent with the Bylaws, the provisions of this Declaration control unless such provisions are contrary to the Act.

1.10 Insignificant Failure. The title to any condominium unit created by this Declaration shall not be affected by any insignificant failure of this Declaration or Survey map and Plans to comply with the Act.

1.11 Definitions. The following definitions shall apply in this Declaration, unless the context requires otherwise:

1.11.1 "The Act" means the Washington Condominium Act (Revised Code of Washington, Chapter 64.34), as amended from time to time.

1.11.2 "Association" or the "Condominium Unit Owners' Association" means all of the unit owners as a profit or non-profit corporation operating in accordance with the Bylaws and with this Declaration as it is recorded, or as either may be amended.

1.11.3 "Board of Directors" means the individuals appointed by the Declarant or elected by the Association to manage and administer the property in accordance with the Bylaws of the Association, this Declaration and the Act, after the Declarant or his managing agent no longer provides such management. The term "Board of Directors" shall also refer to the Declarant acting as the Board of Directors during the interim period during which the Declarant manages and administers the property, set forth in Article 7.

1.11.4 "Building" means the building or buildings containing the condominium units and related facilities comprising a part of the property.

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

1.11.6 "Condominium" means the development including real property and improvements which is the subject of this Declaration.

1.11.7 "Common Elements" means the portions of the property described as such in this Declaration in which each owner of a unit has an undivided percentage interest.

1.11.8 "Declarant" means the undersigned, the party developing the condominium and signing this Declaration, or the heirs, successors or assigns thereof.

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

1.11.10 "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 the mortgages.

1.11.11 "Foreclosure" shall include a judicial and non-judicial foreclosure, a real estate contract forfeiture, and a deed given in lieu of such foreclosure or sale.

1.11.12 "Land" means the earth and the free or occupied space for an indefinite distance upward as well as downward subject to limitations upon the use of airspace imposed and rights in the use of the airspace granted, by the laws of the State of Washington or of the United States.

1.11.13 "Limited Common Elements" means those portions of the common elements described in Article 4.

1.11.14 "Mortgage" shall mean a mortgage, deed of trust, or real estate contract.

1.11.15 "Mortgagee" shall include a deed of trust beneficiary, a vendor of a real estate contract, and may be a mortgagee of the condominium or a mortgagee of a unit.

1.11.16 "Mortgagee of a Unit" means the holder of a mortgage on a unit, which mortgage was recorded simultaneously with or after the recordation of this Declaration. Unless the context requires otherwise, the term "Mortgagee of a Unit" shall also be deemed to include the Mortgagee of the Condominium.

1.11.17 "Mortgagee of the Condominium" means the holder of a mortgage on the real property which the Declaration affects, which mortgage was recorded prior to the recordation of this Declaration. The term "Mortgagee of the Condominium" does not include mortgagees of the individual units.

1.11.18 "Person" includes an individual, corporation, partnership, limited partnership association, trust, governmental subdivision or agency, or other legal entity.

1.11.19 "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 of instrument of conveyance. Property includes parcels, with or without upper or lower boundaries, and spaces that may be filled with air or water.

1.11.20 "Survey Map and Plans" means the survey map and the set of plans to be filed simultaneously with this Declaration showing the location, boundaries and other information relating to the land, the buildings, and the units, as required by the Act.

1.11.21 "Unit" and "Condominium Unit" mean a physical portion of the condominium designated for separate ownership, and the land under that portion as shown hi the Survey Map and the plans, the boundaries of which are described pursuant to RCW 64.34.216(l)(d) in Article 2.04.

1.11.22 "Unit Owner" means the Declarant or other person who owns a unit, but does not include a person who had 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 II – PROPERTY DESCRIPTION

2.01 Land Described. The Declarant is the sole owner of the tract of property legally described on the Survey Map and Plans on which the buildings and the improvements are located and which is being developed as a condominium.

2.02 Description and Location of the Building. As shown on the Survey Map and the Plans filed in conjunction with this Declaration, there are two buildings, each building containing (4) individual residential units for a total of (8) units.

2.03 Other Improvements. The Condominium development has a landscaped outside recreational area, shown on the Plans and Survey Map as Tract A, for the common use of the residential unit owners.

2.04 Description and Designation of the Condominium Units. The units are designated by the numbers one through eight. The specific location of each numbered residential unit is shown on the Plans. Each residential unit is composed of the entire structure of the unit and the lot on which the unit is located, as shown on the Plans and the Survey Map. The boundary between adjacent residential unit structures is the center of the fire wall between adjacent units. All other boundaries are the lot boundaries as shown on the survey map. Each unit is constructed on two levels. End units contain 1870 square feet, and inside units contain 1930 square feet, more or less. Each unit has three bedrooms, two baths, a built-in gas fireplace, and a two-car garage plus outside parking for two vehicles. All of the preceding amenities are located within the confines of the lot upon which each unit is situated, as shown on the Plans and the Survey Map.

ARTICLE III – Description of the Common Elements

3.01 Description of the common elements. The common element is comprised of the recreational area designated as Tract A containing 18,500 square feet, more or less.

ARTICLE IV – Description of the Limited Common Elements

4.01 Description of the limited common elements. There are no limited common elements in the condominium.

ARTICLE V – Interest in the Common Elements and voting rights

5.01 Voting rights and interest in the common elements. Each residential unit owner shall have an undivided (1/8) one eighth interest in the common elements and shall be entitled to cast one vote. The established percentage of interest shall be deemed to be conveyed with and as an encumbrance on the units, regardless of whether the interest and the encumbrance is shown on the instrument conveying the unit.

ARTICLE VI – CONDOMINIUM UNIT OWNERS' ASSOCIATION

6.01 Form of Association. On or before the date of the first unit is conveyed by the Declarant, the Condominium Unit Owners Association (the "Association") will be incorporated as either a profit or a

non-profit corporation under the laws of the state of Washington. The name of the Association shall be the "Capitol City Townhome Condominium Association."

6.02 Membership. Each residential unit owner shall, including the Declarant, be a member of the Association and shall be entitled to one membership for each unit owned. Membership in the Association shall be mandatory.

6.03 Transfer of Membership. The Association membership of each residential unit owner (including the 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 the unit and then only to the transferee of the title to such unit. Any prohibited transfer shall be void. Any transfer of title to a unit shall automatically transfer membership in the Association appurtenant thereto to the transferee whether or not such Association membership is shown in the instrument of conveyance.

6.04 Number of Votes. The total voting power of all the owners/members shall be eight votes.

6.05 Voting Owner. The owner of each unit shall designate one representative to represent him in the Association, by written notice to the Board of Directors. A designated representative need not be an owner of a unit. A designation may be revoked at any time by the owner of the unit on written notice to the Board of Directors, and the death or judicially declared incompetence of all persons constituting the owner of a unit shall revoke the designation; provided, however, that such revocation shall not be effective until the Board of Directors has been notified. Where no designation is made, or where a designation has been made, but is revoked and no new designation is made, the designated representative of such unit shall be the group comprised of all persons constituting the owner. If a person owns more than one unit, he shall have the vote for each unit owned. The Declarant shall be the voting owner with respect to any unit owned by it. Natural persons, partnerships, corporations, trusts or other legal entities may own or have an ownership interest in units.

6.06 Pledged Votes. In the event the owner of a unit had pledged his vote regarding special matters to a mortgagee, and written evidence of the pledge has been filed with the Association, the vote of such mortgagee will only be recognized concerning the special matters for which the vote was pledged. This paragraph shall not be amended without the written consent of all the owners and their respective mortgagees.

6.07 Joint Owner Disputes. The vote for a unit must be cast as a single vote, and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. In the event more than one vote is cast for a particular unit none of said votes shall be counted and said votes shall be deemed void.

6.08 Annual Meetings. The Association shall hold its annual meeting in the first quarter of each year at such reasonable place and time as may be designated by written notice of the Board of Directors to the owners no less than fifteen (15) days prior to the date fixed for the meeting.

