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Section Nine: The Association shall not, without the prior written approval of sixty-seven percent (67%) of Institutional First Mortgagees, seek to abandon or terminate the project for reasons other than substantial destruction or condemnation of the property.

Section Ten: Institutional First Mortgagees shall be entitled to timely written notice of: (a) substantial damage or destruction of any housing unit or any part of the Common Areas or facilities; (b) any condemnation or eminent domain proceedings involving any housing units or any portion of Common Areas or facilities; (c) any default by an Owner under this Declaration or the Articles, By-Laws or rules and regulations of the Association which is not cured within thirty (30) days; (d) any sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of any housing unit on which it holds the mortgage; (e) ten (10) days' prior written notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintenance by the Association; and (f) any proposed action that requires the consent of a specified percentage of Institutional First Mortgagees.

ARTICLE THIRTEEN

Management Contracts

Each member hereby agrees that the Association may enter into such agreements for the performance of any or all of the functions of the Association with such persons or entities as the Association shall deem fit and proper in its judgement and discretion; provided, however, any agreement for professional management of the Properties, or any other contract providing for services by the Developer must provide for termination by either party without cause or payment of a termination fee on ninety (90) days, or less, written notice and the maximum contract term shall be three (3) years.

ARTICLE FOURTEEN

Insurance and Condemnation

Section One: The Association shall purchase as a Common Area Expense and shall have authority to and shall obtain insurance for the Common Areas against loss or damage by fire or other hazards in an amount sufficient to cover the full replacement in the event of damage or destruction. It shall also obtain a comprehensive public liability policy covering the Common Areas. Said comprehensive public liability coverage shall be in an amount to be determined by the Association, but shall not be less than \$1,000,000 concerning all claims for personal injury and/or property damage arising out of a single occurrence.

Following the development period, all such insurance coverage shall be written in the name of the Association as trustee for each of the

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members of the Association. Costs of insurance obtained by the Developer during the development period shall be a Common Area expense. The Association shall review the adequacy of the Association's insurance coverage at least annually. All policies shall include a standard mortgagee's clause and shall provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days prior written notice to any and all insureds named therein, including Owners and Institutional First Mortgagees.

Section Two: In addition to the aforementioned insurance carried by the Association, every Owner, at his own expense, shall insure his own Housing Unit against loss or damage by fire or other hazards in an amount equal to the full replacement value thereof, during any construction period and thereafter.

Section Three: The Association shall obtain fidelity bonds which shall afford coverage to protect against dishonest acts on the part of officers, directors, managers, volunteers, trustees, and employees of the Association or the managing agent and all other persons who handle or are responsible for handling funds of the Association and be in an amount equal to three (3) months' assessments on all Lots, including reserve funds. All such fidelity bonds shall name the Association as an Obligee, contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression, and provide that they may not be cancelled or substantially modified (including cancellation for nonpayment of premium) without at least ten (10) days' prior written notice to any and all insured named therein, including Owners and Institutional First Mortgagees.

Section Four: In the event of the damage or destruction of the Common Areas covered by insurance written in the name of the Association, the Association may, upon receipt to the insurance proceeds, and to the extent of such proceeds contract to rebuild or repair such damaged or destroyed portions of the Common Areas to as good a condition as they were when the loss occurred, provided, however, that the Association's election not to rebuild the Common Areas shall require the approval of two-thirds (2/3) of the Association. The Association may in its sole discretion contract with any licensed contractor for reconstruction or rebuilding of such destroyed portions of the Common Areas.

In the event of damage or destruction by fire or other casualty to any Housing Unit, the Owner thereof shall, upon receipt of the insurance proceeds, contract to repair or rebuild such damaged or destroyed portions in a good workmanlike manner in conformance with the original plans and specifications of said Housing Unit. The plans and specifications for said damaged or destroyed Housing Unit may be modified and said damaged or destroyed Housing Unit may be reconstructed in accordance with said modified plans and specifications if the Owner of said damaged or destroyed Housing Unit secures the approval of the Association or the Developer, as the case may be as provided in the Declaration. In the event such Owner refuses or fails

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to commence such repair or rebuilding within thirty (30) days after such damage or destruction, unless such period is otherwise extended by the Association, the Association is hereby authorized by such Owner, if the Association so desires, to repair, rebuild or clear and clean up any such Housing Unit. Any rebuilding shall be done in a good and workmanlike manner in conformance with the original plans and specifications. The Owner shall then repay the Association the amount actually expended for such repairs and reconstruction, and the Housing Unit shall be specially assessed in such amount pursuant to Article Eight herein. The Association shall have a lien against the Housing Unit for such amount and the rights provided in the Declaration for the enforcement of said lien and assessment.

