

CONDOMINIUM DECLARATION
CONTAINING
COVENANTS, CONDITIONS, RESTRICTIONS AND
RESERVATIONS
FOR
GLENEAGLE VILLAS III, A CONDOMINIUM

ARTICLE I

SUBMISSION OF PROPERTY: PURPOSE

I.1. Submission of Property.

GLENEAGLE PARTNERS LLC, hereinafter referred to as the "Declarant," being the owner in fee simple of the land described in the attached Exhibit "A", hereby submits said land, together with all legally associated easements, rights, appurtenances and improvements, collectively referred to hereinafter as "the Property", to the provisions of the Washington Condominium Act ("the Condominium Act", i.e., Chapter 64.34 of the Revised Code of Washington), and creates from such Property a Condominium which may be expanded and improved under Development Rights reserved hereinafter which shall be known as "Gleneagle Villas III, a Condominium."

1.2. Reference to Survey Map.

Contemporaneously with the recordation of this Declaration, the Declarant has recorded with the Auditor of Whatcom County, Washington a certain survey map and Condominium plans, showing the location and dimensions of the land described in Exhibit "A" and the location and dimensions of the improvements thereupon constructed or contemplated to be constructed, together with other information required by the Condominium Act, this survey map and Condominium plans are hereinafter together referred to as the "Survey Map" or the "Survey Map and Plans"; the Survey Map is recorded at Auditor's File No. _____

1.3. Purpose.

This Declaration, together with the Survey Map and Plans referred to herein, states covenants, conditions, restrictions and reservations intended by the Declarant to effect a common plan for the Condominium development of the Property mutually beneficial to all of the described Units. The covenants, conditions, restrictions, reservations and plan, including without limitation the statutory lien for Assessments described at Section 10.15 hereof, which may be foreclosed by the Association non-judicially under the Power of Sale granted herein, are binding upon the entire Property and upon each such Unit as a parcel of realty, and upon its Owners and their heirs, personal representatives, tenants,

licensees, successors and assigns, through all successive transfers of any part of the Property, irrespective of whether specifically referred to in deeds, contracts or security instruments, and regardless of any subsequent forfeitures, foreclosures, or sales of Units under security instruments, or of any forfeitures, foreclosures, or sales instituted for nonpayment of government tax, levy or assessment of any kind.

ARTICLE II

DEFINITIONS

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

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

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

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

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

2.6. "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves. Such expenditures are described with particularity in Schedule 8.3.2 in Exhibit C to this Declaration.

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

2.8. "Condominium" means real property, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the Owners of those portions. Real property is not a Condominium unless the undivided interests in the Common Elements are vested in the Unit Owners, and unless a

Declaration and a Survey Map and Plans have been recorded pursuant to the Condominium Act.

2.9. "Condominium Instruments" means the Declaration, the Survey Map and Plans, the Bylaws of the Association, any Rules and Regulations adopted by the Board of Directors, and any amendments to any such documents.

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

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

2.12. "Declarant" means any party who (a) executes the Condominium Declaration, or (b) reserves or succeeds to any Special Declarant Right under the Declaration or who owns a fee interest in the project and who is materially involved in the development of the project in the manner described in RCW 64.34.020(13).

2.13. "Declarant control" means the right of the Declarant or persons designated by the Declarant to appoint and remove officers and members of the Board of Directors or to veto or approve a proposed action of the Board or Association pursuant to Sections 8.1 and 16.5 of this Declaration and RCW 64.34.308(4) or (5).

2.14. "Declaration" means this document, which creates the Condominium by setting forth the information required by RCW 64.34.216, and any amendments to this document. 2.15. "Development Rights" means any right or combination of rights reserved by the Declarant in the Declaration: (a) to add real property or improvements to the Condominium; (b) to create Units, Common Elements, or Limited Common Elements within real property included in or added to the Condominium; (c) to subdivide Units or convert Units into Common Elements; (d) to withdraw real property from the Condominium; or (e) to reallocate Limited Common Elements with respect to Units that have not been conveyed by the Declarant. Development rights are personal to the Declarant and may be exercised, or not exercised, at the sole discretion of the Declarant. In this Condominium, Development rights are described in Section 3.3 hereof.

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2.16. "Development Unit" means a portion of the Property upon or within which construction activities will or may take place and that may be subject to a security interest by the Declarant, but is not substantially completed at the time of the

recordation of this Declaration; a Development Unit may not be converted into a Residential Unit nor conveyed to a market purchaser until it is substantially completed.

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

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

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

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

2.21. "Leasehold Condominium" means a Condominium in which all or a portion of the real property is subject to a lease, the expiration or termination of which will terminate the Condominium or reduce its size. This Condominium is not a leasehold Condominium. 2.22. "Limited Common Element" means a portion of the Common Elements allocated by Article VI of the Declaration or by operation of RCW 64.34.204(2) or (4) for the exclusive use of one or more but fewer than all of the Units.

2.23. "Limited Common Assessment" means a portion of the Common Expenses of the Association which may be specially assessed against one or more but fewer than all of the Units pursuant to Section 10.8 of this Declaration.

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

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

2.26. "Occupant" means a person lawfully occupying any Unit, the term includes without limitation Unit Owners, and family members, employees and tenants of Unit Owners.

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

2.28. "Purchaser" means any person, other than the Declarant or a dealer, who by means of a disposition acquires a legal or equitable interest in a Unit other as security for an obligation.

2.29. "Reserved Common Element" means a portion of the Common Elements which is designed for temporary storage or other purposes by one or more Owners or occupants, upon payment to the Association of such user fees and upon satisfaction of such other conditions as the Board, by resolution, may deem appropriate, the right to use a Reserved Common Element shall be deemed to be a license rather than an interest in the property so reserved.

2.30. "Residential purposes" means use for dwelling and human habitation, whether on an ownership, rental or lease basis and for reasonable social, recreational or other uses normally incident to such purposes.

2.31. "Special Declarant Rights" means rights reserved for the benefit of the Declarant: (a) to complete improvements indicated on survey maps and plans filed with the Declaration under RCW 64.34.232; (b) to exercise any Development Right under RCW 64.34.236; (c) to maintain sales offices, management offices, signs advertising the Condominium, and models of the project under RCW 64.34.256; (d) to use easements through the Common Elements for the purpose of making improvements within the Condominium or within real property which may be added to the Condominium under RCW 64.34.260; (e) to make the Condominium part of a larger Condominium or a development under RCW 64.34.280; (f) to make the Condominium subject to a master Association under RCW 64.34.276; or (g) to appoint or remove any Officer or Director of the Association or of any master Association, or to veto or approve a proposed action of the Board or the Association during any period of Declarant control under RCW 64.34.308(4). in this Condominium, Special Declarant Rights are described in Section 16.5 hereof.

2.32. "Special Limited Common Elements" means those Limited Common Elements which shall be repaired, replaced and subjected to periodic maintenance by the Association at the expense of the Owner of the Unit to which such Limited Common Element is allocated, under Sections 6.2.3 and 10.8 of this Declaration. in this Condominium, there are presently no Special Limited Common Elements, but the term shall include any structure or facility which in the future is constructed in the Common Elements with the Board's approval at the request of a Unit Owner, and as to which the Board determines that it would be inequitable for other Unit Owners to contribute to the costs of Upkeep associated therewith. The Board may require that a Special Limited Common Element be insured by the Owner of the Unit to which it is appurtenant, under Section I 1.5.2 hereof.

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

2.34. "Unit" means a physical portion of the Condominium designated for separate ownership, the boundaries of which are described pursuant to RCW 64.34.216(1)(d) or under Section 4.2 hereof.

2.35. "Unit Owner" means the Declarant or any other person who owns a Unit, but does not include a person who has an interest in a Unit solely as security for an obligation. "Unit Owner" means the vendee and not the vendor of a Unit under a real estate contract.

2.36. "Upkeep" means any care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction that is required to maintain property in a decent, safe and sanitary condition, in keeping with the standards of the Condominium.

ARTICLE III

DESCRIPTION OF LAND, BUILDINGS, DEVELOPMENT RIGHTS AND MASTER SUBDIVISIONS

3.1. Land and Street Address.

The land on which the buildings and improvements of this Condominium are located is situated at 9006 - 9023 Gleneagle Drive, Blaine, Whatcom County, Washington, and is more particularly described in Exhibit "A" which is attached hereto and incorporated herein.

3.2. Buildings.

The Condominium contains four (4) buildings depicted on the Survey Map and Plans.

3.3. Development Rights.

3.3.1. Description.

Pursuant to RCW 64.34.216(1)(j), the Declarant has reserved Development rights which are personal to the Declarant and may be exercised, or not exercised, at the sole discretion of the Declarant. These include the rights: to create additional Units, Common Elements, or Limited Common Elements within the real property included in the Condominium, as described more particularly in Sections 4.1, 5.1, and/or 6.1 of this

Declaration; to subdivide Units or convert Units into Common Elements; to reallocate Limited Common Elements with respect to Units that have not been conveyed by the Declarant; to assign portions of the Common Elements as Limited Common Elements pursuant to RCW 64.34.216(l)(i), to subdivide Development Units, convert Development Units into Residential Units, and/or convert portions of Development Units into Common Elements. Without limiting the foregoing, the Declarant reserves the right to expand the scope of development within the Condominium through phased development, as described below. Only Phase I is required to be completed.

(a) Phase I, in general, shall consist of the eight (8) Units in four buildings described in Exhibit B to this Declaration, along with various amenities shown on the Survey Map.

(b) Phase 2, in general, could consist of an additional two (2) Units, created through a subdivision of Development Unit 2.

(c) Phase 3, in general, could consist of an additional four (4) Units, created through a subdivision of Development Units 4 and 5.

(d) Phase 4, in general, would consist of an additional four (4) Units, created through a subdivision of Development Units 1 and 3.

(e) Declarant reserves the right to combine and/or subdivide any of Phases 2, 3, and/or 4 such that there could be up to six Phases or, alternatively, more Units created in any Phase than as described above, Declarant's decision in this regard will be market-driven, but will be made in a manner consistent with the wishes of Declarant's construction lenders.

3.3 .2. Procedure for Exercise.

(a) To exercise any Development Right reserved under Section 3.3.1 of this Declaration, the Declarant shall prepare, execute, and record an amendment to the Declaration and either a new Survey Map and Plans necessary to conform to the requirements of Subsections (1), (2), and (3) of RCW 64.34.232, or new certifications of the Survey Map and Plans previously recorded if the documents otherwise conform to the requirements of those Subsections, in accordance with Section 17.6 of this Declaration. The Declarant shall be the Unit Owner of any Units thereby created. The amendment to the Declaration shall assign an identifying number to each new Unit created, and, except in the case of subdivision or conversion of Units described in Subsection (c) of this section, shall reallocate the allocated interests among all Units in existence following the amendment, using the same formulas or factors for allocation specified in Sections 5.3, 7.4.2 and 10.6 hereof. The amendment shall describe any Common Elements and any Limited Common Elements thereby created and, in the case of Limited Common Elements, designate the Unit to which each is allocated to the extent required by RCW 64.34.228. No additional Phase of development shall be deemed to be completed or to

constitute a lawful portion of this Condominium until the Amendments described above shall have been recorded.

(b) If the Declarant exercises a Development Right to subdivide a Unit previously created, or to convert a Unit into additional Common Elements pursuant to RCW 64.34.236(3), or both:

(i) If the Declarant converts the Unit entirely to Common Elements, the amendment to the Declaration shall reallocate all the allocated interests of that Unit among the other Units as if that Unit had been taken by condemnation under RCW 64.34.060.

(ii) If the Declarant subdivides the Unit into two or more Units, whether or not any part of the Unit is converted into Common Elements, the amendment to the Declaration shall reallocate all the allocated interests of the Unit among the Units created by the subdivision in any reasonable and equitable manner prescribed by the Declarant at the time of such subdivision.

3.3.3. Time Limits on Development Rights.

The Declarant may exercise the Development Rights described in Section 3.3.1 of this Declaration within seven years from the date of the conveyance by the Declarant of the first Unit in the Condominium to a person other than the Declarant or until a date which is 180 days following the sale of the last Unit in the final phase of development of the Condominium, whichever first occurs. Declarant may commence construction of any improvements relating to such Development Rights at any time prior thereto, under the Easement Rights and Special Declarant Rights reserved in Sections 16.3 and 16.5 of this Declaration.

3.3.4. Sequence of Exercise of Rights.

The Declarant declares, pursuant to RCW 64.34.216(l)(k), that subject to the time limitations stated in Section 3.3.3 hereof, and except as otherwise expressly provided elsewhere in this Declaration, the Development Rights described in Section 3.3.1 of this Declaration may be exercised with respect to different parcels of real property at different times, at any time, at different times and in any order, without further assurances or limitation of any sort, either in all or in any portion of the remainder of any such property subject to such Rights.

3.3.5. Declarant's Liability for Expenses.

In addition to the liability that the Declarant as a Unit Owner has under this Declaration, the Declarant alone is liable for all expenses in connection with real property subject to Development Rights. No other Unit Owner and no other portion of the Condominium is subject to a claim for payment of those expenses. Any income or proceeds from real property subject to Development Rights shall inure to the Declarant.

3.4. Master Subdivision.

This Condominium is part of Master Subdivision known as Semiahmoo, and is subject to the terms and conditions of certain recorded covenants affecting all property and property owners within Semiahmoo, Said recorded covenants are hereinafter referred to, collectively, as the Master Association Covenants, which are recorded among the land records of Whatcom County, Washington, at Auditor's File Nos.

14920551579952, 910516003921030001, 940428002, 951 I 13014, 95 I I

13015, 970 I 31257, etal. Since the land included within this Condominium is included within the boundaries of the Master Subdivision, all Units and Unit Owners in this Condominium are bound by the terms and conditions of the Master Subdivision Covenants. Of particular interest in the Master Association Covenants is the requirement that all condominium units located within Semiahmoo, including those in this Condominium, must pay annual dues to the Semiahmoo Resort Association ("Master Association" or "SRA"), which is the governing body of the Master Association. The Condominium Association shall include within its budget its proportionate share of such annual dues for the Master Association. Reference should be made to the Master Subdivision Covenants for further details.

ARTICLE IV

UNITS

4.1. Number and Location.

4.1.1. Initial Units.

The Condominium contains eight (8) Residential Units and five (5) Development Units which are depicted on the Survey Map and Plans. The location of existing Units within the buildings and the dimensions of those Units are shown on the Survey Map and Plans. Exhibit B hereto contains a list of all Units, their identifying numbers, size, the Allocated Interests appurtenant to each Unit, and other information required by the Condominium Act.

4.1.2. Development Units and Residential Units.

Units in the Condominium which are unimproved and lack substantially completed dwelling structures are known herein as "Development Units". Units in the Condominium consisting of individual dwelling units which have been created in Phase I, or which may be created in future Phases through a subdivision of a Development Unit pursuant to Section 3.3.1 hereof are known herein as "Residential Units". The

Declarant reserves the right to create a total of eighteen (18) Residential Units pursuant to Development Rights reserved in Section 3.3.1 of this Declaration. Following substantial completion of the construction of building constructed within a Development Unit, the Declarant will subdivide the Development Unit into Residential Units suitable for sale to home purchasers. Such a subdivision shall be accomplished by the recordation of Amendment to the Declaration and Survey Map and Plans pursuant to Section 3.3.2 hereof. Such subdivision shall not in any way affect the rights of a lender secured in such Development Unit.

4.1.3. Assurances Connected with Phased Development.

In the event that the Declarant exercises a Development Right to create additional Residential Units in the Condominium, the Units themselves, and all Common Elements supporting such additional Units, shall be well constructed, using materials of quality and appearance comparable to those used in the earlier phases of development. Any building containing such additional Units shall be of architecturally compatible design so as to preserve a reasonably harmonious appearance relative to the initial phases of development, and shall be painted and landscaped appropriately.

4.2. Unit Boundaries.

The boundaries of each Residential Unit are as follows:

4.2.1. Upper and Lower (horizontal) Boundaries.

The upper and lower boundaries of the Unit shall be the following boundaries extended to an intersection with the vertical (perimetric) boundaries.

(a) Upper Boundary: The horizontal or oblique planes of the bottom surfaces of the wood joists or other structural materials used in the structural portions of the ceiling except where there is a skylight, in which case the upper boundary exists at the underside of the skylight; the body of a skylight constitutes a Limited Common Element pursuant to Section 6.1.2 hereof.

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

4.2.2. Vertical (perimetric) Boundaries.

The vertical boundaries of the Unit shall be the vertical planes which include the back surface of the plaster, paneling or plasterboard, as the case may be, of all walls bounding the Unit, extended to intersections with each other and with the upper and lower boundaries. If so indicated on the Survey Map, however, the common vertical boundaries between some Units may consist of planes in space extending vertically.

from locations of depicted on the Survey Map and Plans, to the intersections of such planes with the upper and lower boundaries of those Units.

4.2.3. Boundaries of Development Units.

The vertical boundaries of Development Units shall consist of planes extending vertically from the location of those boundaries for those Units depicted on the Survey Map and Plans. The upper and lower boundaries of Development Units consist of planes existing at elevations levels described particularly in the Survey Map.

4.3. Monuments as Boundaries.

The physical boundaries of a Unit in a building constructed in substantial accordance with the original Survey Map and Plans constitute its boundaries rather than any metes and bounds expressed in the Survey Map or Plans, regardless of settling or lateral movement of the building or minor variance between boundaries shown on the Survey Map or Plans and those of the building.

4.4. Additional Items Included in Units.

Each Residential Unit contains: (i) all nonstructural interior partition walls located within the boundaries of the Unit; (ii) the decorated surfaces of all boundary walls, ceilings and floors, including any wallpaper, paint, lath, wallboard, plastering, carpeting, floor and wall tiles and other floor coverings and all other finishing materials; and (iii) all interior doors and all immediately visible fixtures, appliances, mechanical, electrical and intercom systems and equipment, commencing at the point of disconnection from the structural body of the building or from utility lines, pipes or systems serving any other Unit or the Common Elements.

4.5. Items Excluded from a Unit.

A Residential Unit shall be deemed not to include: pipes, wires, conduits and other public utility lines, ventilation or other ducts, bearing walls and structural portions of the building running through a Unit which are utilized for or serve more than one Unit or the Common Elements, and all other property and fixtures of any kind which are not removable without jeopardizing the soundness, safety or usefulness of the remainder of the Condominium.

4.6. Maintenance of Units.

4.6.1. General Responsibility.

Each Unit Owner shall, at his or her sole expense, have the right and the duty to keep the interior of his or her Unit and its fixtures, equipment, and appurtenances in good order, condition and repair and shall do all preventative maintenance, repairs and/or replacements at such times as are necessary to maintain the good appearance and condition of such Unit. Each Owner shall also be responsible for the maintenance, repair or replacement of any individual heating, ventilating or air-conditioning equipment, wherever located, installed for the sole and exclusive use of the Unit, and of any hot tub or other device or equipment lying outside the boundaries of the Unit but installed for the sole and exclusive use of the Unit, and of any other fixtures, appliances, systems or equipment described in Section 4.4(iii) hereof. This Section shall not be construed as permitting any interference with or damage to the structural integrity of the building or interference with the use and enjoyment of the Common Elements or of the other Units or any of them, nor shall it be construed to limit the powers or obligations of the Board hereunder. See also Section 8.4 hereof.

4.6.2. High Risk Components.

The Board may from time to time determine that certain portions of the Units or certain objects or appliances within the Units (collectively, "High Risk Components"), pose a particular risk of damage to other Units and/or to the Common Elements if they are not properly inspected, maintained, repaired or replaced. By way of example, but not of limitation, these portions, objects or appliances may include smoke detectors, electric wall heaters, fireplaces, washer hoses, dryer vents and/or water heaters. The Board may require one or more of the following with regard to any High Risk Component located within a Unit:

- (i) That it be inspected at specified intervals by the Association or an inspector or inspectors designated by the Association.
- (ii) That it be replaced or repaired at specified intervals, or with reference to manufacturers' warranties, whether or not the individual component is deteriorated or defective.
- (iii) That it be replaced or repaired with items or components meeting particular standards or specifications established by the Board.
- (iv) That when it is repaired or replaced, the installation include additional components or installations specified by the Board.
- (v) That it be replaced or repaired by contractors having particular licenses, training or professional certification or by contractors approved by the Association.
- (vi) If the replacement or repair is completed by a Unit Owner, that it be inspected by a person designated by the Association.

(vii) If the replacement or repair is completed by Association, that the costs so incurred be assessed to the Owner(s) of the affected Unit(s) pursuant to Section 10.8 hereof.

4.7. Alterations of Units.

Subject to the provisions of this Declaration and other provisions of law, a Unit Owner:

4.7.1 . May make improvements or alterations to the Owner's Unit that do not affect the structural integrity or mechanical or electrical systems of any other Unit or the Common Elements, or lessen the support of any portion of the Condominium; PROVIDED that such work be performed during normal business hours and that any necessary municipal permits be obtained prior to performing such work; the Board shall have the authority to promulgate further rules and regulations regarding such activities.

4.7.2. May not replace floor carpeting with hard-surfaced flooring materials of any sort in a Unit which lies above another Unit unless such new flooring materials are designed and/or installed in such a fashion that the noise-generation and sound-transmission characteristics of the new flooring fairly approximate those of the carpeting that is being replaced. A failure to comply with these requirements is expressly declared to constitute a nuisance.

4.7.3. May not change the appearance of the Common Elements or the exterior appearance of a Unit without permission of the Association,

4.7.4. May, after acquiring an adjoining Unit or an adjoining part off adjoining Unit, and following approval of the Board of Directors, remove or alter any intervening partition or create apertures therein, even if the partition in whole or in part is a Common Element, if those acts do not adversely affect the structural integrity or mechanical or electrical systems of any other Units or the Common Elements, or lessen the support of any portion of the Condominium. Removal of partitions or creation of apertures under this Subsection is not a relocation of boundaries. The Board may condition its approval on the Owner's agreement to perform any necessary construction work during normal daytime hours, using licensed and bonded contractors, in a quiet and orderly manner so as to not unreasonably disturb other Occupants of the Condominium. The Board of Directors shall approve a Unit Owner's request, which request shall include the plans and specifications for the proposed removal or alteration, under this Subsection within thirty days, unless the proposed alteration does not comply with the Condominium Act or the Declaration or if it would impair the structural integrity or any mechanical, plumbing or electrical systems in the Condominium. The failure of the Board of Directors to act upon a request within such period shall be deemed approval thereof.

4.8. Combining Units and Relocation of Unit Boundaries.

4.8.1. Subject to the provisions of any applicable building, zoning or other applicable regulations, and with the consent of any Eligible Mortgagees holding mortgages in the

affected Units pursuant to Schedule 15.3 of Exhibit C to this Declaration, the boundaries between adjoining Units may be relocated, or Units may be combined, but only by an amendment to the Condominium Instruments as provided in Article XVII hereof] following application to the Association by the Owners of those Units. If the Owners of the adjoining Units have specified a reallocation between their Units of their Allocated Interests, the application must state the proposed reallocations. Where two or more entire Units are combined, the Allocated Interests allocated to the resulting Unit shall equal the sum of the Allocated Interests formerly allocated to each of the Units which were combined. Unless the Board of Directors determines within thirty days that the reallocations are unreasonable, the Association shall prepare an amendment to the Declaration that identifies the Units involved, states the reallocations, is executed by those Unit Owners, contains words of conveyance between them, and is recorded in the name of the grantor and the grantee in the Office of the County Auditor. Any Unit which has been previously combined with another may later be subdivided by its Owner in the manner provided in the Condominium Act.

4.8.2. The Association shall obtain and record Survey Maps or Plans complying with the requirements of RCW 64.34.232(4) necessary to show the altered boundaries between adjoining Units and their dimensions and identifying numbers.

4.8.3. The reasonable costs incurred in preparing and recording amendments to the Condominium Instruments shall be paid by the Owners of the adjoining Units to the Association prior to recordation of such amendments.

ARTICLE V

COMMON ELEMENTS

5.1. Common Elements.

Except as otherwise specifically reserved, assigned or limited by the provisions of Article VI hereof the Common Elements of the Condominium, which may also be referred to as "General Common Elements," consist of the following:

5.1.1. The land above described, including all open spaces depicted on the Survey Map.

5.1.2. The roofs, foundations, columns, girders, studding, joists, beams, supports, main walls (as opposed to nonbearing interior partitions of Units), and all other structural parts of the buildings, to the boundaries of the Units as described above in Section 4.2.

5.1 .3. Installations of services for common use such as main power lines, exterior lighting, main water or sewer lines, pipes, conduits, and wires, wherever they may be located, whether in partitions or otherwise, any tanks, pumps, motors, fans, compressors, heating or cooling units, filtration systems, chutes or ducts serving common areas, any common trash receptacles, containers or "dumpsters", any common mailbox facilities, and in general any and all apparatus and installations existing for common use rather than for any one Unit.

5.1 .4. The private roadway which provide access to the Units, and any guest parking spaces or other parking areas not assigned to Units.

5.1 .5 . The yards, gardens, landscaped areas and walkways which surround and provide access to the buildings.

5.1 .6. The private stormwater system, which shall be maintained as described in Section 5.10 hereof.

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

5.1 .8. The Declarant reserves the right to create additional Common Elements consisting of building improvements within the Development Units, pursuant to Development Rights reserved under Section 3.3 hereto.

5.2. Partition. Conveyance. or Encumbrance.

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

5.2.2. An agreement to convey Common Elements or subject them to a security interest must be evidenced by the execution of agreement, or ratifications thereof in the same

manner as required for deeds, by the requisite number of Unit Owners. The agreement must specify a date after which the agreement will be void unless recorded before that date. The agreement and all ratifications thereof must be recorded in every county in which a portion of the Condominium is situated and is effective only upon recording.

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

5.3. Allocated Interests.

5.3.1. Initial Allocation.

Pursuant to RCW 64.34.224(1), the Declarant has allocated to each Unit in the Condominium and equal undivided interest in the Common Elements of the Condominium, which is known as the Unit's Allocated Interest in the Common Elements. Each Unit's Allocated Interest in the Common Elements is expressed as a percentage and is stated with particularity on the attached Exhibit B. 5.3.2. Reallocation. In the event that the Declarant exercises a Development Right to create additional Units in the Condominium, these initial Allocated Interests shall be reallocated pursuant to Section 3.3.2 hereof.

5.4. Maintenance, Repair and Replacement.

The Association is responsible for maintenance, repair, and replacement of the Common Elements, including the Limited Common Elements, except as may be provided in Section 6.2 hereof.

5.5. Schedules for Preventative Maintenance, Other Routine Maintenance and Reserves.

The Board, with the assistance of the Association's Manager and/or other competent professionals, shall develop a schedule of routine Preventative Maintenance for all components of the Common Elements which require same, establishing appropriate times during each year when such maintenance should occur, and identifying qualified contractors to perform such inspections and Preventative Maintenance. The Board should take particular care to inspect and properly maintain the exterior weather-proofing elements of the buildings, including at minimum the roof drains and scuppers, gutters, downspouts, siding, flashing systems, caulking, deck membranes, exterior windows and doors, all major building systems including the plumbing, storm and sanitary sewer

lines, ventilation systems, electrical systems, and other areas of the buildings which are susceptible to premature structural failure as a result of water intrusion or other factors; all such areas shall be regularly re-caulked, re-sealed or otherwise appropriately maintained or repaired. The Board should also periodically undertake an analysis of the adequacy of the Association's reserve fund described in Section 10.3 hereof; such analysis should reasonably attempt to (i) ascertain the probable remaining useful life of each significant component of the Common Elements which will require replacement or major repairs, (ii) estimate the probable cost of such replacement or repair for each such component, (iii) establish an annual reserve budget which would, when funded, minimize the necessity for the imposition of a special assessment upon the Owners within the foreseeable future.

5.6. Declarant to Receive Inspection Reports.

The Association shall promptly provide Declarant with copies of all inspection reports obtained by the Association in this regard, identifying any inspections which have been performed and what items of maintenance have been performed, for a period of five years following the sale of the last Unit in the Condominium. The Declarant reserves the right, but not the obligation, to undertake such inspection(s), maintenance and/or repair(s) should the Association fail to do so.

5.7. Right of Access.

Each Unit Owner shall afford to the Association and the other Unit Owners, and to their agents or employees, access through the Owner's Unit and Limited Common Elements appurtenant thereto as may be reasonably necessary for the purposes of maintenance, repair and replacement. If damage is inflicted on the Common Elements, or on any Unit through which access is taken, the Unit Owner responsible for the damage, or the Association if it is responsible, shall be liable for the repair thereof, as provided in Section 8.4 hereof. .

5.8. No Interference with Common Elements.

No person shall obstruct any of the Common Elements nor shall any person place or cause or permit anything to be placed on or in any of the Common Elements (except those areas designated for storage by the Condominium Instruments) without the approval of the Board. Nothing shall be damaged, altered, constructed in or removed from the Common Elements except with the prior written consent of the Board of Directors.

5.9. Parking Spaces.

The Condominium contains a total of sixteen (16) parking spaces, which are described with particularity on Exhibit C and/or Exhibit B to this Declaration. Parking spaces may be assigned for the exclusive use of individual Unit Owners pursuant to Section 6.1 of

this Declaration. Any unassigned parking spaces shall be considered to be visitors parking spaces. Use of all parking spaces shall be governed by the provisions of Section 9.1.3 hereof.

5.10. Stormwater System - Maintained by Association.

A condition for the approval of the development of the Condominium was the requirement that the Condominium Association maintain in perpetuity the Stormwater System, which includes infiltration systems serving each building in the project. All necessary Upkeep of the components of the Stormwater System shall be conducted by the Association in accordance with the provisions of any Operations and Maintenance Plan prepared by Declarant's engineers, and otherwise in accordance with the DOE Stormwater Management Manual for Western Washington ["DOE Stormwater Manual"], as updated from time to time. The Association shall consistently engage the services of qualified personnel to perform Upkeep to the Stormwater System.

ARTICLE VI

LIMITED COMMON ELEMENTS

6.1. Limited Common Elements.

Limited Common Elements are those portions of the Common Elements allocated to and reserved for the exclusive use of one or more, but fewer than all of the Units. They consist of:

6.1.1. The entry ways and rear patios which are shown on the Survey Map and Plans immediately adjacent to the Units.

6.1.2. Any shutters, awnings, window boxes, doorsteps, stoops, and all exterior doors, windows, skylights or other fixtures designed to serve a single Unit, but which are located outside the Unit's boundaries. If any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture (including without limitation any individual heating, ventilating or airconditioning equipment) lies partially within and partially outside the designated boundaries of a Unit, any portion thereof serving only that Unit is a Limited Common Element allocated solely to that Unit, and any portion thereof serving more than one Unit or any portion of the Common Elements is a part of the General Common Elements.

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

6.1.4. The boundaries of the Limited Common Elements are defined by the interior surfaces of any walls, floors, ceilings, doors, windows, ground, railings, painted striping, fence, curb or other structure that may support or enclose the same, but shall not include any of the exterior surfaces of the exterior walls of the Building, or the outside walls of decks or balconies.

6.1.5. The Declarant reserves the right to create additional Limited Common Elements, pursuant to Development Rights reserved under Section 3.3 hereof described as follows: the Declarant will create similar Limited Common Elements allocated for the exclusive use of the new Units so created.

6.2. Maintenance.

6.2.1. General Responsibility as Between Owner and Association.

Each Owner of a Unit to which any of the above-described Limited Common Elements are appurtenant shall be responsible for cleaning and caring for such Limited Common Elements, and keeping them in sightly condition. Except as provided in Section 6.2.2 below, the Association shall have exclusive control of painting, repairing, replacing and performing necessary periodic maintenance to all Limited Common Elements.

6.2.2. Owners' Special Rights and Responsibilities.

Any mechanical equipment comprising any heating, ventilating or air conditioning system serving only one Unit but lying outside the boundaries of the Unit, or any other form of equipment installed by the Owner of a Unit within the Common Elements and serving only such Unit, shall be maintained, repaired and replaced by the Unit's Owner in a functional, clean and tidy condition. Further, the Board may, by resolution, permit certain facilities such as screen doors, window screens, awnings, planter boxes and the like to be maintained, repaired and replaced by their respective Owners in a clean and tidy condition, according to uniform architectural standards established by the Board from time to time. See additional matters appearing in Section 8.4 hereof; and in Section 8.3.2(g) of Exhibit C to this Declaration.

6.2.3. Financial Responsibilities as Between Owner and Association.

Maintenance, painting, repair or replacement of the structure and finish of the Limited Common Elements shall be a Common Expense. Notwithstanding the foregoing, the Board shall recover the costs of repairs to and replacement of any Special Limited Common Elements defined in Section 2.31 hereof through Limited Common Assessments levied pursuant to Section 10.8 hereof.

6.3. Reallocation Between Units.

A Limited Common Element, other than one described in Sections 6.1 .1 or 6.1 ,2 hereof(which may not be reallocated), may be reallocated between Units, but only with the approval of the Board of Directors and by an amendment to the Declaration executed by the Owners of the Units to which the Limited Common Element was and will be allocated. The Board of Directors shall approve the request of the Owner or Owners under this Subsection within thirty days, unless the proposed reallocation does not comply with the Condominium Act or this Declaration. The failure of the Board of Directors to act upon a request within such period shall be deemed approval thereof. The amendment shall be recorded in the names of the parties and of the Condominium.

6.4. Change in Character.

A Limited Common Element may be (a) created from and reallocated to one or more Units from the General Common Elements, or (b) incorporated into an existing Unit or Units, only on the following conditions, Owners of Units to which at least sixty-seven percent of the votes in the Association are allocated, including the Owner(s) of the Unit(s) to which the Limited Common Element will be assigned or incorporated, along with that percentage of Eligible Mortgagees specified in Article XV of this Declaration, must agree to reallocate a Common Element as a Limited Common Element or to incorporate a General Common Element or a Limited Common Element into an existing Unit. Such reallocation or incorporation shall be reflected in an amendment to the Declaration and Survey Map or Plans.

ARTICLE VII

UNIT OWNERS ASSOCIATION

7.1. Name and Form of Association.

The name of the Association shall be the "Unit Owners Association of Gleneagle Villas III, a Condominium." The Association has been or will be incorporated by the Declarant prior to the first conveyance of a Unit in the Condominium as a non-profit corporation under the laws of the State of Washington. The rights and duties of the members and of said corporation shall be governed by the I provisions of the Condominium Act and of this Declaration. The Association shall remain organized as a profit or nonprofit corporation. In case of any conflict between Chapter 24.06 RCW, the Nonprofit Miscellaneous and Mutual Corporations Act, and the Condominium Act, the Condominium Act shall control.

7.2. Powers of Association.

The Association shall, through its Board of Directors, all powers available to condominium associations under the Condominium Act, including the power to assign its right to future income (including the right to receive common expense assessments), provided that such assignment is approved by a majority of the voting power of the membership of the Association. Such powers are set forth with particularity in the Bylaws of the Association.

7.3. Membership.

Membership rights are specified in the Bylaws of the Association

7.4. Voting.

7.4.1. Voting Rights.

The manner of voting shall be as prescribed in the Bylaws.

7.4.2. Allocated Interests - Reallocation.

Pursuant to RCW64.34.224(I), the Declarant has allocated to each Unit in the Condominium an equal vote in the Association which is known as the Unit's Allocated Interest for voting, or "vote". Each Unit's Allocated Interest for voting is expressed as a percentage of the total voting power and is stated with particularity on the attached Exhibit B. Votes allocated to Development Units shall be treated as though such Units were owned by the Association, as provided in RCW 64.34.340(4); such Development Units will thus have no vote in the Association, but the Declarant will retain all Special Declarant Rights described in Section 16.5 hereon. In the event that the Declarant exercises a Development Right to create additional Residential Units in the Condominium, the votes allocated to the affected Development Unit(s) shall be equally divided between the resulting Residential Units.

7.5. Bylaws of Association.

Bylaws for the administration of the Association and for other purposes not inconsistent with the Condominium Act and this Declaration have been or will be prepared by the Declarant, subject to the approval of the initial Board of Directors of the Association.

ARTICLE VIII

MANAGEMENT OF CONDOMINIUM ASSOCIATION

8.1. Management by Declarant.

The Declarant, pursuant to RCW 64.34.308, has reserved the rights to (a) appoint and remove the Officers and members of the Board of Directors of the Association, and (b) veto or approve a proposed action of the Board or the Association, for a period of time known as the "Declarant Control Period". Limitations on the Declarant Control Period are specified in Section 5.1 of the Bylaws. At the termination of the Declarant Control Period, the Declarant shall provide the Association with all documents and things required under RCW 64.34.312.

8.2. Professional Management.

Standards for professional management of the Association are specified in Section 8.2 of the Bylaws.

8.3. Authority of the Board.

8.3.1. General Authority.

The Board, for the benefit of the Condominium and the Owners, shall enforce the provisions of the Condominium Instruments and shall have all powers and authority granted to the Board or the Association under the Condominium Act and this Declaration which are not expressly subject to the approval of Unit Owners.

8.3.2. Common Expenses.

The Board shall acquire and shall pay for, as Common Expenses, all goods and services requisite for the proper functioning of the Condominium, including, but not limited to, the items described in Schedule 8.3.2 in Exhibit C to this Declaration.

8.3.3. Liens or Encumbrances.

The Board may also pay any amount necessary to discharge any lien or encumbrance levied against the entire Property or any part thereof which is claimed to or may, in the opinion of the Board, constitute a lien against the Property or against the Common Elements, rather than merely against the interest therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it, and any costs and expenses incurred by the Board by reason of such lien or liens shall constitute Special Assessments against the Units responsible, to the extent of their responsibility.

8.3.4. Acquisition of Property.

The Board may acquire and hold in the name of the Association, for the benefit of the Owners, tangible and intangible personal property and real property and interests therein, and may dispose of the same by sale or otherwise. Such property shall

thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for the benefit of the Association as the Board may direct.

8.3.5. No Business Authority.

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

8.4. Right of Entry.

The Board and its agents or employees may enter any Unit or Limited Common Elements when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible, or in the event of a bona fide emergency. Except in the case of an emergency, reasonable advance notice shall be given to the Unit Owner and, if applicable, to any lawful tenant or subtenant in the Unit. Such entry shall be made with as little inconvenience to the Owners and/or occupants as practicable, and any damage caused thereby shall be repaired by the Association out of the Common Expense fund if the entry was due to an emergency (unless the emergency was caused by the Owner or lawful occupant of the Unit entered, in which case the cost shall be specially assessed to the Unit entered) or for the purpose of maintenance, or repairs, to Common or Limited Common Elements where the repairs were undertaken by or under the direction or authority of the Board. If the repairs or maintenance were necessitated by or for the Unit entered or its Owners or lawful occupants, or requested by its Owners, the costs thereof shall be specially assessed to such Unit. See also Schedule 8.3.2(g) of Exhibit C to this Declaration.

8.5. Board as Attorney in Fact.

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

8.6. Limitations on Power of Board.

The Board of Directors shall not act on behalf of the Association to amend the Declaration in any manner that requires the vote or approval of the Unit Owners pursuant to RCW 64.34.264, to terminate the Condominium pursuant to RCW 64.34.268, or to elect members of the Board of Directors or determine the qualifications, powers, and duties, or terms of office of members of the Board of Directors pursuant to Section 8.2 hereof, but the Board of Directors may fill vacancies in its membership for the unexpired portion of any term.

8.7. Board's Authority Exclusive - Owners May Not Direct Association Employees.

The Board's authority with respect to the Common Elements is exclusive. No person shall attempt to engage or direct any employee of the Association or its Manager on any private business of such person, or to otherwise direct, supervise or in any manner attempt to assert control over such employee during the hours that such employee is working on behalf of the Association.

ARTICLE IX

PERMITTED USES: ARCHITECTURAL UNIFORMITY

9.1. Permitted Uses.

9.1.1. Residential Use.

The buildings and Units shall be used for residential purposes only, whether on an ownership or rental basis, and for common social, recreational or other reasonable uses normally incident to such purposes. The Board may also permit the use of portions of a Unit for a professional office or other low impact commercial use, provided that such use is consistent with all applicable laws, ordinances and regulations of any governmental authority, and so long as such use does not generate any appreciable levels of client or customer traffic, noise or other disturbance to other members of the Condominium community. As a condition to consenting to such commercial use, the Board may require the Unit Owner to pay any increase in the rate of insurance for the Condominium which may result from such office use, and to provide proof of adequate personal/business liability insurance coverage.

9.1.2. Commercial Use.

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

9.1.3. Vehicle Parking & Operation.

Parking spaces are restricted to use for parking of operable, properly registered automobiles, light trucks and family vans; other items and equipment may be parked or kept therein only if expressly permitted by Rules and Regulations and only in such parking areas, if any, as may be designated for such purpose by the Board of Directors. Garage parking areas are restricted to use for parking of automobiles, motorcycles, light trucks, family vans and other similar vehicles, and for storage of such other items that

pose no unreasonable health, safety or fire risks to persons or property. Vehicle repairs other than ordinary light maintenance are not permitted on the Property, oil changes are prohibited. The Board may require removal of any inoperative or unregistered vehicle, and any other equipment or item improperly stored in parking spaces. If the same is not removed, the Board may cause removal at the risk and expense of the owner thereof, under such reasonable procedures as may be provided by Rules and Regulations adopted by the Association. Any designated visitors parking areas shall be left open for use by visitors, guests, invitees and licensees of Unit Owners and their tenants. Any unassigned handicapped parking spaces shall remain open for use by vehicles properly designated for handicapped use. The Board shall have the power to regulate other aspects of vehicle use, including speed, within the Common Elements of the Condominium. Use of Garage Areas is further governed by Section 8.4 hereof. Parking is permitted in driveway areas in front of the Units.

9.1.4. Signs.

Except as otherwise provided herein, no sign of any kind shall be displayed to the public view on or from any Unit or Common Elements, including their windows and deck areas, without the prior consent of the Board, provided that this Section shall not apply to Declarant or Declarant's agents or to the Commercial Units, nor shall it be deemed to prohibit the Owner of Unit from displaying a sign for a period of time in which the Owner's Unit is for sale or rent. The Board may by resolution establish further policies regarding signs, to reflect the sentiments of the Condominium Community while giving due regard to traditional democratic rights of free speech, religion and expression of Persons owning or occupying Units in the Condominium. The Board's judgment in such matters, adopted in good faith, shall be conclusive except as to matters governed by local, state or federal law.

9.1.5. Animals.

The maintenance, keeping, boarding and/or raising of animals, livestock, poultry, or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of small birds, aquarium fish, well-behaved dogs and/or cats and other well-behaved animals which do not normally leave the Unit or its adjacent Limited Common Elements is permitted, subject to Rules and Regulations adopted by the Board of Directors. The owner of any animal maintained within the Condominium Property shall exercise appropriate control over the animal, and shall clean up after such animal and shall not permit deposits of fecal matter, urinary residue or foodstuffs from or for such animal to remain anywhere within the Common Elements, but shall properly dispose of all such waste material in a safe and sanitary fashion. Any person who keeps or maintains any animal upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Unit Owners Association, each Unit Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such animal within the Condominium. All animals shall be registered and inoculated as required by law. The Board of Directors may establish reasonable fees not

to exceed the additional costs incurred by the Unit Owners Association resulting from the presence of such animals. The Board may at any time require the removal of any animal which it finds is or has become an unreasonable source of annoyance, and may exercise this authority for specific animals even though other animals are permitted to remain.

9.1.6. Noise.

No person shall cause any unreasonably loud noise anywhere in the Condominium. The Board may by resolution establish "Quiet Hours", i.e., times of day or night during which only minimal noise shall be permitted to emanate from any Unit.

9.1.7. Offensive or Illegal Activity.

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

9.1.8. Security Systems.

In the event that either the Declarant or the Association shall install a central security system within the Condominium, no Owner shall install or maintain any alternative security system which shall interfere with the proper operation of the central system, nor shall any Unit's individual security system be connected in any way with any such central system without the advance written approval of the Board of Directors.

9.1.9. Antennas.

Special restrictions on the installation of television, radio and other sorts of antennas and devices are found in Schedule 9.1 .9 in Exhibit D to this Declaration.

9.1.10. Residential Decks and Private Garden Areas.

To preserve an uncluttered and uniform architectural appearance to the buildings, and to protect the health and safety of occupants of the Condominium, the use and appearance of residential decks, entry areas and patios shall be regulated by the Association so as to prevent unsightly, unsafe or unsanitary accumulations of materials that are visible from other Units, the Common Elements or from outside the project, or which pose an unreasonable risk of harm to persons or property. Each such deck, area or patio shall be maintained by the Owner of the Unit to which it is allocated in a neat and tidy manner, consistent with such rules and regulations as the Board of Directors may promulgate with respect thereto. At minimum, no additional light fixtures or lighting devices may be placed within or upon any deck or patio structure absent the written approval of the Board, and the Board may

restrict or prevent activities, such as outdoor cooking, in such areas. In the event that private garden areas are created as Limited Common Elements allocated to any of the Units in this Condominium, or shall become permitted to exist among the General Common Elements by resolution of the Board of Directors, each such area shall be maintained by the Owner of the Unit to which it is allocated in a neat and tidy manner, consistent with such reasonable rules and regulations as the Board of Directors may promulgate with respect thereto.

9.1.11. Lease Restrictions.

Any lease agreement shall be required and deemed to provide that the terms of the lease shall be subject in all respects to the provisions of the Condominium Instruments, and that any failure by the Lessee to comply with such provisions shall be a default under the lease, entitling the Association to enforce such provisions as a real party in interest. All leases shall be in writing. A lease, as defined herein, shall include month-to-month rentals, but the use of a Unit as a rooming house, or any transient occupancy for periods of less than 30 days is prohibited. Any tenant or subtenant of any portion of a Unit shall be deemed to have assumed all the responsibilities of an Owner under Article IX of the Declaration.

9.1.12. Assignment or Subletting.

The assignment or subleasing of a Unit shall be subject to the same limitations as are applicable to the leasing or renting thereof. An Owner or tenant may not exempt himself or herself from any liability under the Condominium Instruments by assigning or subleasing the occupancy rights to his or her Unit.

9.1.13. Timesharing.

Timesharing is not permitted in this Condominium, and no Unit in the Condominium may be conveyed or held pursuant to any timeshare plan.

9.2. Architectural Uniformity.

In order to preserve a uniform exterior appearance to the buildings and other Common Elements visible to the public, the Board shall provide for the painting and other decorative finish of the buildings, decks, or other Common Elements, and may prohibit or regulate any modification or decoration of the decks or other Common Elements proposed by any Owner. This power of the Board extends to screens, doors, awnings, rails or other visible portions of each Unit and any Limited Common Elements appurtenant thereto. The Board may also require use of a uniform color of draperies, blinds, under-draperies or drapery lining for all Units.

ARTICLE X

COMMON EXPENSES AND ASSESSMENTS

10.1. Budget for Common Expenses.

Within thirty (30) days following the Annual meeting of the Association, or at such other time as may be deemed necessary or desirable by the Board of Directors or the Association's accountant, the Board shall prepare an Annual Budget which shall estimate the Common Expenses, described generally in Section 2.6 of this Declaration, to be paid during such year. The Budget shall make provision for creating, funding and maintaining reserves required by Section 10.3 hereof; and shall take into account any expected income and any surplus available from the prior year's operating fund. The Declarant or the initial Board may at any suitable time establish the first such estimate. If deemed necessary by the Board of Directors, any annual budget may be revised prior to the end of its budget year, subject to the provisions of Section 10.2 hereof.

10.2. Meeting of Association to Ratify Budget.

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

10.3. Reserves for Capital Improvements, Replacements, Major Repairs, & Insurance Deductibles.

10.3.1. General Provisions.

The Board of Directors shall establish and maintain reasonable reserves for major repairs and/or replacement of components of the project that are the responsibility of the Association, along with the amount of any insurance deductible(s), by providing for such reserves in the Annual Budget, segregating such reserves on the books of the Condominium, and allocating and paying monthly to such reserves one-twelfth of the total amount budgeted for such reserves for the current fiscal year. The Board may also establish and maintain reserve funds for operations and for capital improvements and such other purposes as may appear advisable from time to time. The portion of the Units' Assessments paid into such reserves shall be conclusively deemed to be non-refundable contributions to the capital of the Association by the Unit Owners. Such

reserves may be expended only for the purposes for which they were established unless the Unit Owners, at a duly-constituted meeting of the Association, otherwise decide. The Budget may include reserves for Special Limited Common Elements, to be assessed only against Units benefitted thereby.

10.3.2. Working Capital Fund.

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

10.4. Assessments or Common Expenses.

10.4.1. Liability of Units.

Except as provided in Sections 10.4.2 and 10.8 below, the total amount of the estimated funds required to pay the Common Expenses of the Condominium set forth in the Annual Budget adopted by the Board of Directors for the fiscal year shall be assessed against the Units in proportion to their respective Allocated Interests for Common Expense liability described in Section 10.6 hereof.

10.4.2. No Assessment of development Units.

The Development Units shall have no assessment liability because, pursuant to RCW 64.34.328(2), the Declarant alone is liable for all expenses, including insurance, in connection with a Development Unit. Upon Declarant's exercise of a Development Right to subdivide a Development Unit into normal Residential Units in this Condominium, such Residential Units shall become subject to assessment as of the date that they created.

10.4.3. Payable in Installments.

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

10.5. Assessments to Pay Judgment Against Association.

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

10.6. Allocated Interests: Procedure on Reallocation.

10.6.1. Allocated Interests.

Pursuant to RCW 64.34.224(1), the Declarant has allocated to each Unit in the Condominium an equal liability for payment of the Common Expenses of the Association which is known as the Unit's Allocated Interest for Common Expense Liability. Each Unit's Allocated Interest for Common Expense Liability is expressed as a percentage and is stated with particularity on the attached Exhibit B. A Unit's liability for Common Expense Assessments under such Allocated Interests may be subject to adjustment under the provisions of Sections 3.3.2, 10.4.1 and 10.8 hereof.

10.6.2. Reallocation.

If Common Expense liabilities are reallocated, Common Expense Assessments or any installment thereof not yet due under the prevailing budget shall be recalculated by the Board in accordance with the reallocated Common Expense liabilities, and each Unit shall thereafter be liable for the revised Assessments due upon such recalculation.

10.7. Special Assessments.

The Board of Directors may levy a Special Assessment for the purpose of defraying the cost of any unexpected repair or other nonrecurring contingency, or to meet any other deficiencies in operations or reserves occurring from time to time. The Board of Directors shall give notice to the Unit Owners of any such Special Assessment by a statement in writing giving the amount and reasons therefor, along with a date for a Special Meeting of the Association to be held not less than 14 days following such notice, for approval of the Special Assessment. Subject to the provisions of Section 10.2 hereof, such Special Assessments shall become due and payable, unless otherwise specified in the notice, with the next monthly Assessment payment which is due more than thirty days after the delivery or mailing of such notice. All Unit Owners shall be obligated to pay the adjusted monthly amount or, if the Special Assessment is not

payable in installments, the full amount of such Special Assessment, in proportion to their Allocated Interests for Common Expense Liability.

10.8. Limited Common Assessments.

10.8.1 To the extent that any Common Expense is caused by the negligence or misconduct of any Unit Owner, the Association may, subject to the provisions of Section 7.10 of the Bylaws, levy a Limited Common Assessment for that expense against the Owner's Unit.

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

10.8.3 Any Common Expense associated with the operation, maintenance, repair, or replacement of Special Limited Common Element shall constitute a Limited Common Assessment against the Unit to which that Limited Common Element is assigned. In addition and without limitation, the liability of a Unit Owner to pay any charges collectible by the Association for use of Reserved Common Elements, or for recreation facilities or the like, along with any insurance deductibles or fines imposed by the Association, along with the costs and attorney's fees described in RCW 64.34.364(14), and interest on any delinquent account shall be deemed a Limited Common Assessment which, unless otherwise directed by the Board, shall be due and payable within thirty (30) days following their imposition.

10.8.4. The Association may adopt a resolution supported by the vote or agreement of not less than 50% of the votes in the Association, that:

(a) Any portions of the Common Expenses which vary among the Units based upon usage or other factors, and which justify differential assessment levels, may be assessed differentially among the Units,

(b) Any other Common Expense or portion thereof which benefits fewer than all of the Units may be assessed exclusively against the Units so benefitted, and/or

(c) Insurance shall be assessed in proportion to risk.

10.9. Accounts: Commingling Prohibited.

Amounts collected by the Board of Directors as Assessments against the Units for operating expenses or Reserves shall be kept in accounts in the name of the Association and shall not be commingled with funds of any other Association, nor with the funds of any Managing Agent or any other person responsible for the custody of

such funds. Any reserve funds shall be kept in one or more insured, segregated accounts and any transaction affecting such funds, including the issuance of checks, shall require the signature of at least two persons who are officers or Directors of the Association.

10.10. Surplus Funds.

Any surplus funds of the Association remaining after payment of a provision for Common Expenses and any prepayment of reserves shall, in the discretion of the Board of Directors, either be paid to the Unit Owners in proportion to their Allocated Interest for Common Expense Liability or credited to them to reduce their future Common Expense Assessments.

10.11. Liability of unit Owners for Association Obligations.

The liability of any Unit Owner arising out of any contract made by the Board of Directors, or tort of the Association not fully covered by insurance, or arising out of the indemnification of the Board of Directors, shall be limited to that proportion of the total liability thereunder as the Allocated Interest of his or her Unit bears to the aggregate Allocated Interests of all Units.

10.12. Declarant Control Period.

During the Declarant Control Period, until the Association makes a Common Expense Assessment, pursuant to RCW 64.34.360(1), the Declarant shall pay all Common Expenses.

10.13. Owners Personally Liable for Common Expenses.

Each Assessment shall be the joint and several obligation of the Owner or Owners of the Unit to which the same are assessed as of the time the Assessment is due. Suit to recover a personal judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waiving the lien securing such sums. No Unit Owner may exempt himself or herself from liability with respect to the Common Expenses by waiver of the enjoyment of the right to use any of the Common Elements or by leasing, rental or abandonment of his or her Unit or otherwise. The failure or delay of the Board of Directors to adopt the Annual Budget for any year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his or her allocable share of the Common Expenses as herein provided, and in the absence of an Annual Budget or adjusted Annual Budget, each Unit Owner shall continue to pay (with or without notice) a monthly Assessment at the rate established for the preceding fiscal year until an Assessment is made under a current Annual Budget or adjusted Annual Budget and notice thereof has been sent to the Unit Owner.

10.14. Liability Following Conveyance of Unit.

A selling Unit Owner shall not be liable for the payment of any part of the Common Expenses assessed against his or her Unit subsequent to a sale, transfer or other conveyance by him of such Unit. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid Assessments against the Unit up to the time of the conveyance without prejudice to the purchaser's right to recover from the selling Unit Owner the amounts paid by the purchaser therefore. Except as provided in Section 10.18.2 hereof; the holder of a mortgage or other purchaser of a Unit who obtains the right of possession of the Unit through foreclosure shall not be liable for Assessments that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Unit Owners, including such mortgagee or other purchaser of the Unit. Foreclosure of a mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Unit prior to the date of such sale as provided above.

10.15. Statement of Unpaid Assessments.

The Association, upon written request, shall furnish to a Unit Owner or a mortgagee a statement signed by an officer or authorized agent of the Association setting forth the amount of unpaid Assessments against that Unit. The statement shall be furnished within fifteen days after receipt of the request and is binding on the Association, the Board of Directors, and every Unit Owner, unless and to the extent known by the recipient to be false.

10.16. Lien for Assessments and Power of Sale.

10.16.1. Pursuant to RCW 64.34.364, the Association has a lien on a Unit for any unpaid Assessments levied against a Unit from the time the Assessment is due. If an Assessment is payable in installments, the Association has a lien for the full amount of the Assessment from the time the first installment thereof is due.

10.16.2. Each and every Unit Owner of any Unit in the Condominium, by virtue of his or her acquisition by any means of title to such Unit, shall take such title subject to the Association's lien for Assessments. Pursuant to RCW 64.34.364(9), the Declarant as "Grantor" does hereby grant, bargain, sell and convey to Whatcom Land Title Co., Inc., a corporation, as "Trustee" in trust WITH POWER OF SALE, all the real property in the Condominium described in Exhibit A to this Declaration, which property is not used principally for agricultural purposes, together with all tenements, hereditaments, and appurtenances now or hereafter thereunto belonging or in any manner appertaining, and the rents, issues and profits thereof, to secure the obligations of the Unit Owners to the Association, as "Beneficiary", for the payment of any Assessments lawfully levied under this Declaration. Each and every Unit Owner shall be deemed for all purposes, as of the time of his or her acquisition of title to any Unit in the Condominium, to have joined as an additional "Grantor" in the conveyance in trust above described, and to have at that time granted, bargained, sold and conveyed his or her Unit, along with its

undivided Allocated Interest in the Common Elements and any Limited Common Elements assigned thereto, to such Trustee, to secure all obligations imposed by this Declaration on such Unit Owner to pay Assessments to the Association. The Power of Sale provided and granted herein shall be operative in the case of a default in the obligation to pay Assessments; upon default by such Grantor in the payment of any indebtedness secured hereby, all sums secured hereby shall immediately become due and payable at the option of the Beneficiary. In such event and upon written request of Beneficiary, Trustee shall sell the trust property, in accordance with the Deed of Trust Act of the State of Washington, at public auction to the highest bidder. Any person except Trustee may bid at Trustee's sale. Trustee shall apply the proceeds of the sale as follows: (1) to the expenses of sale, including a reasonable Trustee's fee and attorney's fee; (2) to the obligations secured by this Declaration, (3) the surplus, if any, shall be distributed to the persons entitled thereto.

10.17. Perfection of Lien.

Recording of the Declaration constitutes record notice and perfection of the lien for Assessments. While no further recording of any claim of lien for Assessments shall be required to perfect the Association's lien, the Association may record a notice of claim of lien for Assessments under this section in the real property records of any county in which the Condominium is located. Such recording shall not constitute the written notice of delinquency to a mortgagee referred to in Section 10.18.3 hereof.

10.18. Priority of Lien.

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

10.18.2. Except as provided in Sections 10.18.3 and 10.19.2 hereof, the lien shall also be prior to the mortgages described in subpart (b) of Section 10.18.1 hereof, to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the annual Budget adopted by the Association which would have become due during the six months immediately preceding the date of a sheriff's sale in an action for judicial foreclosure by either the Association or a mortgagee, the date of a trustee's sale in a nonjudicial foreclosure by a mortgagee, or the date of recording of the declaration of forfeiture in a proceeding by the vendor under a real estate contract.

10.18.3. The priority of the Association's lien against Units encumbered by a mortgage held by an Eligible Mortgagee, or by a first mortgagee which has given the Association a written request for a notice of delinquent Assessments, shall be reduced by up to three months if and to the extent its foreclosure includes delinquencies which relate to a

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

10.19. Enforcement of Lien.

10.19.1. The lien arising under this section may be enforced judicially by the Association or its authorized representative in the manner set forth in chapter 61.12 RCW, or nonjudicially in the manner set forth in chapter 61.24 RCW for nonjudicial foreclosure of deeds of trust. The Association or its authorized representative shall have the power to purchase the Unit at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be eight months. The Association may elect to take a deed in lieu of foreclosure in any such proceeding.

10.19.2. If the Association forecloses its lien nonjudicially pursuant to Chapter 61.24 RCW, the Association shall not be entitled to the lien priority provided for under Section 10.18.2 hereof.

10.20. Limitation of Lien Enforcement.

A lien for unpaid Assessments and the personal liability for payment thereof is extinguished unless proceedings to enforce the lien are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

10.21. Rent Subject to Lien for Assessments- Other Remedies for Nonpayment.

10.21.1. Rent Payable to Association Upon Default of Owner. If a Unit is rented or leased by its Owner, the Association may collect and the tenant shall pay over to the Association so much of the rent for such Unit as is required to pay any delinquency in assessments that has existed for greater than 30 days, plus interest, attorneys' fees and other costs of collection. The tenant shall not have the right to question payment to the Association, and such payment shall discharge both the tenant's duty to pay rent to the Unit Owner and also the Unit Owner's obligation to pay assessments, pro tanto. The Association shall not resort to this remedy where a receiver has been appointed and is collecting such rents under Section 10.21.2 hereof.

10.21.2. Association Entitled to Appointment of Receiver.

From the time of commencement of an action by the Association to foreclose a lien for nonpayment of delinquent Assessments against a Unit that is not occupied by the Owner thereof, the Association shall be entitled to the appointment of a receiver to collect from the lessee thereof the rent for the Units as and when due. If the rental is not

paid, the receiver may obtain possession of the Unit, refurbish it for rental up to a reasonable standard for rental Units in this type of condominium, rent the Unit or permit its rental to others, and apply the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the Unit, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent Assessments. Only a receiver may take possession and collect rents under this Subsection, and a receiver shall not be appointed less than ninety days after the delinquency. The exercise by the Association of the foregoing rights shall not affect the priority of preexisting liens on the Unit.

10.22. Remedies Cumulative.

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

ARTICLE XI

INSURANCE. DESTRUCTION. RESTORATION AND DISTRIBUTION

11.1. Authority, Name of Insured.

The Board of Directors shall obtain and maintain casualty and liability insurance under such terms and for such amounts as shall be deemed necessary by the Board of Directors. Levels of coverage shall be determined annually by the Board of Directors with assistance of the agent of the insurance company affording such coverage. Unless not reasonably available, such coverage shall follow the terms, conditions and amounts required by Section I 1.2 hereof. The name of the insured under each required policy shall be stated as follows: "Unit Owners Association of Gleneagle Villas III, a Condominium."

11.2. Coverage.

See Schedule 11.2 in Exhibit C to this Declaration.

11.3. Deductible.

11.3.1. General Provisions.

Except as otherwise provided herein, the deductible under any policy of insurance purchased by the Board of Directors shall not exceed the lesser of \$10,000 or 1% of the face amount of the policy. Except as provided herein, the amount of the deductible shall

be paid by the Association as a Common Expense. Funds to cover the amount of the deductible shall be included in the Association's reserve accounts. The deductible should be established at a level that is sufficiently high to eliminate minor "nuisance" claims which could cause cancellation of the Association's master policy, but not so high that Unit Owners will have difficulty obtaining their own owners' insurance coverage to cover their potential liability under Section 11.3.2 hereof.

11.3.2. Owner May Be Responsible for Insurance Deductible.

Where damage is limited to a single Unit, or where damage to property is caused by the fault of an Owner or that Owner's tenant or family member, or where the damage is caused by the failure of some portion of the Condominium Property which the Owner is responsible for maintaining, the Owner may be held responsible and special ly assessed for any uninsured amount and/or for any loss for which the Owner's or occupant's insurance may provide primary coverage. in cases where damage affects more than one Unit, or a Unit and the Common Elements, responsibility for the uninsured amount shall be pro-rated among the affected parties, including the Association. See Sections 10.8.1 and 11.5 for further details.

11.4. Notice of Insurance Coverage or Termination Thereof.

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

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

11.5. Individual Policies.

11.5.1. Each Unit Owner should obtain, at such owner's expense, a "Condominium Unit Owner's Policy," or equivalent, to insure against loss or damage to any upgrades, improvements or betterments to the Unit not covered by the Association's master policy, or to personal property used in or incidental to the occupancy of the Unit, additional living expenses, loss of rent, vandalism or malicious mischief, theN, personal liability, loss assessment coverage to help the Owner pay a special assessment due to casualty losses which exceed the amount of coverage under the master policy, any loss arising from the application of Section 11.3.2 hereof and the like. Each Owner should obtain a "building coverage rider", if available. No Unit Owner shall maintain insurance coverage which will tend to decrease the amount which the Association may realize under any insurance policy which it may have in force at any particular time. The Board of Directors may require that each Unit Owner file with the Secretary or the Manager a copy of each individual policy of insurance purchased by the Unit Owner within 30 days

airer its purchase. In the event that the Association elects to obtain insurance covering upgrades, improvements or betterments supplied or installed by Owners within their Units, the Board of Directors may also require that all the Owners notify the Board of Directors of all improvements made to their respective Units having a value in excess of \$ 1,000.

11.5.2. In the event that any Unit Owner obtains permission from the Board of Directors to construct or maintain any Special Limited Common Element or other improvements within the Common Elements for the exclusive use of such Owner, the Board may require that such Owner shall acquire liability insurance with respect to such improvements, in such form and amount as may be required by the Board from time to time, which shall name the Association as an additional insured, and such Owner shall be solely responsible for all costs of insurance, maintenance, replacement and repair of such improvements.

11.6. Unavailability. Cancellation or Nonrenewal.

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

11.7. Adjustment and Payment of Loss Proceeds.

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

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

(b) If, pursuant to the provision of Section 11.8 hereof not all of the damaged or destroyed portions of the Condominium are to be repaired or replaced, insurance proceeds shall be payable as provided in that Section.

11.8. Reconstruction Following Casualty Loss.

See Schedule 11.8 in Exhibit C to this Declaration.

11.9. Assessments if Insurance is Inadequate.

Immediately after a casualty causing damage to property for which the Board of Directors has the responsibility of maintenance and repair, the Board shall obtain reliable and detailed estimates of the cost to replace the damaged property in as good a condition as it was before the casualty. Such costs may include professional fees and premiums for such bonds as the Board desires or as may be required. If the proceeds of insurance, coupled with any available reserve funds and/or any payments from Owners under Section 11.3.2 hereof, are not sufficient to defray such estimated costs, the Board shall present to the Owners a Budget containing a Special Assessment to be made against all the Units as provided in Section 10.7 hereof, in sufficient amounts to provide funds to pay the shortfall. If at any time during reconstruction and repair, or upon completion of reconstruction or repair, the funds for payment of the costs thereof are insufficient, the Board shall present a further Budget containing a Special Assessment, in sufficient amounts to provide funds for the payment of such costs.

11.10. Notice to Mortgagees.

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

11.11. Miscellaneous.

The provisions of this Article XI shall constitute the procedure by which a determination is made by the Unit Owners to repair, restore, reconstruct or rebuild the Condominium following casualty thereto. The purpose of this Article XI shall be to provide a fair and equitable method of allocating the costs of repair and restoration and making a determination for repair and restoration if a portion of the improvements are damaged or destroyed. The provisions of this Article XI shall be liberally construed to accomplish such purpose.

ARTICLE XII

CONDEMNATION

Provisions dealing with the effect of condemnation proceedings affecting this Condominium appear in Schedule 12 in Exhibit C to this Declaration.

ARTICLE XIII

COMPLIANCE WITH LAW AND COVENANTS

13.1. Compliance by Owners and Occupants.

Each Owner and occupant of a Unit, including Declarant, shall comply strictly with the provisions of the Condominium Act or the Condominium Instruments. All remedies provided the Association in this Article may be enforced against any tenant or other occupant of a Unit.

13.2. Enforcement by Association.

The Board of Directors shall have primary responsibility for maintaining and enforcing compliance with the covenants, conditions and restrictions contained in the Condominium Instruments. Without limiting the authority and powers conferred upon the Board by the Condominium Act, the Board shall have the rights and powers described in Section 7 of the Bylaws.

13.3. Tenants Subject to Rights and Responsibilities of Owners.

Any tenant of an Owner shall be deemed to be bound by all portions of the Condominium Instruments that are binding upon the Owner. All rights, remedies and procedures available to the Association when dealing with Owners under the Condominium Instruments shall be available to the Association when dealing with any tenant of an Owner. In addition, the Association shall have the right (but not the obligation) to terminate the lease of a tenant who, following a proceeding under Section 7. 10 hereof; has been found to have violated the Condominium Instruments, the Association shall be deemed a "real party in interest" in any legal proceeding brought to enforce this right. The Association shall not resort to this remedy unless the Owner of the Unit occupied by such tenant has failed and refused to take steps designed to cure the tenant's violation(s) within sixty (60) days following notice from the Association to the Owner of the necessity for such curative action.

ARTICLE XV

LIMITATION OF LIABILITY

14.1. No Liability for Utility Failure. Etc.

Except to the extent covered by insurance obtained by the Board pursuant to Article XI, neither the Association nor the Board nor the Declarant shall be liable for any failure of any utility or other service obtained by the Board, or for injury or damage to person or

property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the buildings, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place, or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of liability for Common Expense Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

14.2. Liability of Officers and Directors. Indemnification.

The Directors and Officers shall exercise ordinary and reasonable care in discharging their responsibilities and shall not be liable to the Association or to the Unit Owners for mistakes of judgment or for negligence not amounting to gross negligence, willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the Directors and Officers from and against all contractual liability to others arising out of contracts made by the Board of Directors or Officers on behalf of the Association or the Unit Owners unless such contract was made in bad faith or contrary to the provisions of the Condominium Instruments. The Directors and Officers shall not be personally liable for contracts made by them on behalf of the Association. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that (s)he is or was a Director or Officer of the Association, against amounts paid in settlement incurred by him in connection with such action, suit or proceeding if (s)he acted in good faith and in a manner (s)he reasonably believed to be in, or not opposed to, the best interests of the Condominium or the Association, to the fullest extent authorized by RCW 23B.08.510, 520, 530, and 570, and any amendments thereto, whether or not the Association is incorporated under RCW 23B.

14.3. No Bailment.

Neither the Board of Directors, the Association, any Owner nor the Declarant shall be considered a bailee of any personal property stored or placed on the Common Elements (including property located in vehicles parked on the Common Elements), whether or not exclusive possession of the particular area is given to an Owner for parking or otherwise, nor shall they be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

ARTICLE XV

MORTGAGEE PROTECTION

Mortgagees (lenders) in this Condominium project have various rights which are set forth with particularity in Schedule 15 in Exhibit C to this Declaration.

ARTICLE XVI

EASEMENTS AND SPECIAL DECLARANT RIGHTS

16.1. Easements for Units and Unit Owners. and Association Functions.

Each Unit has an easement in and through each other Unit and the Common and Limited Common Elements for support, and each Unit Owner has an unrestricted, perpetual right of ingress to and egress from his or her Unit over the Common Elements. There is hereby reserved to the Association, or its duly authorized agents and representatives, such easements as are necessary to perform the duties and obligations of the Association as are set forth in the Condominium Instruments. See Section 8.4 hereof for further details.

16.2. Easements for Semiahmoo Resort Association and for Emergency Access.

A non-exclusive perpetual easement is hereby granted on, over, under and across the Common Elements to all police, fire, ambulance and other rescue personnel for the lawful performance of their functions during *bona fide* emergencies. A non-exclusive perpetual easement is also granted to Semiahmoo Resort Association on, over, under and across Gleneagle Drive for purposes of performing Upkeep thereto.

16.3. Easements for Declarant.

The Declarant reserves an easement through the Common Elements as may be reasonably necessary for the purpose of discharging the Declarant's obligations or for exercising Special Declarant Rights. Without limiting the generality of the foregoing, such easements include the following:

16.3.1. General Reservation.

Declarant reserves non-exclusive easements for ingress, egress and utilities over and across all Common Elements within Phase I and across all Common Elements included within any subsequently completed Phase of the Condominium.

16.3.2. Specific Rights.

The easements reserved under this Section shall entitle the Declarant and its successors, devisees and transferees, for the development of each successive phase of

the Condominium, to tie into water, sewer, storm sewer, electrical, gas, telephone or other utility conduits, lines, pipes, culverts or other facilities of any nature or description whatsoever, and to travel over and connect with roadways, driveways, walkways, open areas or utility systems developed and employed in any completed phases of the Condominium. The Declarant also reserves the right to grant easements to public utility companies and to convey to such companies utility lines, pipes, wires, ducts, conduits and/or other facilities in furtherance of such grants.

16.3.3. Liability for Costs and Restoration.

Declarant shall bear the cost of tie-ins to such utilities and roads and shall not connect with such utilities in a manner that impairs or significantly reduces the quality of the utility service to any completed phase of the Condominium; provided, that if said tie-ins cause an increase in the cost of delivering affected utility services to any completed phase of the Condominium, that cost shall be borne by the Declarant. Declarant shall properly clean up and restore any Common Elements soiled or damaged through exercise of any of the easement rights reserved herein.

16.4. Easements Shown on Survey Map.

Easements shown on the Survey Map filed concurrently with this Declaration are hereby declared and established. Any easement shown on the Survey Map which benefits one or more Units in the Condominium, or which benefits any real property not included within the Condominium, confers various rights and benefits upon the owner(s) of such real property, and may also impose obligations upon the Association. Reference should be made to the Survey Map and, if relevant, to Schedule 8.3.2 in Exhibit C to this Declaration.

16.5. Special Declarant Rights.

Pursuant to RCW 64.34.020(29), the Declarant has reserved the following Special Declarant Rights for the purpose of furthering and completing the development of the Condominium: To complete any improvements indicated On the Survey Map and Plans filed with the Declaration; to exercise any Development Right under Section 3.3 hereof, to maintain sales offices, management offices, signs advertising the Condominium, and models on the Condominium Property; to use easements through the Common Elements for the purpose of making improvements within the Condominium, to appoint or remove any Officer or Director of the Association, or to veto or approve a proposed action of the Board or Association during the Declarant Control Period described in Section 5.1 of the Bylaws. A failure by the Declarant to veto or approve any such proposed action within thirty (30) days after receipt of written notice of the proposed action shall be deemed to constitute approval thereof by the Declarant. Except with respect to the right to exercise Development Rights, which is governed by Section 3.3.3 hereof, or as limited in Section 5.1 of the Bylaws, Special Declarant Rights shall

terminate upon the sale of the last Unit in the Condominium, or seven (7) years from the date of conveyance of Unit to a purchaser other than the Declarant, whichever is earlier.

ARTICLE XVII

AMENDMENT OF DECLARATION. SURVEY MAP. PLANS

17.1. Procedure for Amendment of Declaration.

Amendments to the Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Except as otherwise specifically provided for in this Declaration, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Owners. Except in cases of amendments that may be adopted by the Declarant as provided below, or by the Association under Section 6.4 hereof or under statutory authority in the case of condemnation or a termination of the condominium, or by certain Unit Owners under Sections 4.8 or 6.3 hereof; amendments may be adopted only at a meeting of the Owners if at least sixty-seven percent (67%) of the votes in the Association are cast for such amendment, or without any meeting if all Owners have been duly notified and Owners holding at least sixty-seven percent (67%) of the votes in the Association consent in writing to such amendment. In all cases, the amendment when adopted shall bear the acknowledged signature of the President of the Association.

17.2. Recordation Required.

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

17.3. Special Restrictions.

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

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

17.4. Amendment of Survey Map and Plans.

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

17.5. Consent of Mortgagees Required.

The consent of specified percentages of Eligible Mortgagees and/or Eligible Insurers may be required, pursuant to Article XV of this Declaration, prior to recordation of certain amendments to the Condominium Instruments.

17.6. Amendments by Declarant.

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

- (a) conform them to the actual location of any of the constructed improvements and to establish, vacate and relocate utility easements, access road easements and parking areas;
- (b) exercise any Development Right reserved by the Declarant under Section 3.3 of this Declaration;
- (c) correct any nonmaterial technical errors contained in the Condominium Instruments or clarify provisions of same, or
- (d) conform them to requirements of the City or County in which the Condominium is situated, or of bona fide title insurance companies, secondary mortgage market entities or loan guarantors.

ARTICLE XVIII

TERMINATION OF CONDOMINIUM

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

ARTICLE XIX

MISCELLANEOUS

19.1. Notices for All Purposes. Delivery.

19.1.1 Except as otherwise provided by law, or by Article 15 hereof as to certain notices to Eligible Mortgagees, any notice permitted or required to be delivered under the provisions of the Declaration or the Bylaws may be delivered either personally or by mail, addressed to the person entitled to such notice at the most recent address given by such person to the Board in writing, or to the most recent address known to the Board. Notice to the Owner of any Unit shall be sufficient if mailed to his or her Unit if no other mailing address has been given to the Board. Mailing addresses may be changed from time to time by notice in writing to the Board. Notice to be given to the Association may be given to the President or Secretary of the Association, or to the Association's Registered Agent.

19.1.2. New Unit Owners must supply their names, addresses and telephone numbers to the Secretary of the Association promptly after conveyance.

19.2. Severability.

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

19.3. No Right of First Refusal.

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

19.4. Effective Date.

This Declaration shall take effect upon recording.

ARTICLE XX

CERTIFICATE OF COMPLETION

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

DATED this ____ day of _____, 2006.

DECLARANT:

GLENEAGLE PARTNERS LLC

By _____
FRED BOVENKAMP, its AUTHORIZED MEMBER

STATE OF WASHINGTON)

) ss.

COUNTY OF WHATCOM)

I hereby certify that I know or have satisfactory evidence that FRED BOVENKAMP is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as the AUTHORIZED MEMBER of the Declarant, GLENEAGLE PARTNERS LLC, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: _____, 2006.

NOTARY PUBLIC for the State of
Washington. My Commission
expires _____