6.09 Special Meetings. A special meeting of the Association may be called by the President, a majority of the Board of Directors, or at the written request of the owners having four (4) or more votes. Written notice shall be given to all owners not less than fifteen (15) days prior to the date fixed for the special meeting, in accordance with the Bylaws.

6.10 Quorum. The quorum at any annual or special meeting of the Association shall be the presence, in person or by proxy, of the owners having five (5) or more votes. If a quorum is present any action may be taken by an affirmative vote of a majority of the total votes present at the meeting, unless otherwise expressly provided herein.

6.11 Capital City Golf Club Estates Association Membership Required. The units are located on a golf course. This location enhances the value of the units, but it carries with it the obligation of membership in the Golf Course Association. Therefore, membership in the Association carries with it the additional requirement of membership in the Capital City Golf Club Estates Association. Failure to maintain the membership in Capital City Golf Club Estates Association shall be deemed a failure to maintain membership in the Association and shall be subject to the remedies set forth* herein and in the Bylaws.

6.12 Indemnification. Units are located on the edge of the Capital City ** Golf Club Estates golf course. Unit owners understand that and agree the location carries with it certain risks from flying golf balls including injury to persons and property, and unit owners hereby expressly agree to accept these risks. Further, each unit owner agrees to indemnify, defend, and hold harmless the Capital City Golf Club Estates, and individual golfers, for injury to persons or damage to property occasioned ^ by golf balls which may cross the unit boundaries and strike persons or property thereon.*.

ARTICLE VII – ADMINISTRATION DURING THE INTERIM PERIOD, ELECTION OF THE BOARD OF DIRECTORS AND OFFICERS, AND ADOPTION OF THE BYLAWS

7.01 Adoption of the Bylaws. The Declarant shall adopt the initial Bylaws of the Association to provide administration of the Condominium consistent with this* Declaration and the Act.

7.02 Management by the Declarant. Prior to the conveyance of the first unit, the Declarant shall appoint the initial directors of the interim Board of Directors consisting of three (3) persons who need not be unit owners. This interim Board of Directors (and the Declarant prior to the appointment of such Board of Directors) shall exercise the rights, duties and functions of the Board of Directors as set forth in this *^ Declaration until the Declarant calls a special meeting of the Association for the ^ purpose of electing new directors to the interim Board of Directors as set forth in Section 7.03; provided that, after appointing the initial directors of the interim Board of Directors, the Declarant in the exercise of its sole discretion

may at any time remove»• such directors and appoint replacement directors except as limited in Section 7.07 below for directors elected by the unit owners other than the Declarant.**

7.03 Election by the Unit Owners. The Declarant shall call a special meeting of the Association no later than 60 days after the conveyance of two (2) of the units for the purpose of electing one (1) member of the Board of Directors. The director shall be elected by a majority vote of the unit owners other than the Declarant. In case of a tie, the Declarant shall cast the tie breaking vote. Such Directors shall serve until the final board of Directors is elected pursuant to Sect. 7.04. W^

7.04 Election of the Board of Directors. The Declarant shall call a special ^ meeting of the Association for the purpose of electing the final Board of Directors no later than (60) sixty days following the conveyance of six of the eight units. At the special meeting, the unit owners shall elect the final Board of Directors consisting of 0, four (4) persons, three (3) of whom shall be unit owners, and who shall serve without compensation.

7.05 Term of Directors. The term of office of the directors elected** pursuant to section 7.04 shall be (2) two years. Any director may be elected to serve additional terms without limitation.

7.06 Vacancies on Board of Directors. Vacancies on the Board of Directors may be filled by the remaining directors. Any director may be removed, and a successor elected for the unexpired portion of his term by a two-thirds vote of the owners present at a special meeting called for such purpose. ^

7.07 Removal of Directors by Unit Owners. The unit owners, by a two thirds vote of the voting power in the Association present and entitled to vote at any meeting of the unit owners at which a quorum is present, may remove any member of *• the Board of Directors with or without cause, other than a member appointed by the Declarant. The Declarant may not remove any member of the Board of Directors elected by the Unit Owners. Prior to the election of the final Board of Directors* pursuant to Article 7.04, the unit owners, other than the Declarant, may remove, by atwo-thirds vote, any director elected by the unit owners pursuant to Article 7.03.

7.08 Quorum. Three members of the Board of Directors must be present for a quorum to exist. The Board of Directors shall act by majority vote of those present at its meetings where a quorum exists. Meetings may be called, held, and conducted in accordance with such rules and regulations as the Board of Directors may adopt. ^

7.09 Officers. The Board of Directors shall elect a President of the Association from among its members, who shall hold office for one (1) year or until his successor is elected and shall preside over both its meetings and those of the – Association. The Board of Directors shall also elect a Vice President and a Secretary/Treasurer who shall hold office for one (1) year or until their successors are elected.

7.10 Indemnification. Except directors or officers elected or appointed by the Declarant who breach a fiduciary duty owed to the unit owners, every director and officer shall be indemnified by the Association against all expenses and liabilities,including counsel fees, reasonably incurred by or imposed upon him

in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been a director or officer of the Association, or any settlement thereof, whether or not he is a director or officer at the time such expenses ^ are incurred, except in such cases where the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided that in the event of a settlement, the indemnification provided herein shall apply only when the *. Board of Directors approves such settlement and reimbursement as being in the best interests of the Association. The foregoing rights of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may •» be entitled.

7.11 No Personal Liability. Except as provided in the Act for torts which were committed by the Declarant or for which the Declarant is expressly made liable, and so long as a director, or an Association committee member, or an Association officer, or Declarant exercising the powers of the Board of Directors, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person shall be personally liable to any owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of such person; provided, that this section shall not apply where the consequences of such act, omission, error or negligence are covered by insurance obtained by the Board of Directors. w

7.12 Amendment of the Bylaws. The Bylaws may be amended, in whole or in part, by at least a majority vote of the unit owners at any annual meeting or a special meeting called for that purpose; provided that the unit owners may not amend •* any of the Bylaws without the written consent of the Declarant until the Declarant has closed the sale of six (6) units.

ARTICLE VIII - AUTHORITY AND DUTIES OF THE BOARD OF DIRECTORS«•

8.01 Authority of the Board of Directors. The Board of Directors, for the benefit of the condominium and the owners, shall enforce the provisions of this Declaration and the Bylaws, shall have all power and authority permitted the Board of Directors under the Act and this Declaration, and shall acquire and pay for out of the ^ common expense fund, provided for hereinafter, all goods and services requested for the proper functioning of the condominium, including but not limited to the following:

8.01.01 Insurance. Policies of Insurance or bonds providing coverage for fire, personal injury, property damage, fidelity of Association officers, as are necessary to serve the interests of the unit owners, the Association, and as are required by this Declaration and the Bylaws.

8.01.02 Additions to the Common Elements. Additions or improvements to Tract A, not provided by the Declarant.

8.01.03 Professional Services. The legal and accounting services necessary for the operation of the condominium or enforcement of this Declaration, the Bylaws and the Association rules and regulations.

8.01.04 Maintenance. Maintenance, repair, and landscaping of Tract A.

8.01.05 Other Necessary Expenditures. Any other material, supplies and labor or taxes and assessments which the which the Board of Directors is required to procure or obligated to provide or pay which in its opinion is necessary for the proper operation of the condominium, provided that if any such services are provided to the units, the costs thereof shall be specially assessed to the owners of the such units and shall be immediately due and payable to the association. *•

8.01.06 Liens. The Board of Directors may also pay any amount necessary to discharge any lien or encumbrance levied against the entire property which *» may or is claimed, in the opinion of the Board of Directors, to constitute a lien against the common elements, rather than against the interest therein of the affected unit owner. Where more than one unit owner is responsible for the of such lien, they shall *** be jointly and severally liable for the cost of discharging it plus any costs incurred by the board of Directors in discharging such lien. Any costs incurred by the Association by reason of such lien shall be assessed against the responsible unit owners and shall become immediately due and payable to the Association.

