

Foster Pepper PLLC
Attention: Jamie M. Goodwin
1111 Third Avenue, Suite 3400
Seattle, Washington 98101-3299



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KING COUNTY, WA

CONDOMINIUM DECLARATION
FOR
THE BETSY ROSS, A CONDOMINIUM

Grantor/Declarant: BETSY ROSS BUILDING, LLC, a Washington limited liability
company
Additional names on pg. N/A

Grantee: THE BETSY ROSS, A CONDOMINIUM
Additional names on pg. N/A

Legal Description: SW ¼, NW ¼, SEC. 33, TWP. 25 N., RGE. 4 E., W.M.
Official legal description on Schedule A

Assessor's Tax Parcel ID#: 723460-0870-07

Reference # (if applicable): N/A
Additional numbers on pg. N/A

DEPARTMENT OF ASSESSMENTS
Examined and approved this _____ day of
_____, 2006

Assessor

dm

Deputy Assessor

12/27/06 11:41 AM
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EXHIBIT A

CONDOMINIUM
DECLARATION
FOR
THE BETSY ROSS, A CONDOMINIUM

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Article 1. DEFINITIONS.

Section 1.1 Words Defined. For the purposes of this Declaration and any amendments hereto, the following definitions shall apply.

Allocated Interests means the allocation of Common Expense Liability, interest in Common Elements and voting for each of the Units in the Condominium determined in accordance with the formula set forth in Section 5.4 and as specified in Schedule B.

Articles means the Articles of Incorporation for the Association.

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

Association means the owners association identified in Article 12.

Board means the board of directors of the Association, as described in Article 14.

Bylaws means the bylaws of the Association as they may from time to time be amended.

Common Elements means all portions of the Condominium other than Units, including the Limited Common Elements.

Common Expenses means expenditures made by or financial liabilities of the Association including those expenses related to the maintenance, repair, and replacement of the Common Elements and the Limited Common Elements, which are allocated to all Units, including allocations to reserves, and the following utility services provided to the Unit Owners: water, sewer and garbage removal.

Common Expense Liability means the liability for Common Expenses allocated to each Unit, as set forth in Schedule B.

Condominium means The Betsy Ross, a condominium created under the Declaration and the Survey Map and Plans.

Condominium Act means the Washington Condominium Act, codified at RCW 64.34, as it may be from time to time amended.

Conveyance means any transfer of the ownership of a Unit, including a transfer by deed or by real estate contract.

Declarant means Betsy Ross Building, LLC, a Washington limited liability company, and its successors and assigns.

Declarant Control means the right of the Declarant or persons designated by the Declarant to appoint and remove officers and members of the Board pursuant to Article 13.

Declaration means this Condominium Declaration for The Betsy Ross, a condominium, as it may from time to time be amended.

Development Rights means the rights reserved by the Declaration as listed in Section 10.1.

Eligible Mortgagee means the Mortgagee that has filed with the secretary of the Association a written request that it be given copies of notices of any action by the Association that requires the consent of Mortgagees.

FHLMC means the Federal Home Loan Mortgage Corporation.

First Mortgagee means, with respect to each Unit, the Mortgagee whose Mortgage on the Unit is prior to all other Mortgages on the Unit.

FNMA means the Federal National Mortgage Association.

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

HUD means the Department of Housing and Urban Development.

Identifying Number means the designation of each Unit, as listed in Schedule B and shown on the Survey Map and Plans, which identifies each Unit in the Condominium.

Limited Common Element means a portion of the Common Elements allocated in Article 7 for the exclusive use of one Unit.

Managing Agent means the person designated by the Board under Section 14.3.

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

Mortgagee means any holder, insurer, or guarantor of a mortgage on a Unit.

Notice and Opportunity to be Heard means the procedure described in Section 14.5.

Owner or Unit Owner means the Declarant or other person who owns a Unit, but does not include any person who has an interest in a Unit solely as security for an obligation.

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

Special Declarant Rights means rights reserved for the benefit of the Declarant as specified in Article 10.

Survey Map and Plans means the survey map and plans filed simultaneously with the recording of this Declaration and any amendments, corrections, and addenda thereto subsequently filed.

Transition Date means the date upon which the period of Declarant Control terminates as determined in Article 13.

Unit means a physical portion of the Condominium designated for separate ownership, the boundaries of which are described in Section 5.2 and shown on the Survey Map and Plans.

VA means the Veterans Administration.

Section 1.2 Form of Words. The singular form of words shall include the plural and the plural shall include the singular. Masculine, feminine, and gender-neutral pronouns shall be used interchangeably.

Section 1.3 Statutory Definitions. Some of the terms defined above are also defined in the Condominium Act. The definitions in the Declaration are not intended to limit or contradict the definitions in the Condominium Act. If there is any inconsistency or conflict, the definition in the Condominium Act will prevail.

Article 2. CONSTRUCTION AND VALIDITY OF DECLARATION

The Declaration and the Condominium Act provide the framework by which the Condominium is created and operated. In the event of a conflict between the provisions of the Declaration and the Condominium Act, the Condominium Act shall prevail. In the event of a conflict between the provisions of this Declaration and the Bylaws, the Declaration shall prevail except to the extent the Declaration is inconsistent with the Condominium Act. The creation of the Condominium shall not be impaired, and title to a Unit and its interest in the Common

Elements shall not be rendered unmarketable or otherwise affected by reason of an insignificant failure of this Declaration, the Survey Map and Plans, or any amendment thereto to comply with the Condominium Act.

Article 3. NAME OF CONDOMINIUM.

The name of the Condominium created by this Declaration and the Survey Map and Plans is The Betsy Ross, a condominium.

Article 4. DESCRIPTION OF LAND.

The real property included in the Condominium and submitted to and recorded under the Condominium Act is described in Schedule A.

Article 5. DESCRIPTION OF UNITS; ALLOCATED INTERESTS.

Section 5.1 Number and Identification of Units. The Condominium has sixteen (16) Units. The Identifying Number of each Unit is set forth in Schedule B. The location of the Units are shown on the Survey Map and Plans.

Section 5.2 Unit Boundaries. The boundaries of the Units are the interior perimeter walls, floors, and ceilings of the Units, and shall include within the Unit all wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring, and any other materials constituting any part of the finished surfaces thereof, provided, that the Unit boundaries shall not include those Common Elements specified in Article 6. All spaces, interior partitions, and other fixtures and improvements within the boundaries of a Unit are a part of the Unit.

Section 5.3 Unit Data. Schedule B sets forth the following data for each Unit:

- 5.3.1 The approximate square footage;
- 5.3.2 The number of bathrooms, whole or partial;
- 5.3.3 The number of rooms designated primarily as bedrooms;
- 5.3.4 Whether the Unit has a fireplace;
- 5.3.5 The level or levels on which the Unit is located; and
- 5.3.6 Any parking space assigned to the Unit.

The location and configuration of each Unit are shown in the Survey Map and Plans.

Section 5.4 Allocated Interests. Schedule B sets forth the Allocated Interests of each of the Units in the Condominium. The formula for allocating Common Expense Liability and interest in the Common Elements is relative Unit area. The formula for allocating voting is equally among Units, with each Unit having one vote.

Article 6. COMMON ELEMENTS.

Section 6.1 Description. The Common Elements are all portions of the Condominium other than the Units, including all portions of the walls, floors, or ceilings which are not a part of or within the Unit boundaries provided in Section 5.2. The Common Elements also include any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture which lies partially within and partially outside the designated boundaries of a Unit which serves more than one Unit or any portion of a Common Element.

Section 6.2 Use. Each Owner shall have the right to use the Common Elements in common with all other Owners and a right of access from the Owner's Unit across the Common Elements to the public streets. The right to use the Common Elements extends not only to each Owner, but also to his agents, servants, tenants, family members, invitees, and licensees. The right to use the Common Elements, including the Limited Common Elements, shall be governed by the provisions of the Condominium Act, this Declaration, the Bylaws, and the rules and regulations of the Association.

Section 6.3 Conveyance or Encumbrance of Common Elements. Portions of the Common Elements not necessary for the habitability of a Unit may be conveyed or subjected to a security interest by the Association of the Owners having at least 80% of the votes in the Association, including 80% of the votes excluding votes held by the Declarant or an affiliate of Declarant (as defined in the Condominium Act); but all of the Owners of Units to which any Limited Common Element is allocated must agree in order to convey that Limited Common Element or subject it to a security interest. Any conveyance, encumbrance, judicial sale, or other transfer (voluntary or involuntary) of an individual interest in the Common Elements shall be void unless the Unit to which that interest is allocated is also transferred.

Article 7. LIMITED COMMON ELEMENTS.

Section 7.1 Description. The Limited Common Elements allocated to each Unit are any parking space assigned to the Unit pursuant to Section 8.1. The window well, landing, and deck adjacent to the Unit, if any, are Limited Common Elements of the adjacent Unit or Units. In addition, the storage loft adjacent to Unit 301 and the storage loft adjacent to Unit 302 are Limited Common Elements of the adjacent Unit.

Section 7.2 Reallocation. A Limited Common Element may be reallocated between Units only with the approval of the Board and by an amendment to the Declaration executed by the Owners of the Units to which the Limited Common Element was and will be allocated. The Board shall approve the request of the Owner or Owners under this Section within 30 days, or within such other period provided by the Declaration, unless the proposed reallocation does not comply with the Condominium Act or the Declaration. The failure of the Board to act upon a request within such period shall be deemed approval thereof. The amendment shall be recorded in the names of the parties and of the Condominium. A Common Element may be reallocated as a Limited Common Element, or a Limited Common Element may be incorporated into an existing Unit with the approval of 67% of the Owners, including the Owner of the Unit to which the Limited Common Element will be allocated or incorporated. Such reallocation or incorporation shall be reflected in an amendment to the Declaration and the Survey Map and Plans.

Section 7.3 Use. Each Owner shall have the exclusive right to use the Limited Common Elements allocated to the Owner's Unit. The right to use the Limited Common Element extends to the Owner's agents, servants, tenant, family members, invitees, and licensees.

Article 8. PARKING.

Section 8.1 Assignment to Units. There are 5 parking spaces in the Condominium, each of which is identified by number on the Survey Map and Plans. Parking spaces assigned to Units as Limited Common Elements in Schedule B or by amendment to Schedule B signed only by the Declarant. The Declarant's right to assign parking spaces shall terminate on the earlier of one year after the last conveyance of a Unit by Declarant or five years after the date of recording the Declaration.

Section 8.2 Use of Parking Spaces. The parking spaces are to be used for the parking of currently licensed and operable passenger motor vehicles and may be used for parking trailers or recreational vehicles, or for other purposes only to the extent expressly allowed by rules and regulations adopted by the Board. Working on vehicles in the parking area is prohibited. Until all Units have been sold, the Declarant shall have the right to control the use of any unassigned parking spaces, including use for sales or marketing purposes; and, until construction of the Condominium is completed, the Declarant may use the parking spaces and storage areas for staging, storage, parking and other construction related purposes. The Board may direct that any vehicle or other thing improperly parked or kept in a parking space be removed at the risk and cost of the owner thereof. Each Owner shall be responsible for determining that his or her motor vehicle will fit in the assigned parking space, and each Owner shall be liable for any damage caused to the parking space, covered parking structure, any equipment or structure adjacent to the parking space, and any motor vehicle in connection

with parking a motor vehicle in the parking space, and shall indemnify and hold harmless the Declarant and the Association for any such damage caused or suffered.