Section Five:

5.1 Consequence of Condemnation; Notices. If at any time or times during the continuance of the Housing Unit ownership pursuant to this Declaration, all or any part of the Property shall be taken or condemned by any public authority or sold or otherwise disposed of in lieu of or in advance thereof, the provisions of this Section 5 shall apply, and notice of the proceeding or proposed acquisition shall promptly be given to each Owner and to each Institutional First Mortgagee.

5.2 Proceeds. All compensation, damages, or other proceeds therefrom, the sum of which is hereinafter called the "condemnation award" shall be payable to the Association. The condemnation award shall be apportioned among the Owners as directed by the Association who shall fairly and promptly allocate and distribute such condemnation award. If the entire property is condemned or taken, ownership in the Common Areas shall terminate. The condemnation award shall then be distributed among the Owners in like proportions.

ARTICLE FIFTEEN

Rules and Regulations

The Association and/or its Board of Directors is hereby authorized and empowered to adopt rules and regulations governing the use of the Properties and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof. All Lot Owners shall be given written notice of said rules and regulations and said rules and regulations shall be posted in a conspicuous place in the Common Areas.

ARTICLE SIXTEEN

Remedies and Waiver

Section One: The remedies provided herein for collection of any assessment or other charge or claim against any Member, for and on behalf of the Association, or Developer, are in addition to, and not in limitation of, any other remedies provided by law.

Section Two: The failure of the Association or the Developer or of any of their duly authorized agents or any of the Owners to insist in any one or more instances upon the strict performance of or compliance with the Declaration or any of the Articles, Bylaws or rules or regulations of the Association, or to exercise any right or option contained therein, or to serve any notice or to institute any action or summary proceedings, shall not be construed as a waiver or relinquishment of such right for the future, but such right to enforce any of the provisions of the Declaration or of the Articles, Bylaws or rules or regulations of the Association shall continue and remain in full force and effect. No waiver of any provision of the Declaration or of the Articles, Bylaws, rules or regulations of the Association shall be deemed to have been made, either expressly or implied, unless such waiver shall be in writing and signed by the Board of Directors of the Association pursuant to authority contained in a resolution of said Board of Directors.

ARTICLE SEVENTEEN

Benefits and Burdens Run with the Land

The covenants, restrictions, reservations and conditions contained herein shall run with the land and shall be binding upon the Properties and each portions thereof and all persons owning, purchasing, leasing, subleasing or occupying any Lot on the Properties, and upon their respective heirs, successors and assigns. After the date on which the Declaration has been recorded, these covenants, restrictions, reservations and conditions may be enforced by the Association or Developer which shall have the right to enforce the same and expend Association monies in pursuance thereof, and also may be enforced by the Owner of any Lot.

ARTICLE EIGHTEEN

General Provisions

Section One: The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provisions hereof apply either to

corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

Section Two: The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections hereof shall not affect the remaining portions of this Declaration of any part hereof, all of which are inserted conditionally on their being held valid in law and in the event that one or more of the phrases, sentences, clauses, paragraphs or sections contained herein should be invalid, this Declaration shall be construed as if such invalid phrase, sentence, clause, paragraph, or section had not been inserted.

Section Three: These covenants, restrictions, reservations and conditions shall remain in full force and effect for a period of twenty (20) years from the date hereof. Thereafter, they shall be deemed to have been renewed for successive terms of the (10) years, unless revoked or amended as hereinabove provided.

Section Four: In the event that any provision or provisions of this Declaration violate the rule against perpetuities, such provision or provisions shall be construed as being void and of no effect as of twenty-one (21) years after the death of the last surviving incorporator of the Association, or twenty-one (21) years after the death of the last survivor of all of the said incorporators' children and grandchildren who shall be living at the time this instrument is executed, whichever is later.

Section Five: In the event the Association employs an attorney to enforce any provision of the Declaration, the Articles or Bylaws of the Association, or rules and regulations adopted by the Association, the prevailing party in said action shall be entitled to the award of reasonable attorney's fees and costs incurred in said action.

Section Six: Any notice required by the Declaration or the Articles or Bylaws of the Association or the rules and regulations adopted by the Association shall be deemed properly given if mailed by ordinary mail to the last address furnished to the Developer or the Association, and said notices shall be deemed given when deposited in a United States Post Office.

ARTICLE NINETEEN

Amendment and Revocation

Section One: This instrument may be amended, and partially or completely revoked only as herein provided or otherwise provided by law.

Section Two: During the development period, the Developer may amend this instrument only to add additional phases and to comply with the requirements of the Federal National Mortgage Association, Government National Mortgage Association, Veterans Administration or

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Federal Home Loan Mortgage Corporation simply by recording an acknowledged document setting forth specifically the provisions amending this instrument.

Section Three: This Declaration may be amended at any annual meeting of the Association, or at a special meeting called for such purpose, if sixty-seven percent (67%) or more of the Owners vote for such amendment, or without such meeting if all Owners are notified in writing. Notice of any proposed amendment shall be given to all Owners not less than ten (10) days prior to the date of the annual meeting or of any special meeting at which the proposed amendment shall be considered. Notwithstanding any of the foregoing, fifty-one percent (51%) of all Institutional First Mortgagees who have requested notification of amendments must give prior written approval to any material amendment to the Declaration By-Laws, including any of the following:

- 3.1 Voting rights;
- 3.2 Assessments, assessment liens and subordination of such liens;
- 3.3 Reserves for maintenance, repair and replacement of Common Areas;
- 3.4 Insurance or fidelity bonds;
- 3.5 Responsibility for maintenance and repair;
- 3.6 Expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project;
- 3.7 The boundaries of any Lot;
- 3.8 Leasing of Housing Units other than as set forth herein;
- 3.9 Imposition of any restrictions on the right of an Owner to sell or transfer his or her Lot;
- 3.10 Decision by the Association to establish self-management when professional management had been required previously by an Institutional first Mortgagee;
- 3.11 Restoration or repair (after hazard damage or partial condemnation) in a manner other than that specified in this Declaration.
- 3.12 Any action to terminate the legal status of the project after substantial destruction or condemnation occurs; or
- 3.13 Any provisions which are for the express benefit of Institutional First Mortgagees.

Section Four: Amendments shall take effect only upon recording with the Recorder of King County.

IN WITNESS WHEREOF, the Declarant has hereunto set its hand and corporate seal this 16 day of February 1989.

THE QUADRANT CORPORATION

BY

Robert Holman
Robert Holman

ITS Vice President

STATE OF WASHINGTON)

) SS.

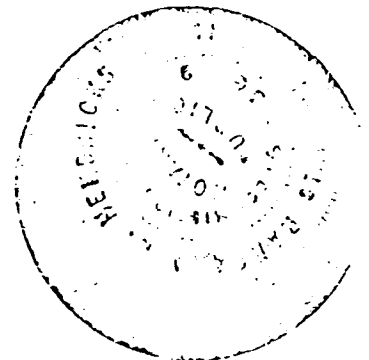
COUNTY OF KING)

On this 16 day of February, 1989, before me the undersigned, a Notary Public in and for the state of Washington, duly commissioned and sworn, personally appeared Robert Holman to me known to be the Vice President of THE QUADRANT CORPORATION, the corporation that executed the within and foregoing instrument and he acknowledged to me that he signed the same as the free and voluntary act and deed of said corporation, for the uses and purposed therein mentioned, being authorized so to do, and the corporate seal affixed is the seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

Barbara J. Hendricks
Notary Public in & for the State of Washington
residing at Mercer Island

2/15/89



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BY THE DIVISION OF
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