8.02 Limitation of Authority. Irrespective of the foregoing, the Board of Directors shall not have the authority to acquire and pay for out of the common fund of the Association, capital improvements exceeding Five thousand dollars (\$5,000) ^ without a majority vote of the unit owners at an annual meeting or a special meeting called for that purpose. ^

8.03 No For Profit Business. Nothing herein shall be construed to give the Board of Directors the authority to conduct for profit business on behalf of the owners.

8.04 Acquisition of Property. The Board of Directors may, from the common funds of the Association, acquire and hold in the name of the Association, for the benefit of the unit 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 the property shall be owned by the unit owners in the same proportion as their respective interests in the common elements. Such property may thereafter be dealt with for the benefit of the common fund of the association as the Board of Directors may direct. *ft*

8.05 Authorization to Board of Directors. In the event that monies in the common fund are not sufficient to pay the expenditures provided for herein, the Board ^ of Directors is authorized to borrow money to meet such expenditures on behalf of the Association and, to secure the repayment thereof encumber the common elements. *Xv*

8.06 Exclusive Right to Contract. The Board of Directors shall have the exclusive right to contract for all goods and services, the payment for which is to be made from the common expense funds. *+•*

8.07 Limitation of Liability of Directors. To the extent permitted by law, the members of the Board of Directors and the Association shall not be liable for any failure of any service to be obtained and paid for by the Board of Directors hereunder, or for injury or damage to person or property caused by the elements or by another ^ owner or person; or resulting from electricity, water, rain, dust or sand which may leak or flow from outside or from any parts of the building, or from any of its pipes, drains, conduits,

appliances or equipment, or from any other cause or place, or resulting from loss, damage or theft of articles used or stored by owners on the property or in units. No diminution or abatement of assessments shall be claimed or allowed for inconveniences or discomfort arising from the making of repairs or improvements, or from any action taken to comply with any law, ordinances, or orders of a governmental authority. This Section shall not be interpreted to impose any form of liability by any implication upon the Board of Directors or upon the Association. This Section also extends to the Declarant exercising the powers of the Board of Directors during the initial period of operation of the Association and condominium.

8.08 Entry for Repair. The Board of Directors may enter any unit when necessary, in connection with any maintenance or construction for which the Board of Directors is responsible. Such entry shall be made with as little inconvenience to the owner as practicable, and any damage caused thereby shall be repaired by the Board of Directors at the expense of the common expense fund. The Board of Directors shall be provided with door keys and burglar alarm keys for each unit to facilitate access in an emergency.

8.09 Notice of Conveyances Required. The right of an owner to sell, transfer, or otherwise convey his unit shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board of Directors, or anyone acting on their behalf. An owner intending to sell a unit shall deliver a written notice to the Board of Directors, at least two weeks before closing, specifying the unit being sold; the name and address of the purchaser, of the closing agent, and of the title insurance company insuring the purchaser's interest; and the estimated closing date. The Board of Directors shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments and charges outstanding against the unit, whether or not such information is requested.

ARTICLE IX - COMMON EXPENSE ASSESSMENTS ACCORDING TO BUDGET

9.01 Estimated Expenses. The Board of Directors shall have power to levy assessments against all units for the purpose of creating and replenishing a common expense fund with which to pay "common expenses" as that term is defined in the Act and any other expenditures which the Board of Directors is herein authorized to make. After the initial assessment, all subsequent assessments shall be made against all units at least annually based on a budget adopted at least annually by the Board of Directors and levied equally among the owners of the eight units. Within thirty (30) days prior to the beginning of each calendar year, or such other fiscal year as the Board of Directors may adopt, the Board of Directors shall estimate the charges (including common expenses, and any special charges for particular units) to be paid during such year; shall make provision for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for repair, replacement, and acquisition of common elements; and shall take into account any expected income and common elements; and shall take into account any expected income and any surplus available from the prior year's operating fund. If the sum estimated and budgeted at any time proves inadequate for any reason (including non-payment for any reason of any unit owner's assessment), the Board of Directors may at any time levy a further

assessment, which shall be assessed to the owners in like proportions until an assessment is made in accordance with this Article 9. The Declarant shall pay all common expenses until the Board of Directors has made an assessment pursuant to this Article 9.

9.02 Other Charges. The Board of Directors may, in its sole discretion, impose and collect charges for the following additional items, which shall be enforceable as assessments:

9.02.1 Payments, fees, or other charges for services provided to unit owners.

9.02.2 Charges for late payment of assessments established by the Board of Directors and, after notice and an opportunity to be heard by the Board of Directors or by such representative designated by the Board of Directors and in accordance with such procedures as provided in this Declaration or the Bylaws or rules and regulations adopted by the Board of Directors, levy reasonable fines in accordance with a previously established schedule adopted by the Board of Directors and furnished to the unit owners for violations of the declaration, Bylaws, and rules and regulations of the Association.

9.02.3 Reasonable charges for the preparation and recording of amendments to the Declaration, resale certificates, and statements of unpaid assessments.

9.03 Payment by Owners. Each owner shall be obligated to pay his share of the common expenses and other charges made pursuant to this Article 9 to the Secretary/Treasurer for the Association in equal monthly installments on or before the first day of each month during such year, or in such other reasonable manner as the Board of Directors shall designate. Any unpaid assessments shall bear interest at the rate of twelve percent (12%) per annum or such higher rate established by the Board of Directors from the due date until paid. Unpaid assessments shall constitute a lien upon the unit which has not paid its respective share thereof from the due date until paid.

9.04 Separate Accounts. The Board of Directors shall require the Association to maintain separate accounts for current operations, reserves, and a special separate reserve account for payment of insurance. Each month the Board of Directors shall first deposit to the insurance reserve account that portion of the common expense assessment necessary to pay at least one-twelfth of the total cost of all of the insurance policies regarding the condominium project and such insurance reserve account shall be held separate and inviolate until utilized for payment of insurance premiums. Thereafter, the remainder of the common expense assessment collected may be utilized for payment of other expense assessment collected may be utilized for payment of other expenses or deposited or credited to other accounts. Any expenditure of reserve funds shall require the signature of at least two persons who are officers or directors of the Association.

9.05 Failure to Assess Not Waiver. Any failure by the Board of Directors or the Association before the expiration of any year to fix the estimated such requirements and assessments hereunder for that or the next year, shall not be deemed a waiver or modification in any respect of the provision of this Declaration, or a release of the owner from the obligation to pay the assessments, or any installment

thereof, for that or any subsequent year, but the assessment fixed for the preceding year shall continue until a new assessment is fixed.

9.06 Recordkeeping. The Board of Directors shall cause to be kept detailed, accurate records, according to generally accepted accounting principles, of the receipts and expenditures of the Association, specifying and itemizing the maintenance and repair expenses of the common elements and any other expense incurred. The records shall be sufficiently detailed to enable the Association to comply with its duties under RCW 64.34.372 and RCW 64.34.425. All financial and other records shall be made reasonably available for examination by any unit owner and the owner's authorized agents.

9.07 Declarant Liability. The assessments provided for in this Declaration shall be imposed on units owned by the Declarant and affiliates of the Declarant (as defined in the Act) on the same basis as imposed on all other units, regardless of whether Declarant-owned units are vacant or have been sold, leased or rented.