Section 8.3 Rental of Parking Spaces and Storage Areas. The Owner of a Unit may rent a parking space which is a Limited Common Element of that Unit to the occupant of another Unit in the Condominium, but all such rentals shall be subject to termination upon 15 days' notice. Rental of a parking space shall be terminated automatically and without notice upon the transfer of title of the Unit to which it is a Limited Common Element.

Article 9. PERMITTED USES; MAINTENANCE; CONVEYANCES.

Section 9.1 Residential Use; Timesharing Prohibited. The Condominium is intended for and restricted to use as single family residences only, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable activities normally incident to such use, including use as a home office not involving use by nonresident employees or regular visits by customers or clients. Timesharing of Units, as defined in RCW 64.36, is prohibited.

Section 9.2 Leases.

Except for Units rented by the Declarant, the minimum initial lease term for Units shall be six months. All leases and rental agreements shall be in writing. Any lease or rental agreement must provide that its terms shall be subject in all respects to the provisions of the Declaration, the Bylaws, and rules and regulations of the Association and that any failure by the tenant to comply with the terms of such documents, rules, and regulations shall be a default under the lease or rental agreement. If any lease under this Section does not contain the foregoing provisions, such provisions shall nevertheless be deemed to be part of the lease and binding upon the Owner and the tenant by reason of their being stated in this Declaration. No Owner of a Unit may lease the Unit if the leasing of the Unit would result in more than four (4) Units in the Condominium being leased; provided, however, that the Board may, in the case of substantial hardship or in the case of an Owner being temporarily absent from the Owner's Unit, grant waivers of this provision for up to one year. If an Owner of a Unit that was not being leased desires to lease the Unit and if leasing the Unit would result in more than four Units in the Condominium being leased, the Owner may place the Unit on a waiting list and that Owner will be permitted to lease the Unit on a first-come first-served basis when a Unit that was being leased has been sold or is occupied by the Owner. Units leased to tenants who are immediate family members (parents or children) of the Owner shall not be subject to the number limitation on leasing and shall not be considered a leased Unit for the purposes of determining the number of Units being leased. The Owner of the Unit shall notify the Board of any changes in occupancy of the Unit and the Board shall maintain a list of residents of the Units. The Board may adopt a rule that requires any Owner desiring to rent a Unit to have any prospective tenant (other than an immediate family member of the Owner) screened, at the Owner's cost, by a tenant screening service designated or approved by the Board and to

furnish the report of the tenant screening service to the Board or its designee prior to Owner's entering into a lease with the prospective tenant. All leases and rental agreements shall be in writing. Copies of all leases and rental agreements shall be delivered to the Association before the tenancy commences. Before a lease of any Unit shall become effective or tenancy commences, a copy of the lease shall be delivered to the Board and acknowledged by the Board to be in compliance with this Section. If any lessee or occupant of a Unit violates or permits the violation by his guests and invitees of any provisions hereof or of the Bylaws or of the rules and regulations of the Association, and the Board determines that such violations have been repeated and that a prior notice to cease has been given, the Board may give notice to the lessee or occupant of the Unit and the Owner thereof to forthwith cease such violations. If the violation is thereafter repeated, the Board shall have the authority, on behalf and at the expense of the Owner, to evict the tenant or occupant if the Owner fails to do so after Notice from the Board and an Opportunity to be Heard. The Board shall have no liability to an Owner or tenant for any eviction made in good faith. The Association shall have a lien against the Owner's Unit for any costs incurred by it in connection with such eviction, including reasonable attorneys' fees, which may be collected and foreclosed by the Association in the same manner as Assessments are collected and foreclosed under Article 16. Other than as stated in this Section, there is no restriction on the right of any Owner to lease or otherwise rent his Unit. No restriction on the right to lease a Unit shall apply to a Unit acquired by a Mortgagee or a Unit owned by Declarant.

Section 9.3 Maintenance of Units, Common Elements, and Limited Common Elements. Except as provided below, the Association is responsible for maintenance, repair, and replacement of the Common Elements and the Limited Common Elements, and each Owner is responsible for maintenance, repair, and replacement of the Owner's Unit. Each Owner shall, at the Owner's sole expense, keep the interior of the Unit and its equipment, appliances, and appurtenances in a clean and sanitary condition, free of rodents and pests, and in good order, condition, and repair and shall do all redecorating and painting at any time necessary to maintain the good appearance and condition of the Unit. Each Owner shall be responsible for repair and replacement of broken or damaged glass (including fogged glass or failed seals) in the windows and exterior doors of the Unit. Each Owner shall be responsible for cleaning debris from any Limited Common Element window well adjacent to the Unit. Each Owner shall be responsible for operation, maintenance, repair, or replacement of any plumbing fixtures, plumbing, electrical fixtures, wiring, appliances or equipment, including water heaters, fans or heating/cooling equipment, which serve only that Unit, whether or not located in the Unit. Owners shall maintain their respective Limited Common Elements in a neat and clean condition and in accordance with such rules and regulations as the Board may adopt, except that the Association shall be responsible for the repair and replacement of storage areas and the repaving and re-striping of parking areas. The Association may, as a Common Expense, provide for the inspection of any portion of a Unit or Limited Common Element, the failure of which to maintain properly may cause damage to the Common Elements, Limited Common Elements, or another Unit or cause unnecessary Common Expenses, including, but not limited to, window wells, bathtubs, sinks, toilets, hot water

tanks, plumbing, plumbing fixtures, and electrical fixtures. If the inspection discloses the need for repair or replacement, the Association may either require the responsible Owner to make the repair or replacement, or make the repair or replacement itself and the cost thereof to the Owner.

Section 9.4 Exterior Appearance. In order to preserve a uniform exterior appearance of the buildings and other structures in the Condominium, the Board shall provide for the maintenance of the exterior of the buildings and other structures in the Condominium, except that each Owner will keep the adjacent Limited Common Element window well free of debris. No Owner may modify or decorate the exterior of a building or other structure in the Condominium, or the screens, doors, awnings, or other portions of any Unit visible from outside the Unit without the prior written consent of the Board or in accordance with rules or regulations of the Association. No solar panels, radio or television antennas or other appliances may be installed on the exterior of the building without the prior written consent of the Board. Unless otherwise established by rule or regulation of the Board, all portion of curtains, blinds or draperies visible from outside the Units shall be white or off-white and the Owners shall not replace the glass or screens in the windows or doors of the Units except with materials of similar color and quality to those originally installed.

Section 9.5 Protected Antennas. Owners may not install antennas, dishes or other receiving devices in or on any portion of the Common Elements or Limited Common Elements, except as provided in this Section. Each Owner shall have the right to install a Protected Antenna (as defined by the provisions of 47 C.F.R. § 1.4000 ("FCC Rule") as it now exists or is hereafter amended or replaced, or any other federal, state or local law, code, rule or regulation that preempts, prohibits or limits restrictions on, or conditions to, the installation, maintenance or repair of telecommunications equipment desired by an Owner) (but no other kind of antenna, dish or receiving device) within a Limited Common Element area allocated to the Owner's Unit, subject to such reasonable rules and regulations as the Board may adopt; provided, however, the Association may prohibit the installation of a Protected Antenna by Owners if the Association provides a central antenna system that complies with the FCC Rule or any other law, ordinance, rule or regulation that permits such prohibition. If the provisions of this Section conflict with any applicable federal, state or local law, ordinance, rule or regulation, the terms of such law, ordinance, rule or regulation shall prevail, but the conditions and limitations set forth in this Section shall be enforced to the maximum extent permitted by law.

Section 9.6 Effect on Insurance. Nothing shall be done or kept in any Unit or in any Common Element that will increase the rate of insurance on the property without the prior written consent of the Board. Nothing shall be done or kept in any Unit or in any Common Element that will result in the cancellation of insurance on any part of the property, or that would be in violation of any laws.

Section 9.7 Use or Alteration of Common and Limited Common Elements. Use of the Common Elements and Limited Common Elements shall be subject to the provisions of this Declaration and the rules and regulations of the Board. Nothing shall be altered or constructed in or removed from any Common Element or Limited Common Element except upon the prior written consent of the Board.

Section 9.8 Signs. No sign of any kind shall be displayed to the public view on or from any Unit, Limited Common Element, or Common Element without the prior consent of the Board. Advertising shall not be permitted from any Unit or on any Common Elements or Limited Common Element, including, but not limited to, decks, windows, doors or parking spaces; provided that the Board may erect, on the Common Elements, a master directory listing Units that are for sale or lease. This Section shall not apply to the Declarant who may post such signs on the property as it deems necessary or appropriate for the sale of Units in the Condominium as long as the Declarant has a Unit for sale.

Section 9.9 Pets. Domesticated cats and dogs (herein referred to as "pets") may be kept in Units subject to rules and regulations adopted by the Board; provided that no Owner may keep more than two dogs, two cats, or one dog and one cat in a Unit. Other domesticated and non-domesticated animals including but not limited to birds, fish, snakes, rodents, or "exotic animals" are not permitted in the Condominium except as expressly permitted by rules and regulations of the Association. The Board may prohibit dangerous breeds of dogs. Pets are not allowed on any Common Element or Limited Common Element unless they are on a leash or held and are being walked to or from the Unit to a public street or sidewalk. The Board may, after Notice and Opportunity to be Heard, at any time require the removal of any pet which it finds, in its sole discretion, is disturbing other Owners unreasonably, and may exercise this authority for specific pets even though other pets are permitted to remain. The Board's decision to require removal of a pet or other animal under this Section shall be final and shall not be subject to judicial review. The owner of any pet or other animal in the Condominium shall be responsible for any damage to person or property caused by the pet or other animal and shall indemnify and hold the Association and the Board harmless from any and all liability arising from or caused by the pet or other animal.

Section 9.10 Quiet Enjoyment. No Owner shall permit anything to be done or kept in the Owner's Unit, Limited Common Elements, or Common Elements which would interfere with the right of quiet enjoyment of the other residents of the Condominium. In particular, sound system loudspeakers shall not be rigidly attached to the party wall with another Unit or the ceilings, walls, shelves, or cabinets in a Unit in a manner that will induce vibrations into the structure of the building.

Section 9.11 Trash or Garbage Removal; Recycling. Owners shall be responsible for removing their trash or garbage from their Units and depositing it in the proper receptacles in accordance with the Association's rules and regulations concerning trash or garbage removal and recycling or removing it from the premises if it is not suitable for such

receptacles or recycling. Owners shall comply with all laws and ordinances governing trash and recycling.

Section 9.12 Offensive Activity. No noxious or offensive activity shall be carried on in any Unit, Limited Common Element, or Common Element, nor shall anything be done therein that may be or become an annoyance or nuisance to other Owners. Owners shall not permit any condition to exist that will induce, breed, or harbor infectious plant diseases or noxious insects or vermin.

