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CONDOMINIUM DECLARATION FOR PINEWOOD
A CONDOMINIUM

Grantor/Declarant: PINEWOOD I, L.L.C., a Washington limited liability company
Additional names on pg. N/A

Grantee: PINEWOOD, a condominium
Additional names on pg. N/A

Legal Description: S 7-8, T 8 N, R 29 E
Official legal description on Schedule A

Assessor's Tax Parcel ID#: 1-0789-100-0011-000; 1-0889-200-0003-002

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

CONDOMINIUM
DECLARATION
FOR
PINWOOD
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 formulas set forth in Section 6.4 and as specified in Schedule C.

Architectural Control Committee or ACC means the Board or a committee by that name appointed by the Board; provided that until completed Homes have been constructed within all of the Units, the ACC shall be the Declarant.

Articles means the articles of incorporation for the Association.

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

Association means the owners association identified in Article 14.

Board means the board of directors of the Association, as described in Article 16.

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.

Common Expenses means expenditures made by or financial liabilities of the Association including those expenses related to (a) utility services to the Common Elements, (b) maintenance, repair, replacement, improvement and insurance of the Common Elements, including allocations to reserves, (c) irrigation and landscaping of Common Elements and portions of Units except those portions maintained by a Unit Owner (d) management and administration of the Association.

Common Home Expenses means expenditures made by or financial liabilities of the Association relating to (a) maintenance, repair, replacement of the exterior of the Homes and (b) casualty insurance for the Homes.

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

Common Home Expense Liability means the liability for Common Home Expenses allocated to each Unit upon occupancy or closing of the sale of a Home, as set forth in Schedule C.

Condominium means Pinewood, 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 Pinewood I, L.L.C., a Washington Limited Liability Company, and its representatives, 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 15.

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

Development Rights means the rights of the Declarant, as provided in Article 4 and elsewhere in the Declaration, to (a) create Units on the Subsequent Phase Property or (b) add all or any portion of the Subsequent Phase Property.

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.

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.

Home means the structure intended for residential purposes constructed within a Unit.

HUD means the Department of Housing and Urban Development.

Identifying Number means the number on the Survey Map and Plans which identifies each Unit in the Condominium.

16.3. Managing Agent means the person, if any, designated by the Board under Section

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

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

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

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, trust, governmental subdivision or agency, or other legal entity.

Phase means the first phase of the Condominium and any Subsequent Phase.

Property means the real property in the Condominium, as described in Schedule A.

Special Declarant Rights means rights reserved for the benefit of the Declarant as specified in Article 12.

Structure means any Home, building, fence, wall, pole, driveway, walkway, patio, or the like.

Subsequent Phase means the addition of all or a portion of the Subsequent Phase Property to the Condominium and the creation by the Declarant of additional Units on that property pursuant to Article 4.

Subsequent Phase Amendment means an amendment to this Declaration recorded by the Declarant creating Units in a Subsequent Phase.

Subsequent Phase Property means the land described in Schedule B, as it may from time to time be amended upon the recording of a Subsequent Phase Amendment pursuant to Article 4.

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 15.

Unit means a physical portion of the Condominium designated for separate ownership, the boundaries of which are described in Section 6.2 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 or 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 Pinewood, a condominium.

Article 4. DESCRIPTION OF LAND; DEVELOPMENT IN PHASES.

Section 4.1 Description of Land. The Property included in the Condominium and subjected to the Condominium Act is described in Schedule A, as it may from time to time be amended pursuant to this Article 4 upon the addition of the Subsequent Phase Property to the Condominium.

Section 4.2 Development in Phases. The Declarant intends to develop the Condominium in several Phases upon the land described in Schedules A and B. The first Phase (Phase I), consisting of a total of 11 Units located on the land described in Schedule A, is shown on the Survey Map and Plans. The Declarant reserves the right to add the Subsequent Phase Property to the Condominium and to create up to an additional 68 Units in one or more Subsequent Phases on the portions of the land in the Condominium described in Schedule B and shown on the Survey Map and Plans as the Subsequent Phase Property. The Declarant shall create additional Units in a Subsequent Phase by (a) recording a Subsequent Phase Amendment to the Declaration which amends (i) Schedule A to describe the land added to the Condominium, (ii) Schedule B to describe any remaining land in the Condominium upon which the Declarant reserves the right to create Units in a Subsequent Phase or withdraw from the Condominium, (iii) Schedule C to show the new Units created by that Subsequent Phase Amendment and (b) filing an amendment to the Survey Map and Plans showing the land added to the Condominium and the newly created Units, unless they have already been shown on a previously recorded Survey Map and Plans, and any land that may be withdrawn from the Condominium.

Section 4.3 Liens. Any liens that arise in connection with the Declarant's ownership of or construction of improvements on the Subsequent Phase Property shall attach only to the Declarant's interest in any Units owned by the Declarant or against the Declarant's Development Rights and Special Declarant Rights and shall not adversely affect the rights of other Unit Owners or the priority of Mortgages on the Units.

Section 4.4 Expiration of Development Rights. The Development Rights specified herein shall terminate on the earlier of (a) the seventh anniversary of the recording of this Declaration or (b) the recording of a notice signed by the Declarant that it no longer wishes to exercise any of its Development Rights.

Article 5. DESCRIPTION OF BUILDINGS.

It is contemplated that one or more builders will construct separate detached architecturally similar Homes within each Unit of the Condominium.

Article 6. DESCRIPTION OF UNITS; ALLOCATED INTERESTS.

Section 6.1 Number and Identification of Units. The first Phase (Phase I) of the Condominium has 11 Units. The Identifying Number of each Unit is set forth in Schedule C. The location of the Units are shown on the Survey Map and Plans. Pursuant to Article 4, the Declarant may create up to an additional 68 Units in one or more Subsequent Phases on the Subsequent Phase Property.