ARTICLE X – COLLECTION OF ASSESSMENTS

10.01 Lien Indebtedness. Unpaid assessments (imposed pursuant to Article 9) shall be the separate, joint and several, personal debts of the owner or purchaser by voluntary conveyance of units for which the same are assessed. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien securing same. The amount of any assessment against a unit plus interest as set forth herein and costs and attorney's fees pursuant to Section 10.03 shall constitute a lien upon such unit prior to all other liens, 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. Notwithstanding the foregoing, the lien for assessments for common expenses excluding amounts for capital improvements shall be prior to the mortgages specified in (b) of this Section if it is foreclosed judicially pursuant to

Section 10.02.02. Such priority is limited to assessments coming due within the six (6) month period prior to the date of any foreclosure sale or the date a declaration of foreclosure is recorded in a real estate contract forfeiture. Such priority shall be reduced by up to three (3) months if the Association fails to give written notice of delinquency to an eligible mortgagee or a mortgagee holding a first position mortgage on a unit who has requested in writing the right to receive such notice. ^»

10.02 Collection of Delinquent Assessments. The Board of Directors shall enforce collection of any delinquent assessment hi the following manner, or in any other manner permitted by law:

10.02.1 Security Deposit. Should an owner be chronically delinquent in paying any assessments, the Board of Directors may, in its discretion, *** require such owner from time to tune to make a security deposit not hi excess of three (3) months' estimated monthly assessments, which may be collected hi the same manner as other assessments. Such deposit shall be held in a separate fund, credited to such

owner, and resort may be made thereto at any time when an owner is ten (10) days or more delinquent in paying his monthly or other assessments. *

10.02.2 Action to Foreclose. The Board of Directors may commence an action to foreclose a lien for assessments made pursuant to Article 9 and – in any such action shall be entitled to recover attorneys' fees and costs pursuant to Section 10.03, and shall further be entitled to seek the appointment of a receiver as provided in the Act. The judgment in the action foreclosing the lien shall be for an ** amount equal to all delinquent assessments and advances, plus all costs and expenses in connection with such action and any receivership, including a reasonable sum as attorneys' fees and for the cost, if any, of obtaining a title report. *»

10.02.3 Non-judicial Foreclosure. The Board of Directors may commence an action to foreclose a lien for assessments non-judicially pursuant to RCW 61.12 as permitted by RCW 64.34.364(9), and in such foreclosure may recover its reasonable attorney's fees and all costs and expenses reasonably incurred in the preparation or prosecution of such foreclosure. For the purposes of permitting such non-judicial foreclosure: (a) the Condominium is granted in trust to Transamerica Title Insurance Company (herein the "Trustee") to secure the unit owners' respective »- obligations to pay assessments when due; (b) the Trustee is granted the power to sell the individual units; (c) the units are not used principally for agricultural or farming purposes; and (d) the foregoing power of sale shall be operative with respect to any -- unit if the owner of that unit fails to pay assessments with respect to any unit when due.

10.03 Attorneys' Fees and Costs. 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 and in the- enforcement of a judgment.

10.04 Liability of Mortgagee. In the event the Mortgagee of the Condominium ^ obtains any unsold units as a result of the foreclosure of the mortgage covering the condominium or if after initial sale the mortgagee reacquires any unit, or if at any time the mortgagee retains any unit and grants or leases the same, the mortgagee shall be liable for the normal assessments for such unit, provided that except as provided in Section 10.01 the mortgagee will not be liable for any past-due assessments which accrued or became due prior to the time the mortgagee obtained possession of a unit by foreclosure. Any other mortgagee who obtains possession of a unit through foreclosure shall not be liable for assessments which accrued prior to such right of possession, except to the extent provided in Section 10.01 above.

ARTICLE XI - REGULATION OF USES

11.01 Residential Use. The building and units shall be used for single family residential purposes only, on an ownership, rental or lease basis; and for the common social, recreational and other reasonable uses normally incident to such purposes. The building and units may also be used for the purpose of operating and managing the condominium. Determination of reasonableness and whether or not a use is

incident to residential uses shall be made by the Board of Directors and shall be binding on all owners. The Board of Directors may by rule or regulation specify the limits of this use in general and also in particular cases.

11.01.01 Temporary structures. No temporary structure, trailer, camper, or tent may be erected or placed within the boundaries of a unit, except as* pursuant to the rules promulgated by the Board of Directors.

11.01.02 Fences. No fence may be erected on any unit property. •»

11.01.03 Antennas. No exterior antenna may be placed on the roof of the buildings or elsewhere except with the written approval of the Board of •-" Directors.

11.01.04 Recreational Vehicles. No recreational vehicles or boats may be stored or parked on a continuous basis on the property of any unit. A "continuous basis" shall mean two weeks or longer or another period determined at the discretion of the Board of Directors. Any recreational vehicle which is parked for any purpose within the confines of the condominium for a period of two week or longer, may not revisit the property for more than a cumulative total of six weeks in any calendar year.

11.02 Facilities Required by Declarant. Notwithstanding any other provisions of this Declaration, the Declarant, its agents, employees and contractors, may maintain during the period of completion of the condominium and until the Declarant has sold all units, reasonably necessary construction facilities, signs and storage facilities, one model unit in each building, and a business or sales office.

11.03 Parking. Parking spaces are restricted to use for parking of operative automobiles. Other items and equipment may be parked or kept therein only subject to the rules and regulations of the Association. The Board of Directors may require removal of any inoperative or unsightly vehicle, and any other equipment or item not stored in parking spaces in accordance with this provision. If the same is not removed, the Board of Directors may cause removal at the risk and expense of the owner thereof. The use of all parking areas, including the garages, is also subject to rules and regulations adopted for the Association.

11.04 Driveways. Walkways, etc. Driveways and walkways used for access shall be used exclusively for normal ingress and egress, and no obstructions shall be placed therein unless permitted by the Board of Directors or the Association's rules and regulations.

11.05 Maintenance and Modification of Units.

11.05.1 Maintenance of Unit. Each unit owner shall, at his sole expense, keep the interior of his unit, and the equipment, appliances, and appurtenances relating thereto, in good order, condition, repair and appearance. Each unit owner shall be responsible for the maintenance, repair or replacement of any plumbing fixtures, water heaters, fans, heating or other equipment, fireplace flues, electrical fixtures or appliances which may be in, or are a part of, his unit.

11.05.2 Right to Modify Unit. Without limiting the generality of the foregoing, each unit owner may, at his sole cost and expense, maintain, repair, paint, or finish, refinish or change surfacing of the interior surfaces of the ceilings, floors, window frames, doors, trim, and the perimeter walls of his unit. Each unit owner may alter, substitute, add or remove any fixtures attached to said ceilings, floors or walls. This section shall not be construed to permit interference with or damage to the structural integrity of the building or interference with the use and enjoyment of other units. This section shall not be construed as authority to subdivide units into smaller units, or to incorporate a portion of one unit into another unit, such uses being governed by the provisions of Article 18.

11.05.03 Common Walls. Common walls exist between interior units in both buildings. The cost of maintenance of the common walls shall be shared equally by the adjacent unit owners. The owners of adjacent units shall have the right of entry, upon reasonable notice as determined by the Board of Directors, to the opposite unit for the limited purpose of inspection or repair of pipes, ducts, wires, cables, conduits, utility lines or other facilities in the common wall.

11.06 Exterior Appearance. In order to preserve the uniform appearance of the building, and the common elements, particularly those visible to the public, the Board of Directors may require and provide for the painting and finishing of the ^ building, balconies, decks or other common elements, and prescribe the type and color of the surfaces and finishes. It may prohibit, require or regulate any modification or decoration of the building, balconies, decks or other common elements, including any – such items as screens, doors, awnings, rails or other portions of each unit and the building visible from the exterior. The Board of Directors may regulate and control the items stored on any portion of a unit which is visible from the exterior in order to ** preserve the good appearance and condition of the entire condominium. In addition, this regulatory power extends to the control of the color of draperies and under drapes or drapery linings of each unit.

11.07 Uses of Affecting Insurance. The unit owners shall not permit anything to be done or kept in the units or in the common elements which will increase the insurance premiums for the condominium or result hi the cancellation of insurance on any part of the condominium without the consent of the Board of Directors. i*

11.08 Signs. No signs of any kind shall be displayed to the public view on or from any unit or from the common elements without the consent of the Board of ^ Directors or pursuant to the Association's rules and regulations.