Section 9.13 Hazardous Substances. The Owner of each Unit shall not permit any Hazardous Substance to be generated, processed, stored, transported, handled, or disposed of on, under, in, or through the Owner's Unit or the Property. Each Owner shall indemnify, defend, and hold harmless the other Owner or Owners and the Association from all fines, suits, procedures, claims, and actions of any kind arising out of or in any way connected with any spills or discharges of Hazardous Substances or wastes arising from the operation or use of the Unit or the Property by the Owner, tenants, or invitees of the Unit. As used herein, the term "Hazardous Substance" means any hazardous, toxic, or dangerous substance, waste, or material which is or becomes regulated under any federal, state, or local statute, ordinance, rule, regulation, or other law now or hereafter in effect pertaining to environmental protection, contamination, or cleanup, including without limitation any substance, waste, or material which now or hereafter is designated as a "Hazardous Substance" under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 et seq.), or under any local or state rule or regulation. Without limiting the foregoing, Hazardous Substances shall include, but not be limited to, any substance which after being released into the environment and upon exposure, ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer, and/or genetic abnormalities.

Section 9.14 Conveyance by Owners; Notice Required. The right of an Owner to convey or sell the Unit shall not be subject to any right of approval, disapproval, first refusal, or similar restriction by the Association or the Board, or anyone acting on their behalf. An Owner intending to convey a Unit shall deliver a written notice to the Board, at least two weeks before closing, specifying (a) the Unit being sold; (b) the name and address of the purchaser, of the closing agent, and of the title insurance company insuring the purchaser's interest; and (c) the estimated closing date. The Board 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. Promptly upon the conveyance of a Unit, the new Unit Owner shall notify the Association of the date of the conveyance and the Unit Owner's name and address. The Association shall notify each insurance company that has issued an insurance policy under Article 20 of the name and address of the new Owner and request that the new Owner be made a named insured under such policy. At the time of the first conveyance of each Unit,

every mortgage, lien, or other encumbrance affecting that Unit and any other Unit or Units or real property, other than the percentage of undivided interest of that Unit in the Common Elements, shall be paid and satisfied of record, or the Unit being conveyed and its undivided interest in the Common Elements shall be released therefrom by partial release duly recorded or the purchaser of that Unit shall receive title insurance from a licensed title insurance company against such mortgage, lien, or other encumbrance.

Article 10. DEVELOPMENT RIGHTS; SPECIAL DECLARANT RIGHTS; DECLARANT INSPECTIONS.

Section 10.1 Development Rights. The Declarant reserves the Development Right to assign parking spaces to Units as Limited Common Elements pursuant to Section 8.1. The Declarant also reserves the right to reconfigure parking spaces by amendment to the Declaration and Survey Map and Plans signed only by Declarant. The Declarant's right to assign and reconfigure parking spaces shall terminate on the earlier of one year after the last conveyance of a Unit by the Declarant or five years after the date of recording this Declaration.

Section 10.2 Special Declarant Rights. The Declarant reserves the following Special Declarant Rights so long as the Declarant owns a Unit: (a) to complete any improvements shown on the Survey Map and Plans; (b) to maintain sales offices, management offices, signs advertising the Condominium, and models in Units that are not occupied and are for sale by the Declarant, in Units owned by the Declarant, and in the Common Elements of the Condominium; (c) to use easements through the Common Elements for the purpose of making improvements within the Condominium; and (d) to elect, appoint, or remove any officer of the Association or any member of the Board during the period of Declarant Control as provided by Article 13.

Section 10.3 Declarant Inspections. Until December 31, 2012, the Declarant shall have the right, but not the obligation, to conduct inspections and tests from time to time of all or any parts of the Common Elements, including the Limited Common Elements, in order to ascertain the physical condition of the improvements in the Condominium and to determine whether maintenance, repairs or replacements of any such improvements are indicated. The Declarant shall pay all costs of such inspections and tests and restore the affected portion of the property to its condition immediately prior thereto, and shall indemnify the Association and Owners of any affected Units from any damage resulting therefrom. The Declarant shall have such rights of entry on, over, under, across and through the property as may be reasonably necessary to exercise the rights described in this Section. The Declarant shall provide reasonable advance notice to the Association of the inspections and repairs, shall permit a representative of the Association to be present during the inspections and repairs and shall provide the Association copies of the inspection reports.

Section 10.4 Declarant Right to Attend Association Meetings and Receive Minutes and Notices. Until December 31, 2012, (a) the Declarant shall have the right to attend all

meetings of the Board and the Association; (b) the Association shall send the Declarant notices of such meetings at the same time notices are given to the members of the Board or the Association, as the case may be, and copies of minutes of all meetings of the Board and the Association; and (c) the Declarant shall have the right to inspect the book and records of the Association as further provided in Section 12.7. Notices and minutes shall be given to the Declarant in writing to the Declarant at the address specified in Section 12.6 or in such other manner as the Declarant shall specify.

Section 10.5 Transfer. The rights described in this Article shall not be transferred except by instrument evidencing the transfer executed by the Declarant or the Declarant's successor and the transferee, and recorded in the county in which the Condominium is located. The rights and liabilities of the parties involved in such a transfer, and of all persons who succeed to any Special Declarant Right, are set out in RCW 64.34.316.

Article 11. ENTRY FOR REPAIRS OR MAINTENANCE

The Association and its agents or employees may enter any Unit and the Limited Common Elements allocated thereto to effect repairs, improvements, replacements, maintenance, or sanitation work deemed by the Board to be necessary in the performance of its duties, to do necessary work that the Owner has failed to perform, or to prevent damage to the Common Elements or to another Unit. Except in cases of great emergency that preclude advance notice, the Board shall cause the Unit occupant to be given Notice and an Opportunity to be Heard as far in advance of entry as is reasonably practicable. Such entry shall be made with as little inconvenience to the Owners and occupants as practicable. The Board may levy a special Assessment against the Owner of the Unit for all or part of the cost of work that the Owner has failed to perform which may be collected and foreclosed by the Association in the same manner as Assessments are collected and foreclosed under Article 16. The Board may require Owners and tenants to furnish duplicate keys to their Units to the Board or the Board's designated agent.

Article 12. OWNERS ASSOCIATION

Section 12.1 Form of Association. The Owners of Units shall constitute an owners association to be known as The Betsy Ross Owners Association. The Association shall be organized as a nonprofit corporation, no later than the date the first Unit in the Condominium is conveyed. The number of Board members and qualifications and procedures for election to the Board shall be provided in the Bylaws. The rights and duties of the Board and of the Association shall be governed by the provisions of the Condominium Act, the Declaration, and the Bylaws.

Section 12.2 Bylaws. The Board will adopt Bylaws to supplement the Declaration and to provide for the administration of the Association and the property and for other purposes not inconsistent with the Condominium Act or the Declaration.

Section 12.3 Qualification and Transfer. Each Owner of a Unit (including the Declarant) shall be a member of the Association and shall be entitled to one membership for each Unit owned, which membership shall be considered appurtenant to that member's Unit. Ownership of a Unit shall be the sole qualification for membership in the Association. A membership shall not be transferred in any way except upon the transfer of title to the Unit and then only to the transferee of title to the Unit, provided that if a Unit has been sold on contract, the contract purchaser shall exercise the rights of the Owner for purposes of the Association, this Declaration, and the Bylaws, except as hereinafter limited, and shall be the voting representative unless otherwise specified. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit shall operate automatically to transfer the membership in the Association to the new Owner.

Section 12.4 Powers of the Association. In addition to those actions authorized elsewhere in the Declaration, the Association shall have the power to:

12.4.1 Adopt and amend the Bylaws and the rules and regulations for the Condominium;

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

12.4.3 Hire and discharge or contract with Managing Agents and other employees, agents, and independent contractors;

12.4.4 Institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Unit Owners on matters affecting the Condominium; provided, however, that the approval of Owners holding at least 67% of the votes in the Association shall be required before the Association may institute, commence or intervene in any litigation or administrative proceeding, including arbitration, other than litigation or other proceedings against Owners for collection of delinquent Assessments or for enforcement of the Declaration or rules and regulations of the Association; but Owner approval shall not be required for settlement of such litigation or administrative proceedings;

12.4.5 Make contracts and incur liabilities;

12.4.6 Regulate the use, maintenance, repair, replacement, and modification of Common Elements and Limited Common Elements;

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

12.4.8 Acquire, hold, encumber, convey, and dispose of, in the Association's name, right, title, or interest to real or tangible and intangible personal property, and arrange for and supervise any addition or improvement to the Condominium, provided that:

12.4.8.1 If the estimated cost of any separate property acquisition, addition, or improvement to the Condominium exceeds \$5,000, the approval of the Owners holding a majority of the votes in the Association shall be required; and

12.4.8.2 The beneficial interest in any property acquired by the Association pursuant to this Section shall be owned by the Owners in the same proportion as their respective interests in the Common Elements and shall thereafter be held, sold, leased, mortgaged, or otherwise dealt with as the Board shall determine.

12.4.9 Grant easements, leases, licenses, and concessions through or over the Common Elements and petition for or consent to the vacation of streets and alleys;

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

12.4.11 Acquire and pay for all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the Condominium;

12.4.12 Impose and collect charges for late payment of Assessments as further provided in Article 16 and, after Notice and an Opportunity to be Heard by the Board or by such representative designated by the Board and in accordance with such procedures as provided in this Declaration, the Bylaws, or rules and regulations adopted by the Board, levy reasonable fines in accordance with a previously established schedule thereof adopted by the Board and furnished to the Owners for violations of this Declaration, the Bylaws, and rules and regulations of the Association;

12.4.13 Impose and collect reasonable charges for the preparation and recording of amendments to this Declaration, resale certificates required by RCW 64.34.425, and statements of unpaid Assessments;

12.4.14 Provide for the indemnification of its officers and Board, and maintain directors' and officers' liability insurance;

12.4.15 Assign its right to future income, including the right to receive Assessments;

12.4.16 Provide or pay, as part of the Common Expenses, the following utility services to the Units: water, sewer and garbage removal;

12.4.17 Exercise any other powers conferred by this Declaration or the Bylaws;

12.4.18 Exercise all other powers that may be exercised in this state by the same type of corporation as the Association; and

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

Section 12.5 Financial Statements and Records. The Association shall keep financial records in sufficient detail to enable the Association to comply with the resale certificate requirements set forth in 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. The Association shall prepare, or cause to be prepared, an annual financial statement of the Association. The annual financial statement shall be audited at least annually by a certified public accountant who is not a member of the Board or an Owner unless Owners holding at least 60% of the votes, excluding votes held by the Declarant, waive the audit for that year. Any mortgagee shall, upon request, be entitled to receive the annual financial statement within 120 days following the end of the fiscal year. The Board, or persons having 35% of the voting power of the Association, may require that an audit of the Association and management books be presented at any special meeting. An Owner, at the Owner's expense, may at any reasonable time conduct an audit of the books of the Board and Association. Upon written request of FHLMC or FNMA, if it is a Mortgagee, the Association shall provide such Mortgagee within a reasonable time the financial statement of the Association for the preceding fiscal year.

Section 12.6 Association Annual Inspections. At least annually, the Association shall have the Condominium inspected by a qualified engineer or architect (the "Inspector"). In order to ascertain the physical condition of the improvements in the Condominium and to determine whether maintenance, repairs or replacements of any such improvements are indicated. The inspection shall cover, at a minimum, the "building enclosure" as such term is defined in RCW 64.55, including the roofs, siding, decks, caulking, windows and doors. Promptly after completion of the inspection, the Inspector shall prepare a written report of the inspection to the Board (the "Annual Inspection Report"). Until December 31, 2012, the Board shall promptly send a copy of each Annual Inspection Report to the Declarant at the following address:

Betsy Ross Building, LLC
114 1/2 Avenue South, #1
Seattle, Washington 98104

or to such other address as the Declarant may provide to the Association.