Section 6.2 Unit Boundaries. The Units shall consist of an envelope of space. The perimeter boundaries of the Units are the planes in space shown on the Survey Map and Plans. The upper and lower boundaries for each Unit are the extent of legal ownership of fee simple land. The Home and other fixtures and improvements within the boundaries of a Unit are, or when added will be, a part of the Unit.

Section 6.3 Unit Data. The area and Allocated Interests of each Unit are set forth in Schedule C, as it may be amended upon creation of additional Units in a Subsequent Phase. The number of bedrooms, bathrooms, fireplaces, and levels of the Home constructed within each Unit will be set forth in Schedule C upon completion of the Home.

Section 6.4 Allocated Interests. Schedule C sets forth the Allocated Interests of each of the Units in Phase I for the purposes of Common Expense Liability, Common Home Expense Liability, interest in the Common Elements and voting. The formulas for making the allocations are as follows:

Common Expense Liability: equally among Units

Common Home Expense Liability: equally among Units

Common Interest: equally among Units

Voting: one vote per Unit

When the Units in a Subsequent Phase are created or Homes are constructed with the Units, the Declarant shall amend Schedule C to show the Unit data and Allocated Interests for all Units.

Article 7. COMMON ELEMENTS.

Section 7.1 Description. The Common Elements are all portions of the Condominium other than the Units.

Section 7.2 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 shall be governed by the provisions of the Condominium Act, this Declaration, the Bylaws, and the rules and regulations of the Association.

Section 7.3 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). 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 8. LIMITED COMMON ELEMENTS.

Initially, there are no Limited Common Elements in the Condominium. A Common Element may be reallocated as a Limited Common Element or incorporated into an existing Unit with the approval of 67 percent of the Owners, including the Owner of the Unit to which the Limited Common Element will be allocated or incorporated. Such reallocation shall be reflected in an amendment to the Declaration and the Survey Map and Plans.

Article 9. ARCHITECTURAL CONTROL

Section 9.1 Uniformity of Design. One of the purposes of this Declaration is to assure within the Condominium a uniformity of design, quality of workmanship, materials, maintenance and location of Homes and other structures with respect to topography and finish grade elevation. The design of the Homes shall be in the "Craftsman/Bungalow Style" as discussed in The Bungalow, America's Arts & Crafts Home, Paul Duchscherer and Douglas Keister, Penguin Books, 1995 and as provided in architectural guidelines adopted by the Declarant and attached hereto as Schedule D (the "Architectural Guidelines"). It is in the best interests of each Owner that such uniformity of use be maintained as hereinafter provided. Notwithstanding anything herein seemingly to the contrary, the construction of any Structure shall comply with the more restrictive of either (i) the terms and conditions of this Declaration or (ii) the laws, codes, ordinances and regulations of any governmental entity having jurisdiction.

Section 9.2 All Structures (including, without limitation, Homes, concrete or masonry walls, rockeries, driveways, fences, hedges, swimming pools, sport courts) to be constructed, erected, placed or altered within the Property, all exterior alterations and repairs (including, but not limited to, re-roofing or repainting) of any Structures on the Property and

visible from any street or other Unit, and any construction or alteration of landscaping on the Property must be approved by the Board or an Architectural Control Committee (“ACC”) composed of three or more representatives appointed by the Board; provided, however, that until completed Homes have been constructed within all of the Units that may be created under this Declaration, the ACC shall be the Declarant. Complete plans and specifications of all such proposed buildings, structures, exterior alterations and repairs, or landscaping together with detailed plans showing the proposed location of the same on the particular building site and other data requested by the ACC shall be submitted to the ACC before construction, alteration or repair is begun. Construction, alteration or repair shall not be started until written approval thereof is given by the ACC. Approval of any Plans shall not constitute any warranty or representation whatsoever by the ACC or of its members that such Plans were examined or approved for engineering or structural integrity or sufficiency or, compliance with applicable governmental laws, codes, ordinances and regulations, and each Owner hereby releases any and all claims or possible claims against the ACC, the Board, any member thereof, the Association or any of them of any nature whatsoever, based upon engineering or structural integrity or sufficiency or compliance with applicable governmental laws, codes, ordinances and regulations

Section 9.3 The ACC will review submittals as to the quality of workmanship and materials planned and for conformity and harmony of the exterior design with proposed or existing structures on the Units and, as to location of the building, with respect to topography, finish grade elevation and building setback restrictions, in accordance with the Architectural Guidelines.

Section 9.4 All plans and specifications submitted for approval by the ACC must be submitted in duplicate at least 45 days prior to the proposed construction or exterior alteration or repair starting date. In the event the ACC fails to approve or disapprove such design and location within 45 days after said plans and specifications have been submitted to it, the ACC will be deemed to have given its approval.

Section 9.5 The ACC may require that all plans or specifications be prepared by an architect or a competent Home designer approved by the ACC. One complete set of the plans and specifications shall in each case be delivered to and permanently left with the ACC. All buildings or structures shall be erected or constructed, and all exterior alterations or repairs made, by a contractor, Home builder or other person or entity approved by the ACC. The ACC shall have the right to refuse to approve any design, plan or color for such improvements, construction or exterior, alteration or repair visible from a street or other Unit which is not suitable or desirable, in the opinion of the ACC, and such refusal may be based entirely on aesthetic or other factors.

Section 9.6 In evaluating any design, the ACC may consider the suitability of the proposed building or other structure, the material of which it is to be built, the exterior color scheme, the site upon which such buildings or structures are proposed to be built, the harmony

thereof with the surroundings, and the effect or impairment that such building or structure will have on the view or outlook of surrounding Units and any and all other factors which, in the ACC's opinion, shall affect the desirability or suitability of such proposed structure, building, improvements, or exterior alteration or repair.