11.09 Animals. The facilities and surroundings of the condominium are not designed for and are not reasonably appropriate for the maintenance of large pets or animals, and therefore, all such are prohibited; provided, however that the Board of Directors may adopt rules and regulations permitting cats, small dogs, and similar household pets. The Board of Directors may at any tune require the removal of any animal that it, in its sole discretion, finds unreasonably disturbing to other owners and may exercise this authority for specific animals even though other animals are permitted to remain.

11.10 Offensive Activity. No noxious or offensive activity shall be carried out on any unit or on the common elements, nor shall anything be done therein which may be or become an annoyance or nuisance to the other unit owners, or which would be in violation of any laws.

11.11 Alteration of the Common Elements – Tract A shall not be altered in any way, except for regular maintenance, unless such alteration is done by the Association acting through the Board of Directors in accordance with the Act, this Declaration, and the Bylaws.

11.12 Maintenance of the Drainage System. – The drainage facilities require occasional maintenance based on minimum requirements as set forth in the Drainage Design and Erosion Control Manual of Thurston County, Washington. The Association shall insure that maintenance of the facilities is conducted in accordance with the maintenance checklists which are attached as ATTACHMENT "A" to this Declaration.

ARTICLE XII - INSURANCE

12.01 Insurance Coverage. Not later than the time of the first conveyance of a unit, the Board of Directors shall obtain and maintain at all times as a common expense an insurance policy or policies and bonds as follows:

12.01.1 Fire Insurance, with extended coverage (including vandalism, malicious mischief, sprinkler leakage, debris removal, cost of demolition, windstorm and water damage) endorsement, in an amount as near as practicable to the full insurable current replacement value (without deduction for depreciation) of the common elements and the units, with the Association as the named insured, or such other fire and casualty insurance as the Board of Directors shall determine to give substantially equal or greater protection insuring the owners and their mortgagees, as their interests may appear. Said policy or policies shall provide for separate protection for each unit to the full insurable replacement value thereof (limited as above provided), and a separate loss payable endorsement, in favor of the mortgagee or mortgagees of each unit, if any, and further, a separate loss payable clause in favor of the Mortgagee of the Condominium, if any. Certificates of insurance shall be issued to each unit owner and mortgagee upon request.

12.01.2 General Comprehensive Liability Insurance insuring the Board of Directors of the Association, the owners, and the Declarant against any liability to the public or to the owners of units and their invitees, or tenants, incident to the ownership or use of the common elements (including but not limited to owned and non-owned automobile liability, damage or injury from flying golf balls, water damage, host liquor liability, and liability for property of others. The amount of such insurance shall be determined by the Board of Directors after consultation with insurance consultants, but not less than \$1,000,000.00 covering all claims for personal injury and/or property damage arising out of a single occurrence (such policy limits to be reviewed at least annually by the Board of Directors and increased in its discretion).

12.01.3 Fidelity bonds naming the members of the Board of Directors, the Manager and its employees and such other persons as may be designated by the Board of Directors as principals and the Association as obligee, in an amount equal to the maximum amount of funds that will be in the custody of the Association at any time while the bond is in force, but in no event less than one-half of the total cash (including reserves) to be collected as assessments each year. Such fidelity bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar term.

12.01.4 Insurance against loss of personal property of the Association by fire, theft and other losses, with deductible provisions as the Board of Directors deems advisable.

12.01.5 Such other insurance as the Board of Directors deems advisable; provided, that notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond 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, except to the extent such coverage is not available or has been waived in writing by such agency.

12.02 Owner's Additional Insurance. Each owner may obtain additional insurance respecting his unit as contemplated under RCW 64.34.352(5) at his own expense; no owner shall, however, be entitled to exercise his right to maintain insurance coverage in any manner which would decrease the amount which the Board of Directors, or any trustee for the Board of Directors, on behalf of all of the owners, will realize under any insurance policy which the Board of Directors may have in force on the condominium at any particular time. Each owner is required to and agrees to notify the Board of Directors of all improvements by the owner to his unit the value of which is in excess of One Thousand Dollars (\$1,000.00). Each owner is hereby required to file a copy of such individual policy or policies with the Board of Directors within thirty (30) days after purchase of such insurance, and the Board of Directors shall immediately review its effect with its insurance broker, agent, or carrier.

12.03 Insurance Proceeds. Insurance proceeds for damage or destruction to any part of the property shall be paid to the Board of Directors on behalf of the Association which shall hold such proceeds in trust for each unit owner and their first mortgage holders, as their interests may appear, and shall segregate such proceeds from other funds of the Association for use and payment as provided for in Article 13. The Association acting through its Board of Directors shall have the authority to settle and compromise any claim under insurance obtained by the Association, and the insurer may accept a release and discharge of liability made by the Board of Directors on behalf of the named insureds under the policy.

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

12.04.1 Contributions. A provision that the liability of the insurer thereunder is primary and shall not be affected by, and that the insurer shall not claim any right of set-off, counterclaim, apportionment, proration, or contribution by reason of, any other insurance obtained by or for any unit owner or any mortgagee;

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

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

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

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

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

ARTICLE XIII – DAMAGE OR DESTRUCTION; RECONSTRUCTION

13.01 Initial Board of Directors' Determinations. In the event of damage or destruction to any part of the property, the Board of Directors shall promptly, and in all events within twenty (20) days after the date of damage or destruction, make the following determinations with respect thereto employing such advice as the Board of Directors deems advisable:

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

13.01.2 Estimates. A reasonably reliable estimate of the costs to repair and restore the damage and destruction, which estimate shall, if reasonably practicable, be based upon two or more firm bids obtained from responsible contractors.

13.01.3 Insurance Proceeds. The anticipated insurance proceeds, if any, to be available from insurance covering the loss based on the amount paid or initially offered by the insurer.

13.01.4 Cost in Excess of Insurance. The amount, if any, that the estimated cost of repair and restoration exceeds the anticipated insurance proceeds therefore and the amount of assessment to each unit if such excess is paid as a maintenance expense and specially assessed against all the units in equal proportion.

13.01.5 Recommendation. The Board of Directors' recommendation whether or not such damage or destruction should be repaired or restored.

13.02 Notice of Damage or Destruction. The Board of Directors shall promptly, and in all events within sixty (60) days after the date of damage or destruction, provide each owner and each mortgagee who has requested special notice, with a written notice summarizing the initial Board of Directors' determinations made under Section 13.01. If the Board of Directors fails to do so within said sixty (60) days, then any owner or mortgagee may make the determinations required under Section 13.01 and give the notice required under this Section 13.02.

13.03 Definitions:

13.03.1 Restoration. As used in this Section 13, the words "repair," "reconstruct," "rebuild" or "restore" shall mean restoring the improvements to substantially the same condition in which they existed prior to the damage or destruction, with each unit and the common elements having substantially the same vertical and horizontal boundaries as before. Modifications to conform to then applicable governmental rules and regulations or available means of construction may be made.

13.03.2 Emergency Work. As used in this Article 13, the term "emergency work" shall mean that work which the Board of Directors deems reasonably necessary to avoid further damage, destruction or substantial diminution in value to the improvements and to reasonably protect the owners from liability from the condition of the site.

13.04 Restoration by Board of Directors.

13.04.1 Board of Directors Shall Restore. Unless prior to the commencement of repair and restoration work (other than emergency work referred to in Section 13.03.2) (1) the owners shall have decided not to repair and reconstruct in accordance with the provisions of either Section 13.05.3 or 13.06.3, (2) such repair or restoration work would be illegal under any state or local health or safety statute or ordinance, or (3) the condominium is terminated pursuant to RCW 64.34, as amended, the Board of Directors shall promptly repair and restore the damage or destruction. The Board of Directors shall use the available insurance proceeds therefor and pay for the actual cost of repair and restoration in excess of insurance proceeds as a common expense which shall be specially assessed against all units in equal proportion.