Section 12.7 Inspection of Condominium Documents, Books, and Records. The Association shall make available to Owners, Mortgagees, prospective purchasers and their prospective Mortgagees, and the agents or attorneys of any of them, current copies of this Declaration, the Articles, the Bylaws, the rules and regulations of the Association, and other books, records, and financial statements of the Association. "Available" shall mean available for inspection upon request, during normal business hours or under other reasonable circumstances. The Association may require the requesting party to pay a reasonable charge to cover the cost of making the copies.

Article 13. DECLARANT CONTROL PERIOD.

Section 13.1 Declarant Control Until Transition Date. Until the Transition Date, the Declarant shall have the right to appoint all members of the Board, provided that (1) not later than 60 days after conveyance of 25% of the Units to Owners other than the Declarant, at least one member and not less than 25% of the members of the Board must be elected by Owners other than the Declarant and (2) not later than sixty days after conveyance of 50% of the Units to Owners other than the Declarant, not less than one-third of the members of the Board must be elected by Owners other than the Declarant.

Section 13.2 Transition Date. Declarant Control of the Association shall terminate on the Transition Date. The Transition Date shall be no later than the earlier of: (a) 60 days after conveyance of 75% of the Units to Owners other than the Declarant; (b) three years after the first conveyance of a Unit; (c) two years after the last conveyance of a Unit or (d) the date on which the Declarant records an amendment to the Declaration pursuant to which the Declarant voluntarily surrenders the right to further appoint and remove officers and members of the Board. If the Declarant voluntarily surrenders control pursuant to (d) above, the Declarant may require that for the duration of the period of Declarant Control, specified actions of the Association or the Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

Section 13.3 Declarant's Transfer of Association Control. Within 60 days after the Transition Date, the Declarant shall deliver to the Association all property of the Owners and of the Association held or controlled by the Declarant including, but not limited to, the following:

13.3.1 The original or a photocopy of the recorded Declaration and each amendment to the Declaration;

- 13.3.2 The certificate of incorporation and a copy of the Articles as filed with the secretary of state;
- 13.3.3 The Bylaws;
- 13.3.4 The minute books, including all minutes and other books and records of the Association;
- 13.3.5 Any rules and regulations that have been adopted;
- 13.3.6 Resignations of officers and members of the Board who are required to resign because the Declarant is required to relinquish control of the Association;
- 13.3.7 The financial records, including canceled checks, bank statements, and financial statements of the Association, and source documents from the time of incorporation of the Association through the date of transfer or control to the Owners;
- 13.3.8 Association funds or the control of the funds of the Association;
- 13.3.9 All tangible personal property of the Association, represented by the Declarant to be the property of the Association and inventory of the property;
- 13.3.10 Except for alterations to a Unit done by a Unit Owner other than the Declarant, the copy of the Declarant's plans and specifications utilized in the construction or remodeling of the Condominium, with a certificate of the Declarant or a licensed architect or engineer that the plans and specifications represent, to the best of such person's knowledge and belief, the actual plans and specifications utilized by the Declarant in the construction or remodeling of the Condominium;
- 13.3.11 Insurance policies or copies thereof for the Condominium and the Association;
- 13.3.12 Copies of any certificates of occupancy that may have been issued for the Condominium;
- 13.3.13 Any other permits issued by governmental bodies applicable to the Condominium in force on the Transition Date;
- 13.3.14 All original warranties that are still in effect for the Common Elements, or any other areas or facilities which the Association has a responsibility to maintain and repair, from the contractor, subcontractors, suppliers, and manufacturers and all owners manuals or instructions furnished to the Declarant with respect to installed equipment or building systems;

13.3.15 A roster of Unit Owners and Eligible Mortgagees, and their addresses and telephone numbers, if known, as shown on the Declarant's records and the date of closing of the first sale of each Unit sold by the Declarant;

13.3.16 Any leases of the Common Elements or areas and other leases to which the Association is a party;

13.3.17 Any employment contracts or service contracts in which the Association is one of the contracting parties or service contracts in which the Association or the Unit Owners have an obligation or a responsibility, directly or indirectly, to pay some or all of the fee or charge of the person performing the services; and

13.3.18 All other contracts to which the Association is a party.

Section 13.4 Audit of Records Upon Transfer. Upon termination of the period of Declarant Control, the records of the Association shall be audited as of the date of transfer by an independent certified public accountant in accordance with generally accepted auditing standards unless the Owners, other than the Declarant, by two-thirds vote, elect to waive the audit. The costs of the audit shall be a Common Expense.

Section 13.5 Termination of Contracts and Leases Made By the Declarant. If entered into before the Board elected pursuant to Section 14.1 takes office, (1) any management contract, employment contract, or lease of recreational or parking areas or facilities or (2) any other contract or lease between the Association and the Declarant or an affiliate of the Declarant, as defined by RCW 64.34.020(1), may be terminated without penalty by the Association at any time after the Board elected pursuant to Section 14.1 takes office upon not less than 90 days' notice to the other party or within such less notice period provided for without penalty in the contract or lease. This Section does not apply to any lease, the termination of which would terminate the Condominium or reduce its size, unless the real property subject to that lease was included in the Condominium for the purpose of avoiding the right of the Association to terminate a lease under this Section.

Article 14. THE BOARD.

Section 14.1 Selection of the Board and Officers. Prior to the Transition Date, election or appointment of members of the Board shall be governed by Section 13.1. Within 30 days after the Transition Date, the Owners shall elect a Board, a majority of whom must be Unit Owners. The number of Board members and their terms of service shall be specified in the Bylaws. The Board shall elect officers in accordance with the procedures provided in the Bylaws. The members of the Board and officers shall take office upon election. Removal of Board members and officers shall be as provided in the Bylaws.

Section 14.2 Powers of the Board. Except as provided in this Declaration, the Bylaws or the Condominium Act, the Board shall at all times act on behalf of the Association. The Board may exercise all powers of the Association, except as otherwise provided in the Condominium Act, Declaration, or the Bylaws.

Section 14.3 Managing Agent. The Board may contract with an experienced professional Managing Agent to assist the Board in the management and operation of the Condominium and may delegate such of its powers and duties to the Managing Agent as it deems to be appropriate, except as limited herein. If professional management has been required by HUD, FNMA, VA, FHLMC, or other similar agency or corporation, the Board shall not terminate professional management and assume self-management of the Association without the consent of Eligible Mortgagees of Units to which at least 51% of the votes of Units subject to Mortgages held by Eligible Mortgagees are allocated. Any contract with a Managing Agent shall have a term no longer than one year (but may be renewable by agreement of the parties for successive one-year periods) and shall be terminable by the Board without payment of a termination fee, either (1) for cause, on 30 days' written notice, or (2) without cause, on not more than 90 days' written notice.

Section 14.4 Limitations on Board Authority. The Board shall not act on behalf of the Association to amend the Declaration in any manner that requires the vote or approval of the Unit Owners pursuant to Article 25, to terminate the Condominium pursuant to Article 26, or to appoint members of the Board or determine the qualifications, powers, and duties, or terms of office of members of the Board.

Section 14.5 Right to Notice and Opportunity to Be Heard. Whenever this Declaration requires that an action of the Board be taken after "Notice and Opportunity to Be Heard," the following procedure shall be observed: The Board shall give written notice of the proposed action to all Owners, tenants, or occupants of Units whose interest would be significantly affected by the proposed action. The notice shall include a general statement of the proposed action and the date, time, and place of the hearing, which shall be not less than five days from the date notice is delivered by the Board. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. Such evidence shall be considered in making the decision but shall not bind the Board. The affected person shall be notified of the decision in the same manner in which notice of the meeting was given.

Article 15. BUDGET AND ASSESSMENTS.

Section 15.1 Fiscal Year. The fiscal year of the Association will be the calendar year.

Section 15.2 Preparation of Budget. Not less than 30 days before the end of the fiscal year the Board shall prepare a budget for the Association for the coming year. In preparing its budget the Board shall estimate the Common Expenses of the Association to be paid during the year, make suitable provision for accumulation of reserves, including amounts reasonably anticipated to be required for maintenance, repair, and replacement of the Common Elements and the Limited Common Elements, and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Association.

Section 15.3 Ratification of Budget. Within 30 days after adoption of any proposed budget for the Condominium after the Transition Date, the Board shall provide a summary of the budget to all the Owners and shall set a date for a meeting of the Owners to consider ratification of the budget not less than 14 nor more than 60 days after mailing of the summary. Unless at that meeting the Owners to which a majority of the votes in the Association are allocated reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Unit Owners shall be continued until such time as the Unit Owners ratify a subsequent budget proposed by the Board.

Section 15.4 Supplemental Budget. If during the year the budget proves to be inadequate for any reason, including nonpayment of any Owner's Assessments, the Board may prepare a supplemental budget for the remainder of the year. A supplemental budget that results in an increase in an Owner's Assessments shall be ratified pursuant to Section 15.3.

Section 15.5 Monthly Assessments. The amounts required by the Association for Common Expenses as reflected by the annual budget and any supplemental budgets shall be divided into installments to be paid each month over the period of time covered by the budget or supplemental budget. The monthly Assessment for each Unit is the Common Expense Liability of that Unit times the total monthly installment for Common Expenses for all Units. Monthly Assessments begin accruing for all Units upon the closing of the sale of the first Unit by the Declarant; provided that the Declarant may delay the commencement of Assessments for Common Expenses and pay all actual Common Expenses (but no allocations to reserves).

Section 15.6 Contribution to Initial Working Capital. In connection with the closing of the sale of each Unit, the first purchaser thereof shall pay to the Association, as a nonrefundable contribution to an initial working capital fund, an amount equal to two times the initial monthly Assessment against the Unit, which amount shall not be considered as an advance payment of regular Assessments. On the Transition Date, the Declarant shall make such contribution for any Units remaining unsold on that date and shall be entitled to be reimbursed the amount so paid as each such Unit is conveyed. The Declarant shall not use any of the working capital fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits prior to the Transition Date. After the

Transition Date, the Board may transfer all or any portion of the initial working capital fund to reserves.

Section 15.7 Special Assessments. For those Common Expenses which cannot reasonably be calculated and paid on a monthly basis, the Board may levy special Assessments for such expenses against the Units, subject to ratification by the Owners pursuant to Section 15.3. To the extent that any Common Expense is caused by the misconduct of an Owner or tenant of any Unit, the Association may, after Notice and Opportunity to be Heard, levy a special assessment for the expense against the Unit.

Section 15.8 Creation of Reserves; Assessments. The Board shall create reserve accounts for anticipated expenses for repairs, replacements, and improvements which will occur in the future in order to accumulate sufficient funds to pay such expenses when they occur. The operation of reserve accounts and Assessments for reserve accounts shall be further governed by the Bylaws.

Section 15.9 Notice of Assessments and Delinquency. The Board shall notify each Owner in writing of the amount of the monthly general and special Assessments to be paid for the Owner's Unit and shall furnish copies of all budgets and the Common Expense Liability allocations which apply to the Unit, on which the general and special Assessments are based. The Board shall furnish the same information to an Owner's mortgagee if so requested. In addition, the Board shall provide timely written notice to the First Mortgagee of a Unit of any 60 day delinquency in the payment of Assessments or other charges owed by the Owner of the Unit.