Section 9.7 The ACC shall have the right to disapprove the design or installation of any recreational structure or equipment deemed undesirable, in the ACC's reasonable opinion, based on aesthetic factors or otherwise. The ACC may consider the visual impact of the proposed structure or equipment and the noise impact of the related activities upon all nearby Units or Common Elements. Any enclosure or cover used in connection with such a recreational structure or equipment whether temporary, collapsible, or seasonal, shall be treated as a permanent structure for purposes of these covenants, and shall to be subject to all the conditions, restrictions, and requirements as set forth herein for all buildings and structures.

Section 9.8 The ACC may require the trimming, topping or, if deemed necessary by the ACC, removal of any tree, hedge or shrub on the Owner's Unit which the ACC determines is reasonably blocking or interfering with the view or access to sunlight of another Unit or any Common Element.

Section 9.10 Prior to completion of construction of Homes within all of the Units, the Architectural Guidelines may be amended by the Declarant. Thereafter, the Architectural Guidelines may be amended by the ACC, with the approval of the Board.

Section 9.11 No Structure shall be erected, altered, placed or permitted to remain on any Unit unless the Structure complies with applicable building codes.

Section 9.12 Declarant Facilities. Notwithstanding any provision in this Declaration to the contrary, Declarant and its agents, employees and contractors shall be permitted to maintain during the period of sale of Units or Homes upon such portion of the Property (other than Units sold by Declarant) as Declarant may choose, such facilities as in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction, sale or rental of Units and Homes, including but not limited to a business office, storage area, signs, model units, sales office, construction office and parking areas for all prospective tenants or purchasers of Declarant.

Article 10. PARKING.

It is contemplated that each Home will have a two-car garage and the Unit will include a driveway for parking passenger motor vehicles. In addition, a parking area for recreational vehicles will be added on the Subsequent Phase Property, which will be for use by Owners, tenants and guest pursuant to rules and regulations adopted by the Board. Parking on the streets

of the Condominium, except in designated parking spaces or areas, is prohibited. No commercial-type trucks, campers, trailers, motorhomes, boats or motorcycles shall be parked or permitted to remain on any Unit, unless the same is stored or placed in a garage or, to the extent permitted by rules and regulations of the Board, in the recreational vehicle parking area; provided, however, that recreation vehicles may be parked in driveways on a temporary basis (not to exceed 24 hours). No vehicle shall be parked on any Unit that extends into the streets or sidewalks of the Condominium, or otherwise inhibits vehicular or pedestrian traffic thereon. The Board may direct that any vehicle or other thing improperly parked or kept in a parking space be removed, and if it is not removed the Board may cause it to be removed at the risk and cost of the owner thereof.

Article 11. PERMITTED USES AND RESTRICTIONS; MAINTENANCE OF UNITS;
LANDSCAPING; RESTRICTIONS; CONVEYANCES.

Section 11.1 Residential Use; Senior Housing; Timesharing Prohibited. The Condominium is intended for and restricted to residential use, on an ownership, rental, or lease basis and for social, recreational, or other reasonable activities normally incident to such use, which may include use as a home office not involving regular visits by customers or clients or use by nonresident employees. The Condominium is intended to be a retirement community for senior persons. Accordingly, at least one resident in each Unit shall be 55 years old or older; no person under the age of 18 shall be permitted to reside in any Unit. Each resident of the Condominium, including but not limited to Owners and tenants of Units, shall participate in any surveys conducted, and execute any affidavits reasonably required, by the Declarant or the Association to establish or maintain the status of the Condominium as housing for older persons within the meaning of the Federal Fair Housing Act. The Board shall have the right to waive the age restriction in connection with any Unit occupant or class of Unit occupants if it determines, in its sole discretion, that (i) the application of the age restriction would work an unreasonable hardship on a Unit Owner or class of Unit Owners, (ii) the particular waiver is in the best overall interests of the Unit Owners as a group and (iii) it will not adversely affect the qualification of the Condominium as housing for older persons within the meaning of the Federal Fair Housing Act. This age restriction shall not apply to a resident manager for the Condominium. Timesharing of Units, as defined in RCW 64.36, is prohibited.

Section 11.2 Leases. Any lease or rental agreement must provide that its terms are subject in all respects to the provisions of the Declaration and the Bylaws and rules and regulations of the Association, including specifically the age restrictions in Section 11.1, 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. All leases and rental agreements shall be in writing and

subject to the approval of the Board or its designated agent before commencement of occupancy in order for the Board or agent to determine whether the proposed residents will meet the age restrictions set forth in Section 11.1. The Board may require that an affidavit from each prospective tenant certifying to the age of each person who will be residing in the Unit be submitted to the Board or its designated agent prior to occupancy of the Unit. The Board may also require any Owner desiring to rent a Unit to have any prospective tenant (other than a relative 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. Copies of all leases and rental agreements shall be delivered to the Board before the tenancy commences. The lease or rental agreement shall list all persons who will be residing under the lease and their respective ages and the tenant shall provide such additional information as the Board may reasonably require. 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 are continuing or 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; and if the violation continues or 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 and 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 18.

Section 11.3 Maintenance of Units and Common Elements. The Association is responsible for the installation, maintenance, repair, and replacement of the Common Elements, any fencing for the Condominium, landscaping and irrigation. The Association shall also be responsible for maintenance, repair and replacement of the exterior of each Home (siding, roof, deck, windows and doors) and each Owner shall be responsible for keeping the interior of the Home and its equipment (including the garage door opening mechanism), 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 interior of the Home.

Section 11.4 Minimum Home Requirements; Exterior Appearance. Each Home installed or to be installed within a Unit shall provide a minimum living area, exclusive of garage, porches, decks, and patios of no less than (i) 1,200 square feet for a dwelling containing a single level; and (ii) 1,400 square feet for a dwelling containing two levels, and shall meet such other specifications provided in Article 9 or established by rule or regulation of the Association. No Owner may make or install any improvement within a Unit, modify

the exterior of the Home, or other improvements within the Unit or change any other portion of a Unit visible from outside the Unit, including the landscaping within the Unit, without the prior written consent of the ACC in accordance with Architectural Guidelines and procedures set forth in Article 9.