13.04.2 Authority to Contract. The Board of Directors shall have the authority to employ architects and attorneys, advertise for bids, let contracts to contractors and others, and to take such other action as is reasonably necessary to effectuate the repair and restoration. Contracts for such repair and restoration shall be awarded when the Board of Directors, by means of insurance proceeds and sufficient assessments, has made provision for the cost thereof. The Board of Directors may further authorize the

insurance carrier to proceed with repair and restoration upon satisfaction of the Board of Directors that such work will be appropriately carried out.

13.04.3 Insurance Trustee. The Board of Directors may enter into a written agreement in recordable form with any reputable financial institution or trust or escrow company that such firm or institution shall act as an insurance trustee to collect the insurance proceeds and carry out the provisions of this Article 13. Any such insurance trustee shall have the exclusive authority to negotiate losses under any policy providing such property or liability insurance.

13.05 Limited Damage: Assessment Under \$5,000.00. If the amount of the estimated assessment determined under Section 13.01 does not exceed Five Thousand Dollars (\$5,000.00) for any one unit then the provisions of the Section 13.05 shall apply:

13.05.1 Special Meeting of Association. The Board of Directors, may, but shall not be required to, call a special owners' meeting to consider such repair and restoration work, which notice shall be given simultaneously with the notice required to be given by the Board of Directors under Section 13.02 above. If the Board of Directors shall fail to call such meeting, then the requisite number of owners, within fifteen (15) days of receipt of the notice given by the Board under Section 13.02 above, or the expiration of the sixty (60) day period for notice described in Section 13.02, whichever is less, may call a special owners' meeting to consider such repair and restoration work. Any meeting held pursuant to this Section 13.05.1 shall be called by written notice and shall be convened not less than ten (10) nor more than twenty (20) days after the date of the notice of meeting.

13.05.2 No Restoration Work Prior to Meeting. Except for emergency work, no repair and restoration work shall be commenced until after the expiration of the notice period set forth in Section 13.05.1 and until after the conclusion of said special meeting if such meeting is called within said notice period.

13.05.3 Vote Required Not to Rebuild. A unanimous decision of all the unit owners which will not be rebuilt, and at least eighty (80) percent of the votes from all unit owners will be required to avoid the provisions of Section 13.04.1 and to determine not to repair and restore the damage and destruction; provided, that the failure of the Board of Directors or the requisite number of owners to call for a special meeting at the time or in the manner set forth in Section 13.05 shall be deemed a unanimous decision to undertake such work.

13.06 Major Damage: Assessment Over \$5,000.00. If the amount of the estimated assessment determined under Section 13.01 exceeds Five Thousand Dollars (\$5,000.00) for any one unit, then the provisions of this Section 13.06 shall apply:

13.06.1 Special Meeting of Association. The Board of Directors shall promptly, and in all events within sixty (60) days after the date of damage or destruction, provide written notice of a special owners' meeting to consider repair and restoration of such damage or destruction, which notice shall be delivered with the notice required to be provided under Section 13.02 above. If the Board of Directors

fails to do so within said sixty (60) day period, then notwithstanding the provisions of this Declaration or the Bylaws with respect to calling special meetings, any owner (the provisions of Section 6.06, notwithstanding) may within fifteen (15) days after the expiration of said sixty (60) day period, call a special meeting of the owners to consider repair and restoration of such damage or destruction by providing written notice of such meeting to all owners and mortgagees. Any meeting held pursuant to this Section 13.06 shall be called by written notice and shall be convened less than ten (10) nor more than fifteen (15) days from the date of the notice of meeting.

13.06.2 No Restoration Work Prior to Meeting. Except for emergency work, no repair and restoration work shall be commenced until the conclusion of the special owners' meeting required under Section 13.06.1.

13.06.3 Vote Required Not to Rebuild. The affirmative vote of owners having at least eighty (80) percent of the votes will be required to avoid the provisions of Section 13.04 and to determine not to repair and restore the damage and destruction; provided, however, that the failure to obtain said affirmative vote shall be deemed a decision to rebuild and restore the damage and destruction; provided, further that the failure of the Board of Directors, or owners to convene the special meeting required under Section 13.06.1 within ninety (90) days after the date of damage or destruction shall be deemed a unanimous decision to undertake such repair and restoration work. **13.07 Decision Not to Restore: Disposition.** In the event of a decision under either Sections 13.05.3 or 13.06.3 not to repair and restore the damage and destruction, or if such repair would be illegal, and provided the Condominium has not been terminated pursuant to RCW 64.34, as amended, the Board of Directors may nevertheless expend such of the insurance proceeds and common funds as the Board of Directors deems reasonably necessary for emergency work (which emergency work may include but is not necessarily limited to removal of the damaged or destroyed building and clearing, filling and grading the real property). The remaining funds, if any, and property shall thereafter be held and distributed as follows:

13.07.1 Repair of Common Elements. The insurance proceeds attributable to damaged common elements shall be used to restore the damaged area to a condition equivalent to that prevailing before the damage.

13.07.2 Distribution to Owners of Damaged Units. The insurance proceeds attributable to units 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 of such units, as their interests may appear.

13.07.3 Remaining Proceeds. The remainder of the proceeds shall be distributed to all the unit owners or lienholders, as their interests may appear, in proportion to such owner's allocated interest in the common elements.

13.07.4 Reallocation of Interests: Amendment. The allocated interests of any unit which the unit owners vote not to rebuild are automatically reallocated upon the vote not to rebuild as if the unit had been condemned pursuant to Article 14. The Board of Directors shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations.

ARTICLE XIV- CONDEMNATION

14.01 Consequences of Condemnation. If at any time or times during the continuance of the condominium ownership pursuant to this Declaration, all or any part of the property shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in avoidance thereof, the provisions of this Article 14 shall apply. If any unit or portion thereof or the common elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the Board of Directors shall provide each owner and each mortgagee written notice of any such proceeding or proposed acquisition.

14.02 Proceeds. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Board of Directors on behalf of the Association.

14.03 Complete Taking. In the event that the entire property is taken or condemned or sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership thereof shall terminate. The Condemnation Award shall be apportioned equally among the owners; provided, that if a standard different from the value of the property as a whole is employed to measure the Condemnation Award in the negotiation, judicial decree, or otherwise, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On the basis of the foregoing principle, the Board of Directors shall as soon as practicable determine the share of the Condemnation Award to which each owner is entitled. After first paying out of the respective share of each owner, to the extent sufficient for the purpose, all mortgages, and liens on the interest of such owner, the balance remaining in each share shall then be distributed to each owner respectively.

14.04 Partial Taking. In the event that less than the entire property is taken or condemned or sold or otherwise disposed of in lieu of or in avoidance thereof, the condominium ownership hereunder shall not terminate. Each owner shall be entitled to a share of the Condemnation Award to be determined in the following manner:

14.04.1 Allocation of Award. As soon as practicable the Board of Directors shall, reasonably and in good faith, allocate the Condemnation Award between compensation, damages, or other proceeds.

14.04.2 Apportionment Among Owners. The Board of Directors shall apportion the amounts so allocated to the taking of or injury to the common elements which, in turn, shall be apportioned among owners in equal proportion.

14.04.3 Severance Damages. The total amount allocated to severance damages shall be apportioned to those units which were not taken or condemned.

14.04.4 Damage to a Particular Unit. The respective amounts allocated to the taking of or injury to a particular unit and/or the improvements an owner has made within his own unit shall be apportioned to the particular unit involved.

14.04.5 Consequential Damages. The amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Board determines to be equitable under the circumstances.

14.04.6 Agreed Allocation. If an allocation of the Condemnation Award is already established in negotiation, judicial decree, or otherwise, then in allocating the Condemnation Award the Board shall employ such allocation to the extent it is relevant and applicable.