Section 15.10 Payment of Monthly Assessments. On or before the first day of each calendar month each Owner shall pay or cause to be paid to the treasurer or designated agent of the Association all Assessments against the Unit for that month. Any Assessment not paid by the tenth day of the calendar month for which it is due shall be delinquent and subject to late charges, interest charges, and collection procedures as provided in Article 16.

Section 15.11 Proceeds Belong to Association. All Assessments and other receipts received by the Association on behalf of the Condominium shall belong to the Association.

Section 15.12 Failure to Assess. Any failure by the Board or the Association to make the budgets and Assessments hereunder before the expiration of any year for the ensuing year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owners from the obligation to pay Assessments during that or any subsequent year. The monthly Assessments amounts established for the preceding year shall continue until new Assessments are established.

Section 15.13 Certificate of Unpaid Assessments. Upon the request of any Owner or Mortgagee of a Unit, the Board will furnish a certificate stating the amount, if any, of unpaid

Assessments charged to the Unit. The certificate shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the certificate in favor of all purchasers and mortgagees of the Unit who rely on the certificate in good faith. The Board may establish a reasonable fee to be charged to reimburse it for the cost of preparing the certificate.

Section 15.14 Recalculation of Assessments. If Common Expense Liabilities are reallocated, Common Expense Assessments, special Assessments, and any installment thereof not yet due shall be recalculated in accordance with the reallocated liabilities.

Article 16. LIEN AND COLLECTION OF ASSESSMENTS.

Section 16.1 Assessments Are a Lien; Priority. The Association has a lien on a Unit for any unpaid Assessment levied against a Unit from the time the Assessment is due. A lien under this Article shall be prior to all other liens and encumbrances on a Unit except: (a) liens and encumbrances recorded before the recording of this Declaration; (b) a mortgage on the Unit recorded before the date on which the Assessment sought to be enforced became delinquent, EXCEPT to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the periodic budgets adopted by the Association pursuant to Article 15 which would have become due during the six months immediately preceding the date of a sheriff's sale in an action for judicial foreclosure by either the Association or a mortgagee, the date of a trustee's sale in a nonjudicial foreclosure of a mortgage, or the date of recording of the declaration of forfeiture in a proceeding by the vendor under a real estate contract, PROVIDED that the priority of the Association's lien against Units encumbered by a mortgage held by an Eligible Mortgagee or by a mortgagee which has given the Association a written request for a notice of delinquent Assessments shall be reduced by up to three months if and to the extent that such lien priority includes any delinquencies which relate to a period after such mortgagee becomes an Eligible Mortgagee or has given such notice and before the Association gives such mortgagee a written notice of the delinquency; and (c) liens for real property taxes and other governmental assessments or charges against the Unit. Recording of this Declaration constitutes record notice and perfection of the lien for Assessments; however, the Association may record a notice of claim of lien for Assessments in the real property records of the county in which the Condominium is located. Such recording shall not constitute the written notice of delinquency to a mortgagee referred to above.

Section 16.2 Lien May be Foreclosed; Judicial Foreclosure. The lien arising under this Article may be enforced judicially by the Association or its authorized representative in the manner set forth in RCW 61.12, or nonjudicially in the manner set forth in Section 16.3. The Association or its authorized representative shall have the power to purchase the Unit at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure

action, the period of redemption shall be eight months. Nothing in this Section shall prohibit the Association from taking a deed in lieu of foreclosure. Except as provided in the exception to (b) in Section 16.1, the holder of a mortgage or other purchaser of a Unit who obtains the right of possession of a Unit through foreclosure shall not be liable for any Assessments or installments thereof that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Owners, including such mortgagee or other purchaser of the Unit. Foreclosure of a mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Unit prior to the date of such sale.

Section 16.3 Nonjudicial Foreclosure. A lien arising under this Article may be foreclosed nonjudicially in the manner set forth in RCW 61.24 for nonjudicial foreclosure deeds of trust. For the purpose of preserving the Association's nonjudicial foreclosure option, this Declaration shall be considered to create a grant of each Unit in trust to Chicago Title Insurance Company or its successors or assigns ("Trustee"), to secure the obligations of each Unit Owner ("Grantor") to the Association ("Beneficiary") for the payment of Assessments. Grantor shall retain the right to possession of Grantor's Unit so long as Grantor is not in default of an obligation to pay Assessments. The Trustee shall have a power of sale with respect to each Unit, which becomes operative in the case of a default in a Grantor's obligation to pay Assessments. The Units are not used principally for agricultural or farming purposes. If the Association forecloses its lien nonjudicially pursuant to this Section, it shall not be entitled to the lien priority over mortgages provided in exception (b) of Section 16.1.

Section 16.4 Receiver During Foreclosure. From the time of commencement of an action by the Association to foreclose a lien for nonpayment of delinquent Assessments against a Unit that is not occupied by the Owner thereof, the Association shall be entitled to the appointment of a receiver to collect from the lessee thereof the rent for the Unit as and when due. If the rent is not paid, the receiver may obtain possession of the Unit, refurbish it for rental up to a reasonable standard for rental Units in this type of Condominium, rent the Unit or permit its rental to others, and apply the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the Unit, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent Assessments. Only a receiver may take possession and collect rents under this Section, and a receiver shall not be appointed less than 90 days after the delinquency. The exercise by the Association of the foregoing rights shall not affect the priority of preexisting liens on the Unit.

Section 16.5 Assessments Are Personal Obligation. In addition to constituting a lien on the Unit, all sums assessed by the Association chargeable to any Unit, including all charges provided in this Article, shall be the personal obligation of the Owner of the Unit when the Assessments are made. Suit to recover personal judgment for any delinquent Assessments shall be maintainable without foreclosing or waiving the liens securing them.

Section 16.6 Extinguishment of Lien and Personal Liability. A lien for unpaid Assessments and the personal liability for payment of Assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

Section 16.7 Joint and Several Liability. In addition to constituting a lien on the Unit, each Assessment shall be the joint and several obligation of the Owner or Owners of the Unit to which the same are assessed as of the time the Assessment is due. In a voluntary conveyance, the grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid Assessments against the grantor up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. Suit to recover a personal judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waiving the lien securing such sums.

Section 16.8 Late Charges and Interest on Delinquent Assessments. The Association may from time to time establish reasonable late charges and a rate of interest to be charged on all subsequent delinquent Assessments or installments thereof. In the absence of another established nonusurious rate, delinquent Assessments shall bear interest from the date of delinquency at the maximum rate permitted under RCW 19.52.020 on the date on which the Assessments became delinquent.

Section 16.9 Recovery of 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.

Section 16.10 Security Deposit. An Owner who has been delinquent in paying his monthly Assessments for three of the five preceding months may be required by the Board, from time to time, to make and maintain a security deposit not in excess of three months' estimated monthly Assessments, which shall be collected and shall be subject to penalties for nonpayment as are other Assessments. The deposit shall be held in a separate fund, credited to such Owner, and may be resorted to at any time when such Owner is 10 days or more delinquent in paying Assessments.

Section 16.11 Remedies Cumulative. The remedies provided herein are cumulative and the Board may pursue them, and any other remedies which may be available under law although not expressed herein, either concurrently or in any order.

Article 17. ENFORCEMENT OF DECLARATION, BYLAWS, AND RULES AND REGULATIONS.

Section 17.1 Rights of Action. Each Owner, the Board, and the Association shall comply strictly with this Declaration, the Bylaws, and the rules and regulations adopted pursuant thereto, as they may be lawfully amended from time to time, and the decisions of the Board. Failure to comply with any of the foregoing shall be grounds for an action to recover sums due, damages, and for injunctive relief, or any or all of them, maintainable by the Board on behalf of the Association or by an Owner.

Section 17.2 Failure of Board to Insist on Strict Performance No Waiver. The failure of the Board in any instance to insist upon the strict compliance with this Declaration or the Bylaws or rules and regulations of the Association, or to exercise any right 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 any term, covenant, condition, or restriction. The receipt by the Board of payment of an Assessment from an Owner, with knowledge of a breach by the Owner, shall not be a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed for the Board. This Article also extends to the Declarant.

Article 18. TORT AND CONTRACT LIABILITY.

Section 18.1 Declarant Liability. Neither the Association nor any Owner except the Declarant is liable for the Declarant's torts in connection with any part of the Condominium which the Declarant has the responsibility to maintain. Otherwise, an action alleging a wrong done by the Association must be brought against the Association and not against any Owner or any officer or director of the Association. If the wrong by the Association occurred during any period of Declarant Control and the Association gives the Declarant reasonable notice of and an opportunity to defend against the action, the Declarant who then controlled the Association is liable to the Association or to any Owner (1) for all tort losses not covered by insurance suffered by the Association or that Owner and (2) for all costs which the Association would not have incurred but for a breach of contract or other wrongful act or omission by the Association. If the Declarant does not defend the action and is determined to be liable to the Association under this Section, the Declarant is also liable for all litigation expenses, including reasonable attorneys' fees, incurred by the Association in such defense. Any statute of limitations affecting the Association's right of action under this Section is tolled until the period of Declarant Control terminates. An Owner is not precluded from bringing an action contemplated by this Section because he or she is a Unit Owner or a member or officer of the Association.

Section 18.2 Limitation of Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Board, neither the Association, the Board, the Managing

Agent, nor the Declarant shall be liable for: the failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust, or sand which may leak or flow from outside or from any parts of the building, or from any of their pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or orders of a governmental authority. No diminution or abatement of Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

Section 18.3 No Personal Liability. So long as a Board member, Association committee member, Association officer, the Declarant, or the Managing Agent has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such person, no such person shall be personally liable to any Owner, or to any other person, 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 when the consequences of such act, omission, error, or negligence is covered by insurance obtained by the Board.

Article 19. INDEMNIFICATION.

Each Board member, Association committee member, Association officer, the Declarant, and the Managing Agent shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonably incurred by or imposed in connection with any proceeding to which such person may be a party, or in which such person may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not such person holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by any type of insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of such person's duties, provided, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interests of the Association.

Article 20. INSURANCE.

Section 20.1 General Requirements. Commencing not later than the time of the first conveyance of a Unit to a person other than the Declarant, the Association shall maintain, to the extent reasonably available, a policy or policies and bonds necessary to provide (a) property insurance, (b) commercial general liability insurance, (c) fidelity insurance, (d) worker's compensation insurance to the extent required by applicable laws, (e) directors and officers liability insurance, and (f) such other insurance as the Board deems advisable.

The Board shall review at least annually the adequacy of the Association's insurance coverage. All insurance shall be obtained from insurance carriers that are generally acceptable for similar projects, authorized to do business in the state of Washington, and meet the specific requirements of FNMA, HUD, VA, and FHLMC regarding the qualifications of insurance carriers. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect property, liability, and fidelity insurance that meets the insurance requirements for condominium projects established by FNMA, HUD, FHLMC, and VA so long as any of them is a holder of a mortgage or Owner of a Unit, except to the extent such coverage is not available or has been waived in writing by them. All such insurance policies shall provide that coverage may not be cancelled or substantially modified without at least 30 days' prior written notice (10 days for cancellation for nonpayment of premium) to any and all named insureds therein, including the Association as the first named insured therein, Owners, Mortgagees and designated servicers of Mortgagees.

Section 20.2 Property Insurance; Deductible. The property insurance shall, at the minimum and subject to such reasonable deductible as the Board may determine, provide All Risks of Direct Physical Loss coverage in an amount equal to the full replacement cost of the Common Elements, the Limited Common Elements, the Units, and the equipment, fixtures, appliances, improvements in the Units installed by the Declarant, and personal property of the Association with an "Agreed Amount Endorsement" and, if required by FNMA or FHLMC, construction code endorsements, such as a "Demolition Cost Endorsement," a "Contingent Liability from Operation of Building Laws Endorsement," an "Increased Cost of Construction Endorsement," and such other endorsements as FNMA or FHLMC deems necessary and are available. The policy shall provide a separate loss payable endorsement in favor of the Mortgagee of each Unit. In the discretion of the Board, the policy may, but shall not be required to, include coverage for loss due to earthquake (difference in conditions) and coverage for improvements or betterments installed by the Unit Owners. The Association or insurance trustee, if any, shall hold insurance proceeds in trust for the Owners and their Mortgagees, as their interests may appear. Each Owner and the Owner's Mortgagee, if any, shall be beneficiaries of the policy in accordance with the interest in the Common Elements appertaining to the Owner's Unit. Certificates of insurance shall be issued to each Owner and Mortgagee upon request. Up to the amount of the deductible under the Association's policy, each Unit Owner shall be responsible for (a) damage or loss within the Owner's Unit, (b) damage to another Unit or to the Common Elements resulting from the negligence or misconduct of the Unit Owner or tenant of the Owner's Unit, or (c) damage resulting from faulty or leaking plumbing fixtures or pipes, hot water tanks, sinks, bathtubs, toilets, dishwashers, washers, including any connecting hoses or drains in or serving only the Owner's Unit.

Section 20.3 Commercial General Liability Insurance. The liability insurance coverage shall insure the Board, the Association, the Owners, the Declarant, and the Managing Agent, and cover all of the Common Elements in the Condominium with a "Severability of Interest Endorsement" or equivalent coverage which would preclude the

insurer from denying the claim of an Owner because of the negligent acts of the Association or of another Owner, and shall cover liability of the insureds for property damage, bodily injury, and death of persons arising out of the operation, maintenance, and use of the Common Elements, host liquor liability, employers' liability insurance, automobile liability insurance, and such other risks as are customarily covered with respect to residential condominium projects of similar construction, location, and use. The limits of liability shall be in amounts generally required by Mortgagees for projects of similar construction, location and use but shall be at least \$1,000,000 combined single limit for bodily injury and property damage per occurrence and \$2,000,000 general aggregate.

Section 20.4 Insurance Trustee; Power of Attorney. The named insured under the policies referred to in Section 20.2 and Section 20.3 shall be the Association, as trustee for each of the Owners in accordance with their respective interests in the Common Elements. The insurance proceeds may be made payable to any trustee with which the Association enters into an insurance trust agreement, or any successor trustee, who shall have exclusive authority to negotiate losses under the policies. Subject to the provisions of Section 20.8, the proceeds must be disbursed first for the repair or restoration of the damaged property, and Unit Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored or the Condominium is terminated. Each Owner appoints the Association, or any insurance trustee or successor trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purposes.

Section 20.5 Additional Policy Provisions. The insurance obtained pursuant to Section 20.2 and Section 20.3 shall contain the following provisions and limitations:

20.5.1 Each Unit Owner is an insured person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.

20.5.2 Such policies shall not provide for contribution by or assessment against Mortgagees or become a lien on the property superior to the lien of a first mortgage.

20.5.3 If, at the time of the loss under the policy, there is other insurance in the name of the Unit Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

20.5.4 Coverage shall not be prejudiced by (a) any act, omission, or neglect of the Owners of Units when such act or neglect is not within the scope of the Owner's authority on behalf of the Association, or (b) failure of the Association to comply with any

warranty or condition with regard to any portion of the premises over which the Association has no control.

20.5.5 A waiver of subrogation by the insurer as to any and all claims against the Association, the Owner of any Unit, and/or their respective agents, members of the Owner's household, employees, or lessees, and of any defenses based upon co-insurance or upon invalidity arising from the acts of the insured.

20.5.6 A standard mortgagee clause which shall:

20.5.6.1 Provide that any reference to a mortgagee in the policy shall mean and include all Mortgagees of any Unit or Unit lease or sublease in their respective order of preference, whether or not named therein;

20.5.6.2 Provide that such insurance as to the interest of any Mortgagee shall not be invalidated by any act or neglect of the Board or Owners or any persons under any of them;

20.5.6.3 Waive any provision invalidating such mortgage clause by reason of the failure of any Mortgagee to notify the insurer of any hazardous use or vacancy, any requirement that the Mortgagee pay any premium thereon, and any contribution clause; and

20.5.6.4 Provide that, without affecting any protection afforded by such mortgagee clause, any proceeds payable under such policy shall be payable to the Association or the insurance trustee.

Section 20.6 Fidelity Insurance. The required fidelity insurance shall afford coverage to protect against dishonest acts on the part of officers, directors, trustees, and employees of the Association and all other persons who handle or are responsible for handling funds of or administered by, the Association. The Managing Agent shall maintain fidelity insurance for its officers, employees, and agents who handle or who are responsible for handling funds of, or funds administered by the Association. All such fidelity insurance shall name the Association as an obligee and shall be not less than the estimated maximum of funds, including reserve funds, in custody of the Association at any time during the term of each policy, but, in no event, shall the aggregate amount of insurance be less than three months' aggregate Assessments. The policy shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

Section 20.7 Owners' Individual Insurance. An insurance policy issued to the Association does not prevent an Owner from obtaining insurance for the Owner's own benefit. Each Unit Owner shall be required to obtain and maintain standard condominium

unit owners insurance. The Board may establish, in the rules and regulations, the minimum coverage for Owners' policies, provided that the minimum coverage shall not be less than the amount of the deductible for the Association's policy of property insurance. The Association shall have right but not the obligation to monitor the maintenance of such insurance by Unit Owners and shall have no right, but not the obligation, to obtain such insurance for the Unit Owner if the Owner fails to obtain or maintain and specially assess the cost to the Unit Owner.

Section 20.8 Use of Insurance Proceeds. Any portion of the Condominium for which insurance is required under this Article which is damaged or destroyed shall be repaired or replaced promptly by the Association pursuant to Article 21 unless: (a) the Condominium is terminated; (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (c) Owners holding at least 80% of the votes in the Association, including every Owner of a Unit or Limited Common Element which will not be rebuilt, and Owners other than the Declarant holding at least 80% the votes in the Association excluding votes held by the Declarant vote not to rebuild. The cost of repair or replacement in excess of the deductible, insurance proceeds and available reserves is a Common Expense. The Unit Owner shall be responsible for the amount of the deductible applicable to damage or loss within the Owner's Unit. If all of the damaged or destroyed portions of the Condominium are not repaired or replaced: (i) The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium; (ii) the insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated, or to lienholders, as their interests may appear; and (iii) the remainder of the proceeds shall be distributed to all the Unit Owners or lienholders, as their interests may appear, in proportion to the interest in Common Elements of each Unit. If the Unit Owners vote not to rebuild any Unit, that Unit's Allocated Interests are automatically reallocated upon the vote as if the Unit had been condemned under Article 22, and the Association promptly shall prepare, execute, and record an amendment to this Declaration reflecting the reallocations. Notwithstanding the provisions of this Section, Article 26 governs the distribution of insurance proceeds if the Condominium is terminated.

Article 21. DAMAGE AND REPAIR OR DAMAGE TO PROPERTY.

Section 21.1 Initial Board Determination. In the event of damage to any Common Element or to any portion of a Unit or its Limited Common Elements, equipment, or appliances covered by the Association's insurance policy, the Board shall promptly, and in all events within 60 days after the date of damage, make the following determinations with respect thereto, employing such advice as the Board deems advisable:

21.1.1 The nature and extent of the damage, together with an inventory of the improvements and property directly affected thereby.

21.1.2 A reasonably reliable estimate of the cost to repair the damage, which estimate shall, if reasonably practicable, be based upon two or more firm bids obtained from responsible contractors.

21.1.3 The expected insurance proceeds, if any, to be available from insurance covering the loss based on the amount paid or initially offered by the insurer.

21.1.4 The amount of the deductible to be paid by a Unit Owner with respect to damage or loss within the Owner's Unit.

21.1.5 The amount of available reserves or other Association funds, although the Board is not required to use any reserves or other Association funds; and

21.1.6 The amount, if any, by which the estimated cost of repair exceeds the portion of the deductible to be paid by a Unit Owner, expected insurance proceeds and available reserves or other Association funds, and the amount of the Assessments that would have to be made against each Unit if the excess cost were to be paid as a Common Expense and assessed against all the Units in proportion to their Common Expense Liabilities.

Section 21.2 Notice of Damage. The Board shall promptly, and in all events within 60 days after the date of damage, file a proof of loss statement with the insurance company if the loss is covered by insurance and abide by all terms and conditions of its insurance policies, unless the Board determines it would not be in the best interest of the Association to file a proof of loss. The Board shall then provide each Owner with a written notice describing the damage and summarizing the initial Board determinations made under Section 21.1. If the damage affects a material portion of the Condominium, the Board shall also send the notice to each First Mortgagee; and if the damage affects a Unit, the Board shall send the notice to the First Mortgagee of that Unit and any Eligible Mortgagee of that Unit. If the Board fails to do so within the 60-day period, any Owner or Mortgagee may make the determinations required under Section 21.1 and give the notice required under this Section.

Section 21.3 Definitions: Damage, Substantial Damage, Repair, Emergency Work. As used in this Article:

21.3.1 Damage shall mean all kinds of damage, whether of slight degree or total destruction due to an occurrence or event and shall not include construction defects, deterioration, or wear and tear.

21.3.2 Substantial Damage shall mean that the estimated Assessment determined under Subsection 21.1.4 for any one Unit exceed 10% of the full, fair market

value of the Unit before the damage occurred, as determined by the then current assessment for the purpose of real estate taxation.

21.3.3 Repair shall mean restoring the improvements to substantially the condition they were in before they were damaged, with each Unit and the Common Elements having substantially the same boundaries as before. Modifications to conform to applicable governmental rules and regulations or available means of construction may be made.

21.3.4 Emergency Work shall mean work that the Board deems reasonably necessary to avoid further damage or substantial diminution in value to the improvements and to protect the Owners from liability from the condition of the site.

Section 21.4 Execution of Repairs.

21.4.1 The Board shall promptly repair the damage and use the available insurance proceeds therefor as provided in Section 20.8. If the cost of repair exceeds the amount of the deductible to be paid by a Unit Owner, anticipated insurance proceeds and available reserves or other Association funds, the Board shall impose Assessments against all Units in proportion to their Common Expense Liabilities in an aggregate amount sufficient to pay the excess costs.

21.4.2 The Board shall have the authority to employ architects and engineers, advertise for bids, let contracts to contractors and others, and take such other action as is reasonably necessary to make the repairs. Contracts for the repair work shall be awarded when the Board, by means of insurance proceeds and sufficient Assessments, has provided for paying the cost. The Board may authorize the insurance carrier to make the repairs if the Board is satisfied that the work will be done satisfactorily, and if such authorization does not contravene any insurance trust agreement or requirement of law.

21.4.3 The Board may enter into a written agreement with a reputable financial institution, trust, or escrow company in which that institution or company shall act as an insurance trustee to adjust and settle any claim for casualty loss in excess of \$50,000, or shall collect the insurance proceeds and carry out the provisions of this Article.

Section 21.5 Damage Not Substantial. If the damage as determined under Subsection 21.3.2 is not substantial, the provisions of this Section shall apply.

21.5.1 Either the Board or the requisite number of Owners, within 15 days after the notice required under Section 21.2 has been given, may but shall not be required to call a special Owners' meeting in accordance with Section 12.4 and the Bylaws to decide whether to repair the damage.

21.5.2 Except for emergency work, no repairs shall be commenced until after the 15-day period and until after the conclusion of the special meeting if such a special meeting is called within the 15 days.

21.5.3 A decision to not repair or rebuild may be made in accordance with Section 20.8.

Section 21.6 Substantial Damage. If the damage determined under Subsection 21.3.2 is substantial, the provisions of this Section shall apply.

21.6.1 The Board shall promptly, and in all events within 60 days after the date of damage, call a special Owners' meeting to consider repairing the damage. If the Board fails to do so within 60 days, then notwithstanding the provisions of Section 12.4 and the Bylaws, any Owner or First Mortgagee may call and conduct the meeting.

21.6.2 Except for emergency work, no repairs shall be commenced until the conclusion of the special Owners' meeting.

21.6.3 At the special meeting, the following consent requirements will apply:

21.6.3.1 The Owners shall be deemed to have elected to repair the damage in accordance with the original plan unless the Owners of at least 80% of the total voting power of the Condominium other than that held by the Declarant, including every Owner of a Unit which will not be rebuilt and every Owner of a Unit to which a Limited Common Element which will not be rebuilt is allocated, have given their written consent not to repair the damage.

21.6.3.2 The unanimous consent of all Owners will be required to elect to rebuild in accordance with a plan that is different from the original plan.

21.6.3.3 In addition to the consent by the Owners specified above, any election not to repair the damage or not to rebuild substantially in accordance with the original plan will require the consent of First Mortgagees of Units to which at least 51% of the votes of Units subject to mortgages are allocated.

21.6.3.4 Failure to conduct the special meeting provided for under Subsection 21.6.1 within 90 days after the date of damage shall be deemed a unanimous decision to repair the damage in accordance with the original plan.

Section 21.7 Effect of Decision Not to Repair. In the event of a decision under either Subsection 21.5.3 or Subsection 21.6.3 not to repair the damage, the Board may nevertheless expend so much of the insurance proceeds and common funds as the Board deems reasonably necessary for emergency work (which emergency work may include but is

not necessarily limited to removal of the damaged improvements and clearing, filling, and grading the land), and the remaining funds, if any, and the property shall thereafter be held and distributed as provided in Section 20.8.

Article 22. CONDEMNATION.

Section 22.1 Consequences of Condemnation Notices. If any Unit or portion thereof or the Common Elements or Limited 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, notice of the proceeding or proposed acquisition shall promptly be given to each Owner and Mortgagee and the provisions of this Article shall apply.

Section 22.2 Power of Attorney. Each Owner appoints the Association as attorney-in-fact for the purpose of representing the Owners in condemnation proceedings and negotiations, settlements and agreements with the condemning authority for acquisition of Common Elements or any part thereof, from the condemning authority. The Board may appoint a trustee to act on behalf of the Owners in carrying out the foregoing functions in lieu of the Association. Should the Association not act, based on their right to act pursuant to this Section, the affected Owners may individually or jointly act on their own behalf.

Section 22.3 Condemnation of a Unit. If a Unit is acquired by condemnation, or if part of a Unit is acquired by condemnation leaving the Unit Owner with a remnant of a Unit which may not practically or lawfully be used for any purpose permitted by this Declaration, the award must compensate the Owner for the Owner's Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. The proceeds from the condemnation of a Unit shall be paid to the Owner or lienholder of the Unit, as their interests may appear. Upon acquisition, unless the decree otherwise provides, that Unit's Allocated Interests are automatically reallocated to the remaining Units in proportion to the respective Allocated Interests of those Units before the taking, and the Association shall promptly prepare, execute, and record an amendment to this Declaration reflecting the reallocations. Any remnant of a Unit remaining after part of a Unit is taken under this Section is thereafter a Common Element.

Section 22.4 Condemnation of Part of a Unit. Except as provided in Section 22.3, if part of a Unit is acquired by condemnation, the award must compensate the Unit Owner for the reduction in value of the Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. The proceeds from the condemnation awarded to the Unit Owner shall be paid to the Owner or lienholders of the Unit, as their interests may appear. Upon acquisition, unless the decree otherwise provides, (a) that Unit's Allocated Interests are reduced in proportion to the reduction in the size of the Unit and (b) the portion of the Allocated Interests divested from the partially acquired Unit are

automatically reallocated to that Unit and the remaining Units in proportion to the respective Allocated Interests of those Units before the taking, with the partially acquired Unit participating in the reallocation on the basis of its reduced Allocated Interests.

Section 22.5 Condemnation of Common Element or Limited Common Element. If part of the Common Elements is acquired by condemnation, the portion of the award attributable to the Common Elements taken shall be paid to the Owners based on their respective interests in the Common Elements, or to lienholders, as their interests may appear. Any portion of the award attributable to the acquisition of a Limited Common Element must be equally divided among the Owners of the Units to which that Limited Common Element was allocated at the time of the acquisition, or to lienholders, as their interests may appear. If the Board determines that a particular Owner's interest in the Common Elements diminished with respect to other Owners, by the acquisition of a Common Element, the Declaration may be amended to adjust that Owner's Common Expense Liability allocation, or to remove the allocation of a Limited Common Element to that Owner's Unit, as the case may be.

Section 22.6 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 21.

Article 23. EASEMENTS.

Section 23.1 In General. Each Unit has an easement in and through each other Unit and the Common and Limited 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 the Condominium.

Section 23.2 Encroachments. To the extent not provided by the definition of "Unit" in the Declaration and in the Condominium Act, each Unit and all Common and Limited Common Elements are hereby declared to have an easement over all adjoining Units and Common and Limited Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or movement of any portion of the property, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of the encroaching Units and Common and Limited Common Elements so long as the encroachments shall exist, and the rights and obligations of Owners shall not be altered in any way by the encroachment, provided, however, that in no event shall a valid easement for encroachment be created in favor of a Unit if the encroachment was caused by the willful act with full knowledge of the Owner. The encroachments described in this Section shall not be construed to be encumbrances affecting the marketability of title to any Unit.

Section 23.3 Easement Specifically Reserved by the Declarant. The Declarant reserves an access easement over, across, and through the Common Elements of the Condominium for the purpose of completing any unfinished Units or other improvements, exhibiting and preparing Units for sale, making repairs required pursuant to any contract of sale, and discharging the Declarant's obligations or exercising Special Declarant Rights.

Section 23.4 Utility Easements Granted by the Declarant. The Declarant grants to each company or municipality providing utility services to the Condominium or to the Units in the Condominium an easement for the installation, construction, maintenance, repair, and reconstruction of all utilities serving the Condominium or the Owners, including, without limitation, such utility services as water, sanitary sewer, storm sewer, electricity, cable television, and telephone, and an easement for access over and under the Common Elements of the Condominium to the utility service facilities.

Article 24. PROCEDURES FOR SUBDIVIDING OR ALTERING UNITS.

Section 24.1 Submission of Proposal to Subdivide or Combine Unit. No Unit or Units shall be subdivided or combined either by agreement or legal proceedings, except as provided in this Article. An Owner may propose subdividing a Unit or combining Units by submitting the proposal in writing to the Board and to all other Owners and Mortgagees of the Unit to be subdivided or Units to be combined. The proposal must include complete plans and specifications for accomplishing the subdivision or combination and proposed amendments of this Declaration and the Survey Map and Plans which amendments shall be executed by the Owners of the Unit to be subdivided or Units to be combined upon approval pursuant to Article 25, and which amendments assign an identifying number to each Unit created, and reallocate the Allocated Interests formerly allocated to the subdivided Unit or Units to be combined to the new Units or Unit, as the case may be, in accordance with the formula provided in Section 5.4. The Owner of the Unit to be subdivided or Units to be combined shall bear all costs of the subdivision or combination. A proposal that contemplates subdivision of a Unit or combination of Units will be accepted only if approved in writing by all Owners and Mortgagees of the Unit to be subdivided or Units to be combined and the Board, which approval may not be unreasonably withheld.

Section 24.2 Minor Alterations; Hard Surface Flooring. No Unit may be altered in any way except in accordance with this Article. An Owner may make any improvements or alterations to the Owner's Unit that do not change the structural walls, floors or ceilings; reduce the fire resistance rating of any wall, ceiling, space or separation between the Unit and another Unit or the Common Elements; affect the structural integrity or acoustical properties of the building; or affect the plumbing, mechanical or electrical systems or lessen the support of any portion of the Condominium. An Owner of a Unit may not change the flooring from carpeting to hard surface flooring in a portion of the Unit that is over another Unit without the prior written approval of the Board, which may be withheld in its sole discretion. In

connection with a change from carpet to hard surface flooring, the Board may condition its approval upon the installation of an acoustical subflooring material and/or coverage of certain floor areas with carpet. An Owner may not penetrate the boundaries of the Unit as defined in Section 5.2 without the prior written approval of the Board, which may be withheld in its sole discretion or conditioned upon an inspection by a third party selected by the Board at the Owner's cost and expense. Alterations which penetrate the boundaries of a Unit include, but are not limited to, the installation of recessed spice racks, medicine cabinets, recessed lighting, and recessed speakers. An Owner may not change the appearance of the Common Elements or the exterior appearance of a Unit without permission of the Association pursuant to the procedures of Section 24.5.

Section 24.3 Adjoining Units. After acquiring an adjoining Unit or an adjoining part of any adjoining Unit, an Owner may, with approval of the Board pursuant to Section 24.4, remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a Common Element, if those acts do not adversely affect the structural integrity or mechanical or electrical systems or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this subsection is not a relocation of boundaries. The Owner's proposal to act under this Section shall be submitted to the Board and shall include the plans and specifications for the proposed removal or alteration.

Section 24.4 Substantial Alteration. A proposal that contemplates substantial alteration of one or more Units is subject to approval by the Board. The Board shall approve an Owner's request under this Section within 30 days, unless the proposed alteration does not comply with Section 24.3 or impairs the structural integrity or mechanical or electrical systems in the Condominium. The failure of the Board to act upon a request within such period shall be deemed approval thereof.

Section 24.5 Procedure After Approval. Upon approval of a proposal under this Article, the Owner making it may proceed according to the proposed plans and specifications, provided that the Board may in its discretion require that the Board administer the work or provide for the protection of other Units or Common Elements or provide that reasonable deadlines for completion of the work be inserted in the contracts for the work. The changes in the Survey Map Plans and Declaration shall be placed of record as amendments thereto.

Section 24.6 Relocation of Boundaries-Adjoining Units. The boundaries between adjoining Units may only be relocated by an amendment to the Declaration, pursuant to Article 25, upon application to the Board by the Owners of those Units. If the Owners of the adjoining Units have specified a reallocation between their Units of their allocated interests, the application must state the proposed reallocations. Unless the Board determines within 30 days that the reallocations are unreasonable, the Association shall prepare an amendment that identifies the Units involved, states the reallocations, is executed by the Unit Owners, contains words of conveyance between them, and is recorded in the name of the grantor and

the grantee. The Association shall obtain and record survey maps or plans complying with the requirements of RCW 64.34.232(4) necessary to show the altered boundaries between adjoining Units and their dimensions and identifying numbers. The Owner or Owners benefited by a reallocation of Unit boundaries shall bear all costs associated therewith in proportion to the relative benefits to each such Unit as determined by the Board.

Article 25. AMENDMENT OF DECLARATION, SURVEY MAP AND PLANS, ARTICLES, OR BYLAWS

Section 25.1 Procedures. Except in cases of amendments that may be executed by the Declarant under the Declaration or the Condominium Act, the Declaration, the Survey Map and Plans, the Articles, and the Bylaws may be amended only by vote or agreement of the Owners, as specified in this Article. An Owner may propose amendments to this Declaration or the Survey Map and Plans, the Articles, or the Bylaws to the Board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by Owners with 20% or more of the votes in the Association, then, irrespective of whether the Board concurs in the proposed amendment, it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice must be given. Notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. Amendments may be adopted at a meeting of the Association or by written consent of the requisite number of persons entitled to vote, after notice has been given to all persons (including Mortgagees) entitled to receive notices. Upon the adoption of an amendment and the obtaining of any necessary consents of Mortgagees as provided below, amendment to the Declaration or the Survey Map and Plans will become effective when it is recorded or filed in the real property records in the county in which the Condominium is located. The amendment shall be indexed in the name of the Condominium and shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment thereto. Such amendments shall be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association. No action to challenge the validity of an amendment adopted by the Association pursuant to this Article may be brought more than one year after the amendment is recorded. An amendment to the Articles shall be effective upon filing the amendment with the Secretary of State. An amendment to the Bylaws shall be effective upon adoption.

Section 25.2 Percentages of Consent Required. Except as provided in Article 21 and Article 22 in the case of damage or condemnation of the property, the percentages of consent of Owners and mortgagees required for adoption of amendments to the Declaration, the Survey Map and Plans, the Articles, and the Bylaws are as follows:

25.2.1 The consent of Owners holding at least 67% of the votes in the Association and the consent of Mortgagees of Units to which at least 51% of the votes of Units subject to Mortgages are allocated shall be required to materially amend any provisions of the Declaration, the Survey Map and Plans, the Articles, or the Bylaws, or to add any material provisions thereto, which establish, provide for, govern, or regulate any of the following: (a) voting rights; (b) Assessments, Assessment liens, or subordination of such liens; (c) reserves for maintenance, repair, or replacement of the Common Elements; (d) responsibility for maintenance and repair of any portion of the Condominium; (e) rights to use Common Elements and Limited Common Elements; (f) reallocation of interests in Common Elements or Limited Common Elements or rights to their use; (g) redefinition of any Unit boundaries; (h) convertibility of Units into Common Elements or Common Elements into Units; (i) expansion or contraction of the Condominium or the addition, annexation, or withdrawal of property to or from the Condominium; (j) hazard or fidelity insurance requirements; (k) imposition of any restrictions on leasing of Units; (l) imposition of any restriction on the right of an Owner to sell or transfer a Unit; (m) establishment of self-management of the Condominium after professional management has been required by HUD, FNMA, VA, FHLMC, or other similar agency or corporation or by a Mortgagee; (n) restoration or repair (after damage or partial condemnation) in a manner other than specified in the Declaration or Survey Map and Plans; or (o) any provisions which are for the express benefit of holders of first mortgages.

25.2.2 An amendment that creates or increases Special Declarant Rights, increases the number of Units, changes the boundaries of any Unit, the Allocated Interests of a Unit, or the uses to which any Unit is restricted, shall require the vote or agreement of the Owner of each Unit particularly affected and the Owners other than the Declarant holding at least 90% of the votes in the Association excluding votes held by the Declarant.

25.2.3 All other amendments shall be adopted if consented to by 67% of the Owners.

25.2.4 A Mortgagee who receives a written request to consent to an amendment who does not deliver or post to the requesting party a negative response within 60 days shall be deemed to have consented to such request, provided the request was delivered by certified or registered mail, return receipt requested.

25.2.5 If the Condominium has received a project approval from the VA, the approval of the VA will be required for any amendment to the Declaration, Articles, Bylaws, or Survey Map and Plans adopted prior to the Transition Date.

Section 25.3 Limitations on Amendments. No amendment may restrict, eliminate, or otherwise modify any Special Declarant Right provided in the Declaration without the consent of the Declarant and any mortgagee of record with a security interest in the Special

Declarant Right or in any real property subject thereto, excluding mortgagees of Units owned by persons other than the Declarant.

Article 26. TERMINATION OF CONDOMINIUM.

Section 26.1 Action Required. Except as provided in Article 21 and Article 22, the Condominium may be terminated only by agreement of Owners of Units to which at least 80% of the votes in the Association are allocated and with the consent of Mortgagees of Units to which at least 67% of the votes in the Association are allocated and in accordance with the Condominium Act.

Section 26.2 Condominium Act Governs. The provisions of the Condominium Act relating to termination of a condominium contained in RCW 64.34.268, as it may be amended, shall govern the termination of the Condominium, including, but not limited to, the disposition of the real property in the Condominium and the distribution of proceeds from the sale of that real property.

Article 27. NOTICES.

Section 27.1 Form and Delivery of Notice. Unless provided otherwise in this Declaration, all notices given under the provisions of this Declaration or the Bylaws or rules or regulations of the Association shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, the notice shall be deemed to have been delivered upon being deposited in the United States mail, first class, postage prepaid, addressed to the person entitled to such notice at the most recent address known to the Board. Notice to the Owner of any Unit shall be sufficient if mailed to the Unit if no other mailing address has been given to the Board. Mailing addresses may be changed by notice in writing to the Board. Notices to the Board shall be given to the Declarant until the Transition Date, and thereafter shall be given to the president or secretary of the Association.

Section 27.2 Notices to First Mortgagees.

The Board shall send to First Mortgagees timely written notice of (a) any proposed amendment to the Declaration that is of a material adverse nature to Mortgagees, (b) in accordance with Article 21 and Article 22, any proposed action to terminate the legal status of the Condominium after substantial destruction or condemnation occurs or for other reasons, (c) any condemnation or casualty loss that affects a material portion of the Condominium or the Unit securing the First Mortgagee's Mortgage; (d) any 60-day delinquency in the payment of Assessments or charges owned by the Owner of the Unit securing the First Mortgagee's Mortgage; (e) if not provided by the insurance company, a lapse, cancellation or material modification of any insurance policy maintained by the Association; and (f) any proposed action that requires the consent of a specified percentage of First Mortgagees in this Declaration or in the Act. A First Mortgagee who receives a written request to consent to termination who does not deliver or post to the

requesting party a negative response within 60 days shall be deemed to have consented to such request, provided the request was delivered by certified or registered mail, return receipt requested.

Section 27.3 Notices to Eligible Mortgagees. An Eligible Mortgagee is a Mortgagee that has filed with the secretary of the Board a written request that it be given copies of the notices listed below. The request must state the name and address of the Eligible Mortgagee and the Identifying Number or address of the Unit on which it has (or insures or guarantees) a Mortgage. Until such time thereafter that the Eligible Mortgagee withdraws the request or the mortgage held, insured, or guaranteed by the Eligible Mortgagee is satisfied, the Board shall send to the Eligible Mortgagee timely written notice of (a) any proposed amendment of the Declaration or Survey Map and Plans effecting a change in (i) the boundaries of any Unit, (ii) the exclusive easement rights, if any, appertaining to any Unit, (iii) the interest in the Common Elements or the liability for Common Expenses of any Unit, (iv) the number of votes in the Association allocated to any Unit, or (v) the purposes to which a Unit or the Common Elements are restricted; (b) any proposed termination of condominium status, transfer of any part of the Common Elements, or termination of professional management of the Condominium; (c) any condemnation loss or casualty loss that affects a material portion of the Condominium or that affects any Unit on which an Eligible Mortgagee has a first mortgage; (d) any delinquency which has continued for 60 days in the payment of Assessments or charges owed by an Owner of a Unit on which an Eligible Mortgagee had a mortgage; (e) any lapse, cancellation, or material modification of any insurance policy maintained by the Association pursuant to Article 20; (f) any proposed action that would require the consent of a specified percentage of Eligible Mortgagees under this Declaration.

Article 28. SEVERABILITY.

The provisions of this Declaration shall be independent and severable, and the unenforceability of any one provision shall not affect the enforceability of any other provision, if the remaining provision or provisions comply with the Condominium Act.

Article 29. EFFECTIVE DATE.

This Declaration shall take effect upon recording.

Article 30. REFERENCE TO SURVEY MAP AND PLANS.

The Survey Map and Plans were filed with the Recorder of King County, Washington, simultaneously with the recording of this Declaration under File No. 20070104001180, in Volume 229 of Condominiums, pages 037 through 039.

THE BETSY ROSS CONDOMINIUM

	Budget	TOTALS	
INCOME			
Annual Maintenance Fees - 16 Residential Units	\$ 52,014	\$ 52,014	
OPERATING EXPENSES			
UTILITIES			
Electricity (Common Area Halls & Garage)	\$ 1,500		
Water/Sewer (Common Area, landscape)	4,350		
Garbage	875		
Total Utilities		\$ 6,725	
REPAIRS AND MAINTENANCE			
Bldg. Maintenance & Repairs	\$ 1,700		
Fire Extinguishers - Annual Recert	225		
Janitorial Services & Carpet Cleaning	3,800		
Supplies / Lighting	300		
Window Washing - Annual	600		
Grounds/Landscape Seasonal Clean-up	1,500		
Spray Trees/Pest Control	1,000		
Roof Cleaning / Maintenance	1,500		
Miscellaneous Operating and Repairs	500		
Exhaust Fan Cleaning	1,000		
Total Repairs & Maintenance		\$ 11,825	
ADMINISTRATIVE EXPENSES			
Office Expenses/Annual Report	\$ 540		
Insurance	Section Cost 7,772		
Directors & Officers			
Fidelity			
Commercial General Liability			
Building Property Insurance			
Intercom	300		
CPA Tax Return - Audit Waiver	200		
Legal	500		
Management Fees (Financial)	5,400		
Total Administrative		\$ 17,712	
RESERVES			
	Useful Years	Replacement Est. Cost	
Landscaping, stairs	20	6,200	310
Brick Paving	20	4,600	230
Wood Fencing	10	12,600	630
Mortar Joints	20	60,000	3,000
Railings	20	11,000	550
Deck Waterproofing	7	4,200	210
Roofing	10	48,000	2,400

EXHIBIT F

SM Flashing	20	1,250	63
Gutters/Downspouts	20	8,100	405
Doors	20	4,700	235
Windows	20	15,190	760
Flooring	10	11,242	912
Painting	10	77,650	3,883
Laundry equipment	15	1,000	80
Mechanical	15	1,000	400
Piping	20	12,200	610
Electrical	20	10,000	500
Lighting	20	5,000	250
Intercom	15	3,000	150
Fire Protection	12	1,500	75

Total Reserve Contribution \$ 15,652

ANNUAL TOTALS: \$ 52,014

Total Monthly Expenses & Reserves \$ 4,334
 (Annual Total divided by 12 months)
 Average Cost Per Unit: \$ 271