Section 11.5 Landscaping. The Association shall be responsible for the installation, maintenance, repair and replacement of the Common Elements and the landscaping and irrigation system for each Unit.

Section 11.6 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 11.7 Alteration of Common Elements. Nothing shall be altered or constructed in or removed from any Common Element except upon the prior written consent of the Board.

Section 11.8 Signs. No sign of any kind shall be displayed to the public view on or from any Home or Unit or Common Element without the prior consent of the Board. 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 11.9 Pets. Except for dogs and cats (not exceeding 2 per Unit, unless specifically authorized by the Board), birds, or other common and ordinary Home pets which may be kept in the Home subject to rules and regulations adopted by the Board (herein referred to as "pets"), no livestock, fowl, or other animals may be kept in any Unit without the approval of the Board. No pets or other animals whatsoever will be kept or bred for commercial purposes. Pets are required to be kept inside the Owner's Home. Pets shall not be allowed to run free or allowed on any Common Element unless they are on a leash and are being walked to or from the Owner's Unit. Pet owners shall be responsible for any and all droppings and the removal thereof. Furthermore, pets shall not be permitted to interfere with the reasonable comfort, privacy or safety of other residents of the Condominium. The Board may at any time require the removal of any pet which it finds is disturbing other Owners unreasonably, and may exercise this authority for specific pets even though other pets are permitted to remain.

Section 11.10 Quiet Enjoyment. No Owner shall permit anything to be done or kept in the Home, garage or on the Owner's Unit or Common Elements which would interfere with the right of quiet enjoyment of the other residents of the Condominium.

Section 11.11 Trash and Outside Storage. Each Owner shall be responsible for removing all trash or garbage from the Owner's Home and placing it in proper receptacles on garbage pick-up day. All costs for such trash and garbage removal shall be the sole expense of the Owner. Under no circumstance shall refuse, unsightly or abandoned vehicles, debris, noxious material, discarded personal effects, construction materials not for immediate use, and similar matter be permitted on any Unit or Common Element. Each Unit shall be maintained in a neat, attractive, orderly and well-groomed manner, and all woodpiles, garbage cans, and garbage canisters shall be kept within the Home. No trash, construction debris or waste, plant or grass clippings or other debris of any kind, or hazardous waste shall be dumped, deposited or placed on any Common Element.

Section 11.12 Offensive Activity. No illegal, noxious, or offensive activity shall be carried on within any Unit or Common Element, nor shall anything be done therein that may be or become an annoyance or nuisance to other Owners, or in any way materially devalue an Owner's Unit.

Section 11.13 Excavations; Subsurface Rights. No excavation or drilling for mineral, ore, stone, gravel, petroleum or earth shall be made upon any Unit, other than excavations necessary for construction purposes relating to the Home, utilities, drainage, concrete work, and for the purpose of contouring, shaping, fencing, landscaping and generally improving any Unit in a manner approved by the Board.

Section 11.14 Antennas, Sheds. No antennas, sheds or other outbuildings may be constructed within any Unit. However, Owners may install small (under one meter in diameter) satellite dishes within the Unit, subject to regulation as to location and screening by the Board.

Section 11.15 Utilities. All utility connections and service lines to each Unit shall be installed underground, including electric service, irrigation piping, water service, gas service, sewer, cable TV, and telephone cable, in accordance with accepted construction and utility standards. The cost of maintenance, repair, replacement of all utilities serving one Unit only shall be borne solely by the Owner of the Unit.

Section 11.16 Conveyance by Owners; Notice Required. The right of an Owner to 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. However, 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 of the age restrictions on occupancy of Units set forth in Section 11.1 and 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 22 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 12. DEVELOPMENT RIGHTS AND SPECIAL DECLARANT RIGHTS.

Section 12.1 Development Rights. The Declarant reserves the following Development Rights: (a) to add the Subsequent Phase Property to the Condominium; (b) create up to 68 Units and Limited Common Elements on the Subsequent Phase Property; and (c) utilize the easement rights specified in Section 25.3.

Section 12.2 Special Declarant Rights. The Declarant reserves the following Special Declarant Rights: (a) to complete any improvements shown on the Survey Maps and Plans; (b) to maintain construction offices, sales offices, management offices, signs advertising the Condominium, and models on the Units which are not occupied and are for sale by the Declarant, on 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 15. The Declarant may assign to one or more builders its right to maintain construction offices, sales offices, management offices, signs advertising the Condominium, and models on the Units and in the Common Elements of the Condominium

Section 12.3 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 county the Condominium is located. The rights and liabilities of the parties involved in such a transfer and of all persons who succeed to any Development Right or Special Declarant Right are set out in RCW 64.34.316.

Article 13. ENTRY FOR REPAIRS OR MAINTENANCE.

The Association and its agents or employees may enter on any Unit 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 the cost of work that the Owner has failed to perform (plus a 15 percent administration fee) which may be collected and foreclosed by the Association in the same manner as Assessments are collected and foreclosed under Article 18.

Article 14. OWNERS ASSOCIATION.

Section 14.1 Form of Association. The Owners of Units shall constitute an owners association to be known as Pinewood Owners Association. The Association shall be organized as a nonprofit corporation, no later than the date the first Unit in the Condominium is conveyed. It will be governed by the Board of Directors, the number of which shall be specified 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 14.2 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 14.3 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 14.4 Powers of the Association. In addition to those actions authorized elsewhere in the Declaration, the Association shall have the power to:

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

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

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

14.4.4 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 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;

14.4.5 Make contracts and incur liabilities;

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

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

14.4.8 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:

14.4.8.1 If the estimated cost of any separate property acquisition or addition or improvement to the Condominium exceeds \$10,000, the approval of the Owners holding a majority of the votes in the Association shall be required; and if such estimated cost exceeds \$25,000, the approval of the Owners holding 67 percent of the votes in the Association shall be required;

14.4.8.2 No structural change shall be made to a Home or other improvement within a Unit without the approval of the Owner of that Unit; and

14.4.8.3 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.

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

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

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

14.4.12 Impose and collect charges for late payment of Assessments as further provided in Article 18 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;

14.4.13 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;

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

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

14.4.16 Enter into contracts with third parties to provide or make available recreational amenities for the Unit Owners;

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

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

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

Section 14.5 Financial Statements and Records. The Association shall keep financial records in accordance with generally accepted accounting principles and 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. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association in accordance with generally accepted accounting principles. 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. The financial statement shall be completed in time for the Association's annual meeting and in any event within 120 days following the end of the fiscal year. Any mortgagee will, 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 his expense, may at any reasonable time conduct an audit of the books of the Board and Association. Upon written request of FHLMC, FNMA, HUD, or VA, if it is a Mortgagee, the Association shall provide within a reasonable time the financial statement of the Association for the preceding fiscal year.

Section 14.6 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 15. DECLARANT CONTROL PERIOD.

Section 15.1 Declarant Control Until Transition Date. Until the Transition Date, the Declarant shall have the right to appoint and remove any member of the Board; provided that (1) not later than 60 days after conveyance of 25 percent of the Units that may be created to Owners other than the Declarant, at least one member and not less than 25 percent 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 percent of the Units that may be created 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 15.2 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 percent of the Units that may be created to Owners other than the Declarant; (b) two years after last conveyance of a Unit; (c) two years after last exercise of a Development Right to add new Units; 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.

Section 15.3 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:

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

15.3.2 The certificate of incorporation and a copy or duplicate original of the Articles as filed with the secretary of state;

15.3.3 The Bylaws;

15.3.4 The minute books, including all minutes and other books and records of the Association;

15.3.5 Any rules and regulations that have been adopted;

15.3.6 Resignations of officers and members of the Board who are required to resign because the Declarant is required to relinquish control of the Association;

15.3.7 The financial records, including cancelled 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;

15.3.8 Association funds or the control of the funds of the Association;

15.3.9 All tangible personal property of the Association, represented by the Declarant to be the property of the Association and inventory of the property;

15.3.10 Except for alterations to a Home, garage and/or other improvements on a Unit done by a Unit Owner other than the Declarant, the copy of the Declarant's plans and specifications utilized in the construction 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 of the Condominium;

15.3.11 Insurance policies or copies thereof for the Condominium and the Association;

15.3.12 Copies of any certificates of occupancy that may have been issued for the Condominium;

15.3.13 Any other permits issued by governmental bodies applicable the Condominium in force or issued within one year before the Transition Date;

15.3.14 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;

15.3.15 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;

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

15.3.17 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

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

Section 15.4 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 15.5 Termination of Contracts and Leases Made By the Declarant. If entered into before the Board elected pursuant to Section 16.1 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 16.1 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 16. THE BOARD.

Section 16.1 Selection of the Board and Officers. Prior to the Transition Date, election or appointment of members of the Board shall be governed by Section 15.1. 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 services 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 their terms of service shall be as provided in the Bylaws.

Section 16.2 Powers of the Board; Adoption of Budget. 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 16.3 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. 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 16.4 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 27, to terminate the Condominium pursuant to Article 28, or to elect members of the Board or determine the qualifications, powers, and duties, or terms of office of members of the Board. The Board may, in accordance with the Bylaws, fill vacancies in its membership for the unexpired portion of any term.

Section 16.5 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 17. BUDGET AND ASSESSMENTS.

Section 17.1 Fiscal Year. The Board may adopt such fiscal year for the Association as it deems to be convenient. Unless another year is adopted, the fiscal year will be the calendar year.

Section 17.2 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 and Common Home 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 the portions of the Homes and Units for which the Association has responsibility under this Declaration, and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Association. The Declarant shall prepare the initial budget for the first fiscal year of the Association.

Section 17.3 Ratification of Budget. Within 30 days after adoption of any proposed budget for the Condominium, 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. If the Board proposes a supplemental budget during any fiscal year that results in an increase in an Owner's Assessments, such budget shall not take effect unless ratified by the Unit Owners in accordance with this section.

Section 17.4 Supplemental Budget. If during the year the budget proves to be inadequate for any reason, including nonpayment of any Owner's Assessment, the Board may prepare a supplemental budget for the remainder of the year. A supplemental budget shall be ratified pursuant to Section 17.3. The Board shall also prepare a supplemental budget when additional Units are created pursuant to Article 4, but the supplemental budget need not be ratified by the Owners under Section 17.3 unless the budget proposes an increase in Assessments on existing Units.

Section 17.5 Assessments for Common Expenses and Common Home Expenses. The sums required by the Association for Common Expenses and Common Home 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 shall be the sum of (a) the Common Expense Liability allocated to each Unit in Schedule C times the total monthly installment for Common Expenses for all Units and (b) the Common Home Expense Liability allocated to each Unit in Schedule C times the total monthly installment for Common Home Expenses for all Units. Assessments may be rounded to the nearest dollar. Monthly Assessments for Common Expense begin accruing for all Units in a Phase upon the closing of the sale of the first Unit in that Phase by the Declarant, provided that the Declarant may delay the commencement of Assessments and pay all actual Common Expenses for that phase (but no allocations to reserves). Monthly Assessments for Common Home Expenses shall begin accruing for each Unit upon the closing of the sale or earlier occupancy of the Unit with a completed Home. To the extent that any Common Expense or Common Home Expense is caused by the misconduct of an Owner or tenant of any Unit, the Association may assess the expense against that Unit.

Section 17.6 Contribution to Initial Working Capital. In connection with the closing of the sale of the first Unit in each Phase and of the sale of each additional Unit in that Phase, the initial purchaser shall pay to the Association as a nonrefundable contribution to an initial working capital fund in an amount equal to two times the estimated 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.

Section 17.7 Special Assessments. In addition to those special Assessments that may be levied against Unit Owners for failure to maintain their Units properly as elsewhere herein, the Board may levy a special Assessment for extraordinary Common Expenses or Common Home Expenses pursuant to a budget which is subject to ratification by the Owners pursuant to Section 17.3.

Section 17.8 Creation of Reserves; Assessments. The Board shall create reserve accounts for anticipated expenses for repairs, replacement 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 17.9 Notice of Assessments. 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 Assessment liability allocations that 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.

Section 17.10 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 18.

Section 17.11 Proceeds Belong to Association. All Assessments and other receipts received by the Association on behalf of the Condominium shall belong to the Association.

Section 17.12 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, and the Assessments last established shall continue until new Assessments are established.

Section 17.13 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 17.14 Recalculation of Assessments. If Common Expense Liabilities or Common Home Expense Liabilities are reallocated, Assessments and special Assessments for Common Expenses and Common Home Expenses, special Assessments, and any installment thereof not yet due shall be recalculated in accordance with the reallocated liabilities.

Article 18. LIEN AND COLLECTION OF ASSESSMENTS.

Section 18.1 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 and Common Home Expenses, excluding any amounts for capital improvements, based on the periodic budgets adopted by the Association pursuant to Article 17 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 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 18.2 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 18.3. 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 18.1, 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 18.3 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 Cascade Title Company of Benton-Franklin Counties 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 18.1.

Section 18.4 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 18.5 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 Assessment is made. Suit to recover personal judgment for any delinquent Assessments shall be maintainable without foreclosing or waiving the liens securing them.

Section 18.6 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 18.7 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 waving the lien securing such sums.

Section 18.8 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 non-usurious 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 18.9 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 18.10 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 18.11 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 19. ENFORCEMENT OF DECLARATION, BYLAWS AND RULES AND REGULATIONS.

Section 19.1 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 19.2 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 20. TORT AND CONTRACT LIABILITY.

Section 20.1 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 20.2 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, sewage, sand, or any other material, which may leak or flow from outside, or from any part of, the Home, the garage, or any other improvements on a Unit, 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 20.3 No Personal Liability. So long as a Board member, or Association committee member, or Association officer, or 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 where the consequences of such act, omission, error, or negligence is covered by insurance obtained by the Board.

Article 21. 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 22. INSURANCE.

Section 22.1 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 meet 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 (including cancellation for nonpayment of premium) without at least 30 days' prior written notice to any and all insureds named therein, including Owners, Mortgagees, and designated servicers of Mortgagees.

Section 22.2 Property Insurance; Deductible. The property insurance shall, at the minimum and subject to such reasonable deductible as the Board may determine, provide all risk or special cause of loss coverage in an amount equal to the full replacement cost of (a) the Common Elements, (b) the personal property of the Association, and (c) after completion of construction and sale or earlier occupancy of a Unit with a completed Home, the Homes and the equipment, fixtures, appliances, improvements in the Home as originally constructed, less

a reasonable deductible, 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 may, in the discretion of the Board, cover improvements or betterments to the Homes installed by the Unit Owners and loss due to earthquake. The policy shall provide a separate loss payable endorsement in favor of the Mortgagee of each Unit. 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. The Unit Owner shall be responsible for the amount of the deductible applicable to damage or loss within the Owner's Home.

Section 22.3 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 and 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 manufactured housing 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 22.4 Insurance Trustee; Power of Attorney. The named insured under the policies referred to in Section 22.2 and Section 22.3 shall be the Association, as trustee for each of the Owners in accordance with their respective interests in the Common Elements, except as provided in Section 23.2. 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 22.8, 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 22.5 Additional Policy Provisions. The insurance obtained pursuant to Section 22.2 and Section 22.3 shall contain the following provisions and limitations:

22.5.1 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.

22.5.2 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.

22.5.3 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.

22.5.4 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.

22.5.5 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.

22.5.6 A standard mortgagee clause which shall:

22.5.6.1 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;

22.5.6.2 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;

22.5.6.3 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

22.5.6.4 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 22.6 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' the annual Assessment. 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 22.7 Owners' Individual Insurance. An insurance policy issued to the Association does not prevent an Owner from obtaining insurance for the Owner's own benefit.

Section 22.8 Use of Insurance Proceeds. Any portion of the Condominium for which insurance is required to be maintained by the Association under this Article which is damaged or destroyed shall be repaired or replaced promptly by the Association pursuant to Article 23 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 Home 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 of Common Elements in excess of the deductible, insurance proceeds and reserves is a Common Home Expense and cost of repair or replacement of Homes in excess of insurance proceeds and reserves is a Common Home Expense. The Owner shall be responsible for the amount of the deductible applicable to damage or loss within the Owner's Home. 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 Homes which are not rebuilt shall be distributed to the Owners of those Homes, 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 appertaining to the Owner's Home, except as provided in Section 23.2. If the Unit Owners vote not to rebuild any Home, that Home's Allocated Interests are automatically reallocated upon the vote as if the Unit and Home had been

condemned under Article 24, and the Association promptly shall prepare, execute, and record an amendment to this Declaration reflecting the reallocations. Notwithstanding the provisions of this Section, Article 28 governs the distribution of insurance proceeds if the Condominium is terminated.

Article 23. DAMAGE AND REPAIR OR DAMAGE TO PROPERTY.

Section 23.1 Initial Board Determination. In the event of damage to any Common Element or Home, the Board shall promptly, and in all events within 30 days after the date of damage, make the following determinations with respect thereto, employing such advice as the Board deems advisable:

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

23.1.2 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.

23.1.3 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.

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

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

23.1.6 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 Home if the excess cost were to be paid as a Common Expense or Common Home Expense and assessed against all the Units in proportion to their Common Expense or Common Home Expense Liabilities, as applicable.

Section 23.2 Notice of Damage. The Board shall promptly, and in all events within 30 days after the date of damage, shall 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 and each holder of a first mortgage on a Unit with a written notice describing the damage and summarizing the initial Board determinations made under Section 23.1. If the Board fails to do so within the

30-day period, any Owner or Mortgagee may make the determinations required under Section 23.1 and give the notice required under this Section.

Section 23.3 Definitions: Damage, Substantial Damage, Repair, Emergency Work.
As used in this Article:

23.3.1 Damage shall mean all kinds of damage, whether of slight degree or total destruction.

23.3.2 Substantial Damage shall mean that in the judgment of a majority of the Board the estimated Assessment determined under Subsection 23.1.4 for any one Unit exceeds \$5,000.

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

23.3.4 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 23.4 Execution of Repairs.

23.4.1 The Board shall promptly repair the damage and use the available insurance proceeds therefor as provided in Section 22.8. If the cost of repair exceeds the amount of the deductible to be paid by a Unit Owner and available insurance proceeds, the Board shall impose an Assessment against all Units in proportion to their Common Expense or Common Home Expense, as the case may be, Liabilities in an aggregate amount sufficient to pay the excess costs.

23.4.2 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.

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

Section 23.5 Damage Not Substantial. If the damage as determined under Subsection 23.3.2 is not substantial, the provisions of this section shall apply.

23.5.1 Either the Board or the requisite number of Owners, within 15 days after the notice required under Section 23.2 has been given, may but shall not be required to, call a special Owners' meeting in accordance with Section 14.4 and the Bylaws to decide whether to repair the damage.

23.5.2 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.

23.5.3 A decision to not repair or rebuild may be made in accordance with Section 22.8.

Section 23.6 Substantial Damage. If the damage determined under Subsection 23.3.2 is substantial, the provisions of this section shall apply.

23.6.1 The Board shall promptly, and in all events within 30 days after the date of damage, call a special Owners' meeting to consider repairing the damage. If the Board fails to do so within 30 days, then notwithstanding the provisions of Section 14.4 and the Bylaws, any Owner or first mortgagee of a Unit may call and conduct the meeting.

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

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

23.6.3.1 The Owners shall be deemed to have elected to repair the damage in accordance with the original construction 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 Home that will not be rebuilt, have given their written consent not to repair the damage.

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

23.6.3.3 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 original construction will require the approval of Eligible Mortgagees holding first Mortgages on Units that have at least 51% of the votes subject to Mortgages held by Eligible Mortgagees.

23.6.3.4 Failure to conduct the special meeting provided for under Subsection 23.6.1 within 90 days after the date of damage shall be deemed a unanimous decision to repair the damage in accordance with original construction.

Section 23.7 Effect of Decision Not to Repair. In the event of a decision under either Subsection 23.5.3 or Subsection 23.6.3 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 22.8.

Article 24. CONDEMNATION.

Section 24.1 Consequences of Condemnation; Notices. If any Unit or portion thereof or the Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, notice of the proceeding or proposed acquisition shall promptly be given to each Owner and to each holder of a first mortgage and the provisions of this Article shall apply.

Section 24.2 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 24.3 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 appurtenants thereon, i.e., Home, garage and other improvements, 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 24.4 Condemnation of Part of a Unit. Except as provided in Section 24.3, 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 appurtenants thereon, i.e., Home, garage and other improvements, 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 24.5 Condemnation of 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. 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. 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.

Section 24.6 Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 23.

Article 25. EASEMENTS.

Section 25.1 In General. Each Unit has an easement in and through each other Unit and the Common Elements for all utilities and related facilities, irrigation and yard maintenance (as set forth in Section 11.5 hereof) and for reasonable access thereto, as required to effectuate and continue proper operation of the Condominium.

Section 25.2 Encroachments. To the extent not provided by the definition of "Unit" in the Declaration and in the Condominium Act, each Unit and all Common Elements are hereby declared to have an easement over all adjoining Units and 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 or other

structural overhang or projection. There shall be valid easements for the maintenance of the encroaching Homes, garages, fences and 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 25.3 Easements Reserved by the Declarant. The Declarant reserves an easement over, across, and through the Common Elements of the Condominium for the purposes 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 Development Rights or Special Declarant Rights.

Section 25.4 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 Units, including, without limitation, such utilities services as water, sanitary sewer, storm sewer, electricity, natural gas, cable television and telephone, and an easement for access over and under the roadways and Common Elements of the Condominium to the utility service facilities.

Section 25.5 Access and Utility Easements Granted by the Declarant. The Declarant grants to each Unit Owner an easement for ingress, egress and utilities over the portion of the property shown on the Survey Map and Plans to be dedicated or conveyed to the City of Kennewick for a public right of way, which easement shall terminate upon such dedication or conveyance.

Article 26. PROCEDURES FOR SUBDIVIDING OR ALTERING UNITS.

Section 26.1 Submission of Proposal to Subdivide Unit. No Unit or Units shall be subdivided either by agreement or legal proceedings, except as provided in this Article. An Owner may propose subdividing a Unit or Units by submitting the proposal in writing to the Board and to all other Owners and mortgagees of the Unit to be subdivided or combined. Such proposal to subdivide must also be given to every first mortgagee of any Unit in the Condominium. The proposal must include complete plans and specifications for accomplishing the subdivision and proposed amendments of this Declaration and the Survey Map and Plans which amendments shall be executed by the Owner of the Unit to be subdivided upon approval pursuant to Section 26.2, and which amendments assign an identifying number to each Unit created, and reallocate the allocated interests and liabilities formerly allocated to the subdivided Unit to the new Units in any reasonable manner

prescribed by the Owner of the subdivided Unit. The Owner of the Unit to be subdivided shall bear all costs of the subdivision.

Section 26.2 Approval Required for Subdivision. A proposal that contemplates subdivision of a Unit will be accepted only if approved in writing by all Owners and mortgagees of the Unit or Units to be subdivided, the Board and 51% of Eligible Mortgagees.

Section 26.3 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 that provisions for the protection of other Units or Common Elements or 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 26.4 Relocation of Boundaries -- Adjoining Units. The boundaries between adjoining Units may only be relocated by an amendment to the Declaration, pursuant to Article 27, 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 27. AMENDMENT OF DECLARATION SURVEY MAP AND PLANS,
ARTICLES OR BYLAWS.

Section 27.1 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 eligible holders) entitled to receive notices. Upon the adoption of an amendment and the obtaining of any necessary consents of Eligible 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 27.2 Percentages of Consent Required. Except as provided in Article 4 in connection with the exercise of Development Rights by the Declarant or in Article 23 and Article 24 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:

27.2.1 The consent of Owners holding at least 67% of the votes in the Association and the consent of Eligible Mortgagees that have at least 51% of the votes of Units subject to Eligible Mortgagees 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; (f) reallocation of interests in 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 and/or subleasing 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 an Eligible 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.

27.2.2 An amendment that creates or increases Development Rights or Special Declarant Rights, increases the number of Units (other than an amendment adding land or creating Units in a Subsequent Phase), changes the boundaries of any Unit, the Allocated Interests of a Unit (except an amendment creating Units in a Subsequent Phase or reflecting the completion of construction of a Home within 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, the Declarant (if the Declarant owns a Unit or has the rights to exercise any Development Rights or Special Declarant Rights) and the Owners having at least 90% of the votes in the Association other than the Declarant.

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

27.2.4 An Eligible 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 30 days shall be deemed to have consented to such request.

27.2.5 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 27.3 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 Development Rights or Special Declarant Right or in any real property subject thereto, excluding mortgagees of Units owned by persons other than the Declarant.

Article 28. TERMINATION OF CONDOMINIUM.

Section 28.1 Action Required. Except as provided in Article 23 and Article 24 and Section 27.3, 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 in accordance with the Condominium Act.

Section 28.2 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 Property and the distribution of proceeds from the sale of the Property; provided, however, that the proceeds from the sale of the Property in the Condominium shall be allocated among the Unit Owners in accordance with their respective interests in Common Elements.

Article 29. NOTICES.

Section 29.1 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 29.2 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 or Common Home 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 22; (f) any proposed action that would require the consent of a specified percentage of Eligible Mortgagees pursuant to Article 23, Article 26, or Article 27.

Article 30. 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 31. EFFECTIVE DATE.

This Declaration shall take effect upon recording.

Article 32. REFERENCE TO SURVEY MAP AND PLANS.

The Survey Map and Plans were filed with the Auditor of Benton County, Washington, simultaneously with the recording of this Declaration under File No. _____, in Volume _____ of Condominiums, pages _____ through _____.

Article 33. ASSIGNMENT BY DECLARANT.

The Declarant reserves the right to assign, transfer, sell, lease, or rent all or a portion of the property then owned by it and reserves the right to assign all or any of its rights, duties, and obligations created under this Declaration.

DATED: _____ PINEWOOD I, L.L.C., a Washington limited liability company

By _____
Its _____

STATE OF WASHINGTON)
) ss.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Managing Member of PINEWOOD I, L.L.C., a Washington limited liability company, to be the free and voluntary act of such company for the uses and purposes mentioned in the instrument.

Dated this _____ day of _____, 2000.

(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of California, residing at _____

My appointment expires _____

Schedule A

PINEWOOD, A CONDOMINIUM

Description of the Property in the Condominium

Schedule B

PINEWOOD, A CONDOMINIUM

Description of the Subsequent Phase Property

Schedule D

PINEWOOD, A CONDOMINIUM

Architectural Guidelines – Craftsman/Bungalow Homes

All Homes under these guidelines must be in the “Craftsman/Bungalow” style. This style is discussed in detail in *THE BUNGALOW, AMERICA’S ARTS & CRAFTS HOME*, Paul Duchscherer & Douglas Kelster, Penguin Books, 1995. The intent is to provide Homes that are viewed as solid and substantial and having a historic permanence. Specifically, this style must include the following basic elements:

- One to one and one-half stories. The half story may be used as living space but must not be defined as a full second story, i.e., the half story must be within the roof area of the one-story Home. Some Homes may also include a daylight basement on the steeper portions of the site.
- Stain and paint colors must be consistent with the Craftsman style. These include yellows, greens, dark blues, white, browns and grays. Trim colors should be compatible but contrast with the primary color. Where dark colors are used, trim color should normally be lighter or white. In no event should all Homes within a cluster be stained or painted the same shade.
- Use of natural and indigenous appearing materials such as beveled siding, board and batting and shingles.
- Use of varying sizes of windows.
- Use of beams and heavy columns. Beams and columns must appear to be “structural” and consistent with the “permanent” quality of the Homes.
- Use of overhangs and rafter braces.
- Multi-paned window treatment with wide wood moldings. Individual windows should normally contain less than twenty square feet unless broken into two sections.
- Roofing should be architectural composition shingle, metal or slate. Roof colors must be compatible with the siding color and consistent with the natural Craftsman style. Southwest style terracotta and bright colored roofs may not be used.
- Garage doors must also be in keeping with the Craftsman style.
- A porch or veranda is required. The primary porch should abut the common area. A small overhang porch may also be included at the rear entrance to the Home.

- It is intended that a builder will construct Homes in a single “cluster,” consisting normally of between four and six Homes. Because of this, it is important that each Home in the cluster be unique but still contain the classic cottage/bungalow character. Therefore, all Homes within a cluster must be different. This includes elevations and paint color.
- The alley entrance must also have a Craftsman style.
- Roof treatment must be consistent with the Craftsman style. This includes simpler, less complex roof lines. Any second level living area must be contained within the roof line of the Home.

The Homes may include the following optional elements to create a Craftsman style:

- Leaded glass or stained glass windows.
- Planter boxes under windows.
- Separate garage doors for each car rather than a single garage door.
- Rock or brick façade for porch columns.

The Homes must meet the following minimum construction standards:

- The siding shall be Hardiplank or equivalent approved by ACC with estimated useful life of at least 50 years.
- The roof shall have an estimated useful like of at least 30 years.