14.04.7 Distribution of Proceeds. Distribution of apportioned proceeds shall be made to the respective owners and their respective mortgagees in the manner provided in Section 14.03.

14.05 Reductions of Condominium Upon Partial Taking. In the event that (a) partial taking occurs which pursuant to Section 14.04 does not result in a termination of condominium ownership hereunder, and (b) at least one (1) unit is taken or condemned and (c) the condemning authority elects not to hold, use and own said unit as a condominium unit owner subject to an in accordance with the Declaration, then the provisions of this Section 14.05 shall take effect immediately upon the condemning authority taking possession of the unit or units so taken or condemned.

14.05.1 Reduction of Declaration. The units subject to this Declaration shall be reduced to those units or partial units not taken or condemned (or not sold or otherwise disposed of in lieu of or in avoidance thereof).

14.05.2 Remnants. Any remnant of a unit remaining after part of such unit was condemned such that the unit may not practically or lawfully be used for any purpose permitted by Section 11 shall become a common element upon such condemnation.

14.05.3 Interest of Owner of Condemned Unit. Except with respect to the share of proceeds apportioned pursuant to Section 14.04, no owner or mortgagee of a unit so taken or condemned (except for a unit only partially condemned which may still be practically and lawfully used) shall have, nor shall there be appurtenant to any unit so taken or condemned, any right, title, interest, privilege, duty or obligation in, to or with respect to the Association and any unit, or common elements which remain subject to this Declaration and which are not so taken or condemned.

14.05.4 Interest of Owners of Remaining Units. Except as otherwise expressly provided in Section 14.05, the rights, title, interests, privileges, duties and obligations of an owner and mortgagee in, to or with respect to a unit not so taken or condemned (and in, to or with respect to the Association and the common elements appurtenant to said unit) shall continue in full force and effect as provided in this Declaration.

14.05.5 This Section Binding. The provisions of Section 14.05 shall be binding upon and inure to the benefit of all owners and mortgagees of (and other persons having or claiming to have any interest in) all units which are, as well as all units which are not, so taken or condemned. All such owners, mortgagees and other persons covenant to execute and deliver any documents, agreements or instruments

(including, but not limited to, appropriate amendments to the Declaration, Survey Map and Plans) as are reasonably necessary to effectuate the provisions of Section 14.05. 14.06 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 13 above, provided that the Board of Directors 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 Section 13.

ARTICLE XV – MORTGAGEE PROTECTION

15.01 Priority of Mortgages. Notwithstanding all other provisions hereof (except Section 10.01) and as provided in the Act, the liens created under this Declaration upon any unit for assessments shall be subject to tax liens on the unit in favor of any assessing unit and/or special district and be subject to the rights of the secured party in the case of any indebtedness secured by mortgages which were made in good faith and for value upon the unit. Where such mortgagee of the unit, or other purchaser of a unit, obtains possession of a unit thereof, such possessor and his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such unit which become due prior to such possession, but will be liable for the common expenses and assessments accruing after such possession. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the unit owners including such possessor, his successor and assigns.

15.02 Abandonment of Condominium Status. Except when acting pursuant to the provisions of the Act involving damage, destruction, or condemnation, the Association shall not, without consent of eighty percent (80%) of all first mortgagees of record of the units, seek by act or omission to abandon the condominium status of the project, or to abandon, encumber, sell, or transfer any of the common elements.

15.03 Partition and Subdivision. The Association shall not combine nor subdivide any unit, not abandon, partition, subdivide, encumber, or sell any common elements, or accept any such proposal, without the prior approval of seventy-five percent (75%) of all first mortgagees of record of the units, and without unanimous approval of the first mortgagees of the units to be combined or subdivided. 15.04 Effect of Declaration Amendments. No amendment of this Declaration shall be effective to modify, change, limit or alter the rights expressly conferred upon mortgagees in this instrument with respect to any unsatisfied mortgage duly recorded unless the amendment shall be consented to in writing by the holder of such mortgage. Any provision of this Declaration conferring rights upon mortgagees which is inconsistent with any other provision of Declaration or the Bylaws shall control over such other inconsistent provisions.

15.05 Written Notice. Where a mortgagee of a unit (or any insurer or guarantor of such mortgage) has filed a written request with the Board of Directors, the Board of Directors shall:

15.05.1 Furnish Copies. Furnish such mortgagee with a copy of any insurance policy or evidence thereof which is intended to cover the unit on which such mortgage has a lien.

15.05.2 Notice of Cancellation. Require any insurance carrier to give the Board of Directors and any and all insureds (including such mortgagees) at least thirty (30) days' written notice before canceling, failing to renew, reducing the coverage or limits, or otherwise substantially modifying any insurance with respect to the property on which the mortgagee has a lien (including cancellation for a premium non-payment).

15.05.3 Notice of Taking. Give such mortgagee written notice of taking affecting common elements if such taking exceeds \$10,000.00.

15.05.4 Notice of Owner's Default. Give such mortgagee written notice that an owner/mortgagor of a unit has for more than sixty (60) days failed to meet any obligation under the condominium documents.

15.06 Inspection of Books: Audited Financial Statements. Unit owners, holders, insurers, and guarantors of first mortgages on any unit ("Interested Parties") shall be entitled to inspect current copies of the Declaration, Bylaws, and any other rules concerning the condominium and the books, records, and financial statements of the Association during normal business hours and under other reasonable circumstances. Upon the written request of the Interested Parties, the Association shall provide such parties with an audited financial statement for the preceding fiscal year, if an audited statement is available. The Interested Parties shall be allowed to have an audited financial statement prepared for the preceding fiscal year at their expense if such audited statement is not available.

15.07 Right of Board of Directors to Cure Defaults. Nothing herein contained shall limit or restrict the right of the Board of Directors on behalf of all the owners to cure defaults under mortgages to which the liens created hereunder are subordinated under this Section. The Board of Directors is expressly authorized to cure any and all such defaults by payments to the mortgagee or mortgagees of any defaulting owner from the common expense fund. Any such payments shall be specially assessed against the unit of the defaulting owner and said special assessment shall be secured by the lien created under Article 10 hereof; provided, however, that the Board of Directors shall not be able to assign their lien rights under Article 10 or otherwise transfer the unit or any interest therein except when such transfer occurs pursuant to a lien foreclosure proceeding.

ARTICLE XVI - COMPLIANCE

16.01 Enforcement. Each owner shall comply strictly with the provisions of this Declaration, the Bylaws, and the administrative rules and regulations made pursuant thereto as they may be lawfully amended from time to time. Failure to comply shall be grounds for an action to recover sums due for damages or injunctive relief or both, maintainable by the Board of Directors on behalf of the owners, or in a proper case, by any aggrieved owner. Failure to comply shall also entitle the Board of Directors to recover any costs and reasonable attorneys' fees incurred by reason of such failure whether or not such activities result in suit being commenced or prosecuted to judgment. In addition, the Board of Directors shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal and in the enforcement of a judgment.

16.02 No Waiver of Strict Performance. The failure of the Board of Directors in any one or more instances to insist upon the strict performance of any of the terms, covenants, conditions, or restrictions of this Declaration, or of the Bylaws, or to exercise any right or option contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition, or restriction, but such term, covenant, condition, or restriction shall remain in full force and effect. The receipt by the Board of Directors of any sum from an owner, with knowledge of any such breach shall not be deemed a waiver of such breach, and no waiver by the Board of Directors of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Board of Directors. This section also extends to the Declarant's managing agent, exercising the powers of the Board of Directors during the initial period of operation of the Association and the condominium development.

ARTICLE XVII - EASEMENTS

17.01 In General. It is intended that in addition to rights under the Act, each unit has an easement in and through each other unit and the common elements for all support elements and utility, wiring, heat, and service elements, and for reasonable access thereto, as required to effectuate and continue proper operation of this condominium plan. Without limiting the generality of the foregoing, each unit and all common elements are specifically subject to easements as required for the intercom and electrical entry system, if any, for the electrical wiring and plumbing, for the air conditioning lines and equipment, if any, for each unit, for the vacuum system roughed-in in each unit, if any, for fireplaces and associated flues or chimneys, if any, and for the master antenna cable system, if any. Finally, each unit as it is constructed is granted an easement to which each other unit and all common elements are subject for the location and maintenance of all the original equipment and facilities and utilities for such unit. The specific mention or reservation of any easement in this Declaration does not limit or negate the general easement for common elements reserved by law. All such easements shall be located as such features are located in the buildings as built, or as they may become located due to settling or repair or reconstruction.

17.02 Utility and Other Easements. The Board of Directors shall have the authority to grant permits, licenses, and easements over the common elements for utilities, roads and other purposes necessary for the proper operation of the condominium. As shown on the Survey Map, each unit is subject to a 24-foot easement along the North boundary of each lot for vehicular access and egress.

17.03 Association Functions. There is hereby reserved to Declarant and the Association, or their 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 Association's rules and regulations.

17.04 Encroachments. Each unit and all common elements are hereby declared to have an easement over all adjoining units and common elements for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other similar cause, and any encroachment due to building overhand or projection. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and

the rights and obligations of owners shall not be altered in any way by said encroachment, settling or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an owner or owners if said encroachment occurred due to the willful act or acts with full knowledge of said owner or owners. In the event a unit or common elements are partially or totally destroyed, and then repaired or rebuilt, the owners agree that minor encroachments over adjoining units and common elements shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist. The foregoing encroachments shall not be construed to be encumbrances affecting the marketability of title to any unit.

17.05 Easement for Construction. There is retained by the Declarant, for exercise by it and its successors and assigns, or for exercise by the Board of Directors if work is not completed by Declarant or his successors and assigns, an easement for the purpose of completing construction or repair of the condominium and all its units. This easement affects all parties of the property as required.

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

ARTICLE XVIII - PROCEDURES FOR SUBDIVIDING OR COMBINING

18.01 Procedure. Subdivision or combining of any unit or units or common elements are authorized only as follows:

18.01.1 Proposal for Subdividing or Combining. Any owner of any unit may propose any subdividing or combining of a unit or units or appurtenant common elements in writing, together with complete plans and specifications for accomplishing the same and a proposed amendment to the Declaration, Survey Map and Plans covering such subdividing or combining, to the Board of Directors, which shall then notify all other owners of the requested subdivision, combination, or partition.

18.01.2 Necessary Vote. Upon written approval of such proposal by owners having at least six (6) votes, exclusive of votes held by the Declarant, and the unanimous approval of the proposal by the owners of the units to be subdivided or combined, together with such mortgagee approval as is required in Article 15, the owner making the proposal may proceed according to such plans and specifications; provided that the Board of Directors may in its discretion (but it is not mandatory that the Board exercise this authority) require that the Board of Directors administer the work or that provisions for the protection of other units or common elements or reasonable deadlines for completion of the work be inserted in the contracts for the work.

ARTICLE XIX AMENDMENT OF DECLARATION, SURVEY MAP, PLANS

19.01 Declaration Amendment. 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 of Directors prior to its adoption by the owners. Amendments may be adopted at a meeting of the owners if owners holding at least six (6) votes vote in favor of such amendment, or without any meeting if all owners have been duly notified and owners holding at least six (6) votes consent in writing to such amendment. In all events, the amendment when adopted shall bear the signature of the president of the Association and shall be attested by the secretary/treasurer, who shall state whether the amendment was properly adopted, and shall be acknowledged by them as officers of the Association. Amendments once properly adopted shall be effective upon recording in the appropriate governmental offices. Notwithstanding the foregoing, no amendment may create or increase special declarant rights (as defined in the Act), 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, unless the requirements of the Act for adopting such amendments are satisfied. It is specifically intended and understood that any amendment to this Declaration properly adopted will be completely effective to amend any or all of the covenants, conditions and restrictions contained herein which may be affected and any or all clauses of this Declaration or Survey Map and Plans unless otherwise specifically provided in the section being amended or the amendment itself.

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

19.03 Amendments to Conform to Construction. Declarant, upon Declarant's sole signature, may at any time until all units have been sold by Declarant, file an amendment to the Declaration and to the Survey Map and Plans to conform them to the actual location of any of the constructed improvements and to establish, vacate and relocate utility easements, access road easements, or storage facilities, and any such amendment need not otherwise comply with the requirements of this Article 19.

ARTICLE XX – MISCELLANEOUS

20.01 Notice. Except as may be specifically provided herein, all notices, requests, demands, statements, advice, assessments, notifications and other communications contemplated hereunder or given pursuant hereto shall be in writing and shall be deemed given and effective when delivered personally, or twenty-four (24) hours after a copy has been deposited in the mails, first class postage prepaid, addressed as follows:

To Association:

To the address of the condominium.

To Owners or Their Designated Representatives:

To the address in the State of Washington specified by such owner in writing to the Board of Directors in accordance with the Bylaws, or, if no such address has been so specified, to the address of the unit owned by such owner.

To Other Persons Entitled to Notice:

To the address provided to the Association by each such person pursuant to a written request for such notice. To the Directors, Manager, Chairman, Secretary, and Treasurer: To such person or entity at the address of the condominium.

20.02 Service of Process. Until such time as the final Board of Directors is elected by the owners at a meeting of the Association called for that purpose, Robert W. Droll, Director of the Declarant, is hereby authorized to receive service on behalf of the Association in cases provided for in the Act. The place of business of Declarant is 677 Woodland Square Loop S.E. Lacey, WA 98503. After the election of a Board of Directors, the President of said Board and each successor President, during the time he is President, is authorized to receive service of process in cases provided for in the Act.

20.04 Remedies Not Exclusive. No right or remedy conferred or reserved by this Declaration is exclusive of any other right or remedy, but each is cumulative, and shall be in addition to every other right or remedy given hereby or hereafter existing at law or equity or by statute.

20.05 Mortgagee's Acceptance.

20.05.1 Priority of Mortgage. This Declaration shall not initially be binding upon any mortgagee of record at the time of recording of said Declaration but rather shall be subject and subordinate to the interest of said mortgagee.

20.05.2 Acceptance Upon First Conveyance. Declarant shall not consummate the conveyance of title of any unit until said mortgagee shall have accepted the provisions of this Declaration and made appropriate arrangements, in accordance with the Act, for partial release of units with their appurtenant limited common elements from the lien of said mortgagee. The issuance and recording of the first such partial release by said mortgagee shall constitute its acceptance of the provisions of this Declaration and the condominium status of the units remaining subject to its mortgage as well as its acknowledgment that such appropriate arrangements for partial release of units have been made; provided, that, except as to units so released, said mortgage shall remain in full effect as to the entire property.

20.06 Severability. If any term or provision of this Declaration or the application thereof to any person or circumstances shall, to any extent, be invalid or unenforceable, the remainder of this Declaration, and the application of such term or provision to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby, and each term and provision of this Declarant shall be valid and enforceable to the fullest extent.

20.07 Effective Date. The Declaration shall take effect upon recording.

20.08 Reference to Survey Map and Plans. The Survey Map and Plans of the building referred to herein were filed with the Recorded of Thurston County, Washington, simultaneously with the recording of this Declaration under File No. in Volume of Condominiums, pages through DATED this day of, 1995.

DECLARANT:
South Slope, Ltd.

By:
Robert Droll
Director
STATE OF WASHINGTON)
) ss.
COUNTY OF)

I certify that I know or have satisfactory evidence that Robert Droll is the person who appeared before me and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the Director of to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED this day of, 1995.

(Stamp or Seal)

Notary Public in and for the State
of Washington residing at:

My commission expires: