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After recording return to:

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Document Title: Declaration of Covenants for Phillips Ridge

Reference Number(s) of Document assigned or released: Not Applicable

Grantor(s) (Last name first, then first name and initials): Phillips Ridge Partners LLC, A Washington
Limited Liability Company

Grantee(s) (Last name first, then first name and initials): Phillips Ridge Homeowners Association

Legal Description

(abbreviated: i.e., lot, block, plat or section, township, range):

Additional legal on page 2 of document(s)

Lot 5, B. 18, Alderwood Manor No. 6, V.9, PG 93-96
Records of Snohomish County, Washington.

Assessor's Property Tax Parcel/Account Number(s): 00373101800500

This Project is a Common Interest Community subject to the provisions of RCW 64.90.

NOTICE TO RECORDER

AS REQUIRED BY RCW CHAPTER 64.90, AT THE TIME OF RECORDING OF THIS DECLARATION INSERT DATA FOR THE SURVEY MAP AND PLANS RECORDED IN CONNECTION HEREWITH. The Survey Map and Plans of the Short Plat referred to herein is filed with the Recorder of Snohomish County, Washington simultaneously with the recording of the Declaration under Snohomish County Auditors File Number 202401245002

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PHILLIPS RIDGE**

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR PHILLIPS RIDGE

The parties signed as Declarants at the end hereof make **THIS DECLARATION**, to submit the property hereinafter described to the Washington Uniform Common Interest Ownership Act (Revised Code of Washington, Chapter 64.90; may be referred to herein as the "Act"). The name of the Subdivision Plat shall be PHILLIPS RIDGE. The interest of the Declarant in the Real Property included in the Subdivision Plat is fee simple.

SECTION 1. INTERPRETATION.

1.1. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of this Subdivision Plat under the provisions of Washington law. Insofar as it affects this Declaration and Subdivision Plat, the provisions of the Act under which this Declaration is operative, shall be liberally construed to effectuate the intent of this Declaration.

1.2. Consistent with Act. The terms used herein are intended to have the same meaning as given in the Act unless the context clearly requires otherwise or to so define the terms would produce an illegal or improper result.

1.3. Covenant Running with Land. This Declaration shall operate as a set of covenants running with the land, or equitable servitudes, binding on Declarant, its heirs, successors and assigns, all subsequent Owners of the Property or a Lot, together with their grantees, successors, heirs, executors, administrators, devisees or assigns, supplementing and interpreting the Act, and operating independently of the Act, should the Act or any part thereof be, in any respect, inapplicable.

1.4. Captions and Exhibits. Captions given to the various sections and sections herein are for convenience only and are not intended to modify or affect the meaning of any substantive provisions of this Declaration. The various Exhibits referred to herein and attached hereto shall be deemed incorporated herein by reference.

1.5. Percentage of Owners. For purposes of determining the percentage of Owners, or percentage of voting power for approving a proposed decision or course of action in cases where an Owner owns, more than one Lot, such Owner shall be deemed a separate Owner for each such Lot so owned.

1.6. Inflationary Increase in Dollar Limits. Any dollar amounts specified in the Declaration in connection with any proposed action or decision of the Board or Association shall be increased proportionately by the increase in the consumer price index for Snohomish County, Washington for All Urban Consumers ("Index"), prepared by the United States Department of Labor over the base index of January 1 of the calendar year following the year in which the Declaration is recorded, to adjust for any deflation in the value of the dollar. In the event the index is discontinued, the Board shall select a comparable index for this purpose.

1.7. Definitions.

"The Act" means the Washington Uniform Common Interest Ownership Act (Revised Code of Washington, Chapter 64.90), as amended from time to time.

"Allocated Interests" means the undivided interest in the Common Elements, the Common expense liability, and votes in the Association allocated to each Lot.

"Assessment" means all sums chargeable by the Association against a Lot including, without limitation: (a) Regular and special 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 attorney's fees, incurred by the Association in connection with the collection of a delinquent Lot Owner's account.

"Association" means the Lot Owner's Association organized in accordance with The Act, the Bylaws and with this Declaration as it is recorded, or as they may be amended.

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

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

"Common Elements" means all portions of this Subdivision Plat other than the Lots.

"Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

"Common Expense Liability" means the liability for Common expenses allocated to each Lot pursuant to this Declaration and the Act.

"Declarants" means the person or group of persons acting in concert who (a) executes as Declarant this Declaration of Subdivision Plat, or (b) reserves or succeeds to any special Declarant right under the Declaration or who acquires more than one Lot from the Declarant for the purpose of development and by written instrument in recordable form be specifically assigned the rights and duties of Declarant. Upon such assignment, said assignee shall perform and be entitled to any and all rights, powers and reservations held by the original Declarant and shall be subject to any and all duties, obligations and responsibilities of the original Declarant. Any such reference made in this Declaration to "Declarant" shall hereinafter also mean the Declarant's assignee as referred to under this section.

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

"Eligible Mortgagee" means the holder of a mortgage on a Lot 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 consent of Mortgagees. For the purposes of this Declaration the term "Eligible Mortgagee" includes insurers and guarantors of mortgages. With respect to any action requiring the consent of a specified number or percentage of mortgages, the consent of only Eligible Mortgagees holding a first lien mortgage need be obtained and the percentage shall be based upon the votes attributable to the Lots with respect to which eligible mortgages have an interest.

"Foreclosure" means a forfeiture of judicial or non-judicial foreclosure of a mortgage or a deed in lieu thereof.

"Home" means a single-family home placed on a Lot within the Subdivision.

"Identifying Number" means the number, letter, or combination thereof, designating only one Lot in this Declaration as it is recorded or as it may be amended.

"Limited Common Elements" means a portion of the Common Elements allocated by this Declaration or by operation of the act for the exclusive use of one or more but less than all of the Lots.

"Majority" or **"Majority of Lot Owners"** means, for the purposes of this Declaration, the Lot Owners with fifty-one percent (51%) or more of the votes in accordance with the allocated interests assigned to the Lots by this Declaration.

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

"Mortgagee" means the secured party under a mortgage, deed of trust, or other real property security interest covering a Lot. For the purposes of this Declaration the term "mortgagee" includes the vendor under a real estate contract.

"Lot" means a Unit as defined in RCW 64.90. If a survey or subdivision map labels the Units created as "Lots" then under RCW 64.90 that will have the same meaning as Unit

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

"Real Property" means any fee, leasehold or other estate or interest in, over, or under land, including structures, fixtures, and other improvements thereon and easements, rights and interests appurtenant thereof which by custom, usage, or law pass with a conveyance of land although not described in the contract of sale or instrument of conveyance. "Real Property" includes parcels, with or without upper or lower boundaries, and spaces that may be filled with air or water.

"Unit Lot" or "Unit" means a part of the property intended for residential use and

occupancy, as provided herein, referred to as a "Unit" in The Act. The Subdivision Map may show Units as a Lots. A Unit is a parcel of real estate created by the Subdivision Map for the purpose of placement of a residential home. Units are referred to as "Lots" in this Declaration.

"Lot Owner" means the Declarant or other person or persons owning a Lot but does not include a person who has an interest in a Lot solely as security for an obligation. "Lot Owner" means the vendee, not the vendor, of a Lot under a real estate contract. This definition shall not include persons who, on a month-to-month or other basis, rent or lease their Lot from a Lot Owner.

SECTION 2 - DESCRIPTION OF REAL PROPERTY

2.1. Legal Description. The Real Property included in the Subdivision Plat is described on Exhibit A hereto which by this referenced is incorporated herein.

2.2. Legal Description of Phases. Declarant does not reserve the right to phase the development.

2.3. Description of Real Property (except Real Property subject to Development Rights) that may be allocated subsequently as Limited Common Elements (other than Limited Common Elements described in this Declaration). None at present.

2.4. Description of Real Property to which any Development Right or Special Declarant Right applies: The land described in Section 2.1 above.

SECTION 3 - DESCRIPTION OF LOTS

3.1. Number of Lots. There are eight (8) Lots to be developed in one phase. Each Lot is identified by a house number (for example 22005, 22009 and 2717, 2702, 2704, 2708, 2712, 2716).

3.2. Additional Lots to be Created. Declarant does not reserve the right to add additional Lots.

3.3. Lot Description. The Subdivision Map indicates the identifying number or letter of the Lot. Because the Lot is a lot demarcated on the Subdivision Map (which may in the future, but not necessarily on the Declaration's recording date, contain a dwelling structure) the Declaration does not contain information about the buildings thereon.

Unless otherwise stated in the Declaration or on the Subdivision Map thereto, there are no recreational facilities, assigned parking spaces or moorage slips.

3.4. Lot Boundaries.

3.4.1. Lots shall consist of Lot demarcated on the subdivision map. A Lot shall include

all structures, improvements, and fixtures now or hereafter located within said space.

3.5. Access to Common Ways. Each Lot has access directly to the public street or a Public Right of Way.

3.6. Access to Public Streets. The Public Right of Way has direct access to a public street.

SECTION 4 - COMMON ELEMENTS

4.1. Description. Common Elements means all portions of the Subdivision Plat other than the Lots. The following items are illustrative of Common Elements but are not all inclusive:

4.1.1. The real property described in Section 2.1 not included within a Lot, except for Limited Common Elements.

4.1.2. The fence on the perimeter of the Property.

4.1.3. The Common Elements shown on the Survey Map and Plans including the critical areas including wetlands, buffers, streams. The Common Element Tracts as conveyed to the Association on the Subdivision Plat Map:

Tract 997, 998, 999 – Critical Area Tracts

4.1.4. Any utility lines providing service to more than one Lot, including the drainage facilities and private sewer main within the project.

4.1.5. A Storm Water Detention Vault located under Lots 1, 2 and 4 is a Common Element and the Association is granted an easement therefore.

4.1.6. Recreational facilities.

4.1.7. Retaining walls and fences lying within the Common Area Tracts and the City right of way. The Association is subject to the terms and conditions of the Right of Way Use Agreement for Retaining Wall where the City of Brier is the Grantee.

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

4.2. Use. Each Owner shall have the right to use the Common Elements (except Limited Common Elements reserved for other Units) in common with all other Owners. The right to use the Common Elements shall extend not only to each Owner, but also to his agents, servants, tenants, family members, invitees, and licensees. The right to use the Common Elements, including the Limited Common Elements, shall be governed by and subject to the provisions of the Act, this Declaration, the Bylaws and the Rules and Regulations of the Association. The Common Elements are subject to the conditions of approval of the site plan for the project.

4.3. Maintenance. The Common Areas and lots shall be maintained by the Association in accordance with any and all Subdivision conditions imposed by the City of Brier Code Provisions that restrict and any conditions imposed hereunder by Declarant or by the Association and conditions of these Covenants as they may be amended. Lot owners shall not fence or otherwise exert dominion or control over any common areas.

All development and landscaping must be consistent with the site and landscaping plans submitted under File Number SUB 21-02. This includes the landscape/open space/tree plan approved by the City of Brier.

Easements are hereby granted for the installation, inspection, and maintenance of utilities and drainage facilities as delineated on the Subdivision Plat Map (if any). No encroachment will be placed within the easements shown on the Subdivision Plat Map which may damage or interfere with the installation, inspection and maintenance of utilities. Maintenance and expense thereof of the utilities and drainage facilities shall be the responsibility of the Association as established herein.

In accordance with the terms and conditions of the Subdivision Plat Map the Association is required to also maintain the landscaped areas in the public road right of way.

4.4. Mandatory Association Maintenance. In accordance with and in compliance to the City of Brier conditions of approval delineated in its file with the County under permit file for the property, the Association, as a common expense, shall have the ongoing responsibility, in perpetuity, to maintain, replace and restore the landscaping and vegetation located within the Common Area Tracts and critical areas, including wetlands, streams, critical areas and buffers. In addition, the Association shall have the ongoing responsibility, in perpetuity, to maintain, replace and restore the Drainage System and Critical Areas.

The Association shall maintain the Landscape Water Meter located on Lot 6 adjacent to that lot's meter. The Association is responsible for payment of the water charges incurred on that meter and shall be responsible for maintenance of the meter as a common expense. The Association when Lot Owners assume control must have the billing for the water meter transferred to the Association.

The use of fertilizer and pesticide is restricted within wetlands, streams, critical areas and buffers to these areas. Any fertilizer and pesticide use in these areas must be approved by the City. Professional application of herbicide for blackberry control is allowed.

4.5. Construction Work - Common Elements. The Common Elements shall not be reconstructed, rebuilt, altered, removed or replaced except by the Association acting through the Board, or as and in the manner the Association acting by the Board may authorize, and such action and authorization must also be in accordance with The Act, this Declaration, and the Bylaws.

4.6. Governmentally Required Maintenance, etc. Any insurance, maintenance, repair,

replacement, alteration or other work, or the monitoring of such work, which is required by any governmental entity (including without limitation, federal, state or local government, public or private utility provider, local improvement district, or other governmental or quasi-governmental entity or agency), and regardless of whether such requirement is now or hereafter established, and whether imposed in connection with a building permit or other governmental approval or requirement, and whether involving land within public rights of way or subject to ownership or exclusive use of one Owner, shall be the sole and exclusive responsibility of the Association (not the Declarant) and any cost incurred in connection therewith shall be a Common Expense. In the event the Association, in the judgment of a governmental authority, fails to maintain drainage facilities within the Common Elements or other Common Elements, or if the Unit Lot Owners willfully or accidentally reduce the capacity of the drainage system or render any part of the drainage system unusable, or damage or destroy any part of the Common Elements (including NGPA areas, if any) the Unit Lot Owners and the Association agree to be responsible for any costs or fees incurred from sanctions imposed by the governmental authority, including attorney's fees and expert's fees should legal action be required to collect monies owed. In furtherance of the generality of the foregoing, and not by way of limitation, such work shall include: maintenance of any grass-lined swales and proper disposal of clippings; replacement of landscape plantings that die during any required maintenance period; maintenance of public and private storm sewer and retention systems and maintenance and/or non-disturbance of Native Growth Protection Areas/Easements. Declarant shall have the right, but not the obligation, to perform any such work if the Association fails to do so. The Association shall promptly upon demand reimburse Declarant for any costs directly or indirectly incurred by Declarant as a result of the Declarant performing, or the Association's failure to perform, such work (including any work necessary to obtain a release, or avoid a forfeiture, or any cash deposit or other bond made by Declarant).

4.7. Significant Trees. The subdivision approval designated significant trees on the property as indicated on the approved Landscape Plan. These shall not be removed except when determined in writing by a certified arborist to constitute a hazard. Any replacement or significant trees removed without proper documentation from a certified arborist shall be subject to a fine under City Code.

4.8. Drainage/Critical Areas. The City of Brier, its successors and assigns, shall have the right of entry to and from Common Elements, Critical Areas and Stream in this Plat for the purpose of inspecting, auditing or conducting required maintenance of the drainage facility and Critical Areas in accordance with the land use and building permit conditions. The Owners Association shall have the primary maintenance responsibility for maintaining the drainage and critical areas in accordance with the permit conditions and City Code.

4.9. Limited Common Elements. There are presently no Limited Common Elements.

SECTION 5 - ALLOCATION OF COMMON ELEMENT INTERESTS, VOTES, AND COMMON EXPENSE LIABILITIES

5.1. General. The allocated interests in (a) the Common Elements and (b) in the common

expenses of the Association and (c) the portion of votes in the Association are allocated to each Lot as set forth in Section 9.3.1. The established allocated interests are not separate from the Lot and shall be deemed to be conveyed and encumbered with the Lot, although not mentioned in the instrument evidencing the encumbrance or conveyance.

5.2. Formula. The Allocated Interests of each Lot in (a) Common Elements, (b) Common expenses of the Association and (c) votes in the Association is determined as follows: Each Lot shall have a percentage vote and an Allocated Interest in the Common Elements and Common Expense Liability equal to a fraction, the numerator of which is one (1) and the denominator of which is the total number of Lots then in the Subdivision Plat. This formula is used solely to establish the required allocated interests. The formula is not based upon the respective values or sizes of the Lots.

SECTION 6 - PARKING

6.1. Parking. Lot Owners shall park within their Lot in the garage in the driveway in front of their garage in their Lot. Parking in those areas shall not extend into the public right of way or sidewalk. Parking in or blocking a drive aisle is not allowed. The public right of way in the Plat are fire lanes.

Except as hereinafter expressly provided, the Lots and Common Elements located on the Properties shall not be used for the storage and/or overnight parking of any vehicle other than private family automobiles, trucks, motorcycles and commercial vehicles operated by a person residing at the Lot (provided that such commercial vehicles contain only a single rear axle). Boats, boat trailers, house trailers, campers, trucks, trucks with a camper, or other recreational vehicles or similar object may not be stored and/or parked overnight on any part of the Properties except inside the garage. No inoperable vehicles of any kind shall be parked, stored, maintained, or constructed on any Lot or street unless stored in a garage.

No goods, equipment or vehicle (including buses, trailers, recreational vehicles, etc.) shall be dismantled or repaired outside any building or residential Lot. The Association may require removal of any inoperative or unsightly vehicle, and any other vehicle, equipment or item not stored in accordance with this provision.

SECTION 7 - USES, MAINTENANCE, ALTERATIONS - COVENANTS, AND RESTRICTIONS

7.1. Residential Occupancy. The buildings and Units shall be used for and restricted to use as single-family occupancy only, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable activities normally incident to such use not inconsistent with the provisions of this Declaration nor applicable zoning and for the purposes of operating the Association and managing the Subdivision if required.

7.2. Leases. No Owner or other person shall be permitted to lease or otherwise rent a Unit for a term less than ninety (90) days. No lease or rental of a Unit may be of less than the entire

Unit. Any lease or rental agreement must provide that its terms shall be subject in all respects to the provisions of the Declaration and Bylaws and the Rules and Regulations of the Association and that any failure by the tenant to comply with the terms of said documents, Rules and Regulations shall be a default under the lease or rental agreement and that the Owner grants to the Board and the managing agent the authority to evict the tenant on the Owner's behalf for such default, upon only such notice as is required by law; if any lease does not contain the foregoing provisions, such provisions nevertheless be deemed to be a part of the lease and binding upon the Owner and the tenant by reason of their being stated in the Declaration. Neither the Board nor the managing agent shall be liable to the Owner or the tenant for any eviction under this section that is made in good faith. All leases and rental agreements shall be in writing. Copies of all leases and rental agreements shall be delivered to the Association before the tenancy commences.

The Association may adopt rental restrictions on the number of Units that may be leased by vote or agreement of the Lot Members to which at least sixty-seven percent (67%) of the votes in the Association are allocated.

Timesharing and Airbnb (as defined in RCW 64.36.010(11)) is prohibited.

7.3. Maintenance and Repair of Lots

7.3.1. Owners Duties. Each Owner, at his or her sole expense, have the right and the duty to keep his or her home, landscaping and all other improvements within the Lot in good order, condition and repair and shall do all redecorating and painting at any time necessary to maintain the good appearance and condition of his or her Home or Lot. Each Lot Owner shall maintain their Lot continuously in a good, clean, attractive, safe and sanitary condition in full compliance with this Declaration and any Rules and Regulations adopted by the Board.

Each Lot Owner must maintain any portion of the retaining wall and fence located within their Lot in good condition at their own expense.

Lots 4, 5, 6 and 7 contain individual E-1 grinder pumps and associated force main that discharge to the public gravity sanitary sewer system. The operation and maintenance of the grinder pumps and force mains are the responsibility of the respective Lot Owners at their expense.

7.3.2. Failure to Maintain. If a Lot Owner fails, in the reasonable judgment of the Board, to adequately perform the above-described maintenance work, then the Association may itself perform (or arrange to have performed) such work after the Board has issued a written demand to the Lot Owner and following a reasonable period of time following delivery of the demand. In such event, after notice and an opportunity to be heard to the Lot Owner, the entire cost of such maintenance and/or repair work shall be specially charged to the Lot for which such maintenance and/or repair work was performed in the manner provided under Section 12.

7.4. Owner Caused Damage. If any Owner shall damage a Lot, Limited Common Element or Common Element by its negligence or willful misconduct and does not repair the damage within 30 days following receipt from the Board of notification to repair or, where the damage cannot be repaired within the 30-day period the Owner does not commence repair of the damage within the 30 day period and thereafter diligently prosecute the same, the Board may repair the damage and specially assess the Owner for the costs of such repair. Any disputes between Owners arising from this Section 7.4 shall be decided by Mediation/Arbitration pursuant to Section 14 of this Declaration that shall be binding upon the Owners in dispute.

7.5. Maintenance, Repair and Replacement of Common Element and Enforcement of Maintenance, Repairs and Replacement Obligations of Lot Owners. The Association shall be responsible for the maintenance, repair and replacement of all Common Elements. Subject to Section 7.4 and as otherwise provided in this Declaration, the Association shall have the right to enforce the obligations of the Lot Owners to maintain and repair the Lot Structures, and other improvements in their respective Lots as required by this Declaration, in the event any Lot Owner fails to perform said obligations. In the event of a dispute by Owner over the requirement for and scope of work, the dispute shall be decided by Mediation/Arbitration pursuant to Section 14 of this Declaration that shall be binding upon the Owners in dispute. If the Unit Owner fails to pay said expense, any financial award shall constitute a lien against the Unit in the same manner as an Assessment pursuant to Section 12 of this Declaration.

7.6. Effect on Insurance. The Lot Owners shall not permit anything to be done or kept in the Lots or in the Common Elements which will increase the fire insurance premiums thereon or result in the cancellation of such insurance on any Lot or any part of the Common Elements, without the consent of the Board or pursuant to rules and regulations adopted thereby.

7.7. Signs. No signs of any kind, nor for any uses shall be erected, painted, or displayed on any building site in this Subdivision whatsoever, except: political that must be allowed under Washington statute for such times allowed by the statute, public notice by a political division of the State or Snohomish County or as required by law; any builder or the builder's agent may erect and display signs during the period the builder is building and selling property in the Subdivision, and any Lot Owner or the Lot Owner's agent wishing to sell that Owner's Lot may place a sign not larger than 900 square inches on the property itself; provided, that this section shall not apply to sales or rental activities of the Declarant permitted pursuant to Section 15.

7.8. Pets. The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, is prohibited within any unit or upon the common elements, except that the keeping of orderly domestic pets (e.g., dogs, cats or caged birds) not to exceed three per unit without the approval of the Board of Directors, and guard dogs, service animals (typically dogs), emotional support animals and aquarium fish (and other limited species of animals that do not normally leave the unit and that do not make noise) is permitted, subject to the rules and regulations adopted by the Board of Directors; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding; and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the Property upon ten days written notice from the Board

of Directors. Such pets shall not be permitted upon the common elements unless accompanied by someone who can control the pet and unless carried or leashed. Any unit owner who keeps or maintains any pet upon any portion of the Property shall defend, indemnify and hold the 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 pet within the Subdivision Plat. All pets that may leave the unit shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law. The Board of Directors may establish reasonable fees for registration of pets not to exceed the additional costs incurred by the Association resulting from the presence of such pets.

7.9. Noise and Offensive Activity. Owners, or any Occupants of the Property, shall refrain from making loud noises or playing musical instruments, radios, televisions, electronic music or using amplifiers as noise levels that may disturb other Occupants of the Property or disturb surrounding property owners in the neighborhood. No noxious or offensive activity shall be carried on in any Lot, Common Elements or Limited Common Elements nor shall anything be done therein which may be or become an annoyance or nuisance to other Lot Owners, or which would be in violation of any laws. Owners shall not permit any condition to exist that will induce, breed or harbor infectious plant diseases, or noxious insects or vermin. Any disputes regarding such matters between Owners may at the request of any Owner be resolved by the Board under such rules and regulations adopted by the Board. Certain of the Lots are adjacent to an arterial road, which also could create noise issues. In no event, shall the Association or Declarant have any liability to any Owner with respect to noise issues.

7.10. Oil and Mining Requirements. No oil drilling, oil development, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in any Lot; nor shall oil wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

7.11. Mobile or Manufactured Housing. There shall be no mobile or manufactured housing.

7.12. Utilities. All utilities shall be installed underground. No fuel tank shall be maintained above ground unless properly screened in a manner acceptable to the ACC. Unless otherwise approved by the Association, the cost of restoration of any yard landscaped area(s) disturbed by private utility work shall be borne solely by the Lot Owner(s) so benefited by the utility work. In the event the Lot Owner(s) does not restore the yard landscaping within a reasonable time, upon due notice to the non-complying Lot Owner(s), the Association shall have the authority to complete the restoration on behalf of the Lot Owner(s) and to specially assess them for the cost.

7.13. Games and Play Structures. No platform, doghouse, playhouse or structure of a similar kind or nature shall be constructed on any part of a Lot or Common Elements without the express written prior approval of the ACC. Basketball hoops shall not be allowed on the Lots or Common Elements. No portable basketball hoops shall be used, stored or located on

any Lot or common area or upon the public streets adjacent thereto.

7.14. Construction of Significant Recreation Facilities. The construction or placement of any significant recreational facilities on any Lot including, but not limited to, such items as Hot tubs, tennis, badminton or pickle ball courts shall require the approval of the ACC and shall be subject to the requirements adopted by the ACC.

7.15. Clothes Lines, Other Structures. No clotheslines or other structures of a similar nature shall be visible from the Common Elements or other Lots.

7.16. Garbage and Refuse. No garbage, refuse, rubbish, cuttings, debris, inoperable vehicles, equipment or waste of any kind shall be deposited on or left upon any Lot unless placed in an attractive container suitably located and screened from the view of any other Lot Owner. The Board/Association has the right to place garbage cans back to Owners lot if Lot Owner doesn't do so. All equipment for the storage or disposal of such materials shall be kept in a clean and sanitary condition. No building material of any kind shall be placed or stored on any property within the development until the Lot Owner is ready to commence construction, and then such materials shall be placed within the boundary lines of the Lot upon which it is intended. Garbage cans may only be placed in public view on the day of garbage pickup. The proper removal and disposal of all such materials shall be the sole responsibility of the individual Lot Owners. Upon Notice and an Opportunity to be Heard, the Association, acting by and through the Board, shall have the authority to assess any Lot Owner responsible for disposing of such materials upon the Common Elements with said assessment equal to the costs of clean up, restoration, repair and replacement of any and all damaged or affected Common Elements or facilities.

7.17. Alterations of Buildings.

A Lot Owner:

7.17.1. May not change the appearance of the Common Elements or the exterior appearance of a Home or Structure within the Owner's Lot including but not limited to the exterior materials and colors without the prior written permission of the Architectural Control Committee (the "ACC).

7.17.2. May not convert the garage or any portion thereof to living area.

7.17.3. Shall submit each request to make any alteration or improvement to his Lot Structure to the ACC, in writing, as provided in Section 8 of this Declaration.

7.17.4. Owners may not install any antennas, dishes or other receiving devices in or on any portion of the Common Areas or exterior of their home or lot, except as provided in this Section. Each Owner shall have the right to install a Protected Antenna (as defined by the provisions of 47 C.F.R. § 1.4000 ("FCC Rule") as it now exists or is hereafter amended or replaced, or any other federal, state or local law, code, rule or regulation that preempts, prohibits

or limits restrictions on, or conditions to, the installation, maintenance or repair of telecommunications equipment desired by an Owner) (but no other kind of antenna, dish or receiving device) within Owner's Lot, subject to such reasonable Rules and Regulations as the Board may adopt. If the provisions of this Section conflict with any applicable federal, state or local law, ordinance, rule or regulation, the terms of such law, ordinance, rule or regulation shall prevail, but the conditions and limitations set forth in this Section shall be enforced to the maximum extent permitted by law.

7.18. Additional Structures Outside Any Homes. No decks, patio, hot tub, children's play equipment, fence or any other structure shall be constructed or installed outside any Home without the prior written approval of its location, design, materials color and appearance by the ACC with due regard for the appearance of the proposed improvement and the impact upon surrounding Lots, the Common Elements and the entire Subdivision Plat.

7.19. Bylaws and Rules and Regulations. The Association may from time to time amend the Bylaws or create and amend rules and regulations of the Association as may be necessary or advisable to ensure compliance with or to supplement the covenants, conditions and restrictions in this Declaration or its amendments, and the Lot Owners shall comply in all respects therewith.

7.20. Invalidation Not Affecting Remaining Provisions. Invalidation of any one of these covenants by judgment or court order shall in no way affect any of the other provisions that shall remain in full force and effect.

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

7.22. Hazardous Substances. The Owner of each Lot shall not permit any Hazardous Substance to be generated, processed, stored, transported, handled or disposed of on, under, in or through the Owner's Lot or the Property, and each Owner shall indemnify, defend and hold harmless the other Owner or Owners and the Association from all fines, suits, procedures, claims and actions of any kind arising out of or in any way connected with any spills or discharges of Hazardous Substances or wastes arising from the operation or use of the Lot or Property by the Owner or the tenants or invitees of the Lot. As used herein, the terms "Hazardous Substances" means any hazardous, toxic or dangerous substance, waste or material which is or becomes regulated under any federal, state or local statute, ordinance, rule, regulation or other law now or hereafter in effect pertaining to environmental protection, contamination or cleanup, including without limitation any substance, waste or material which

now or hereafter is designated as a “Hazardous Substance” under the Comprehensive Environmental Response, Compensation and Liability Act (42 U.S.C. § 9601 *et seq*), or any local or state rule or regulation; without limiting the foregoing, Hazardous Substance shall include, but not be limited to, any substance which after being released into the environment or indirectly by ingestion, inhalation, or assimilation, either directly from the environment or indirectly by ingestion through food chains, will or may reasonably be anticipated to cause death, disease, behavior abnormalities, cancer and/or genetic abnormalities.

SECTION 8 – ARCHITECTURAL CONTROL COMMITTEE

8.1. Construction and Exterior Alteration or Repair

8.1.1. Before any Home and/or structures are erected, placed or altered upon any Lot, notice of intent to build or locate such Home or structures shall be filed with the Architectural Control Committee (ACC). All Homes and structures (including, without limitations, concrete or masonry walls, rockeries, fences, swimming pools, if any, or other structures) to be constructed within the property, and all exterior alterations and repairs (including, but not limited to, reroofing or repainting) of any buildings or structures on the Property and visible from any public street, or other Lot must be approved by an ACC composed of three (3) or more Lot Owners designated from time to time in writing by the Board; provided, that so long as Declarant owns any Lots within the Subdivision Plat, Declarant at its option may exercise all of the rights and powers of the ACC under Section 8 including without limitation the appointment of members of the ACC. References in this Section 8 to the ACC shall be deemed to include the ACC, or the Declarant, as circumstances may dictate. Complete plans and specifications of all such proposed Homes, structures, and exterior alterations and repairs together with detailed plans showing the proposed location of the same on the particular building site and other data requested by the ACC, shall be submitted to the ACC before construction, alteration or repair is started. Construction, alteration or repair shall not be started until written approval thereof is given by the ACC. Any exterior modifications in accordance with plans and specifications developed by the Declarant will be deemed approved exterior modifications.

8.1.2. Within five (5) days from receipt of such notice, the ACC will review submittals as to the quality of workmanship and materials planned and for conformity and harmony of the external design with proposed or existing structures on neighborhood residential Lots or building sites, and as to location of the building with respect to topography, finish grade elevation and building setback restrictions.

8.1.3. In the event the ACC fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, such approval will not be required.

8.1.4. All plans and specifications for approval by the ACC must be submitted in duplicate, at least thirty (30) days prior to the proposed construction or exterior alteration or repair starting date. The maximum height of any building shall be established by the ACC as

part of the plan approval and shall be given in writing together with the approval.

8.1.5. The ACC may require that said plans or specifications shall be prepared by an architect or a competent house-designer, approved by the ACC. One complete set of said plans and specifications shall in each case be delivered to and permanently left with the ACC. All buildings or structures shall be erected or constructed, and all exterior alterations or repairs made, by a contractor, house builder or other person or entity approved by the ACC. The ACC shall have the right to refuse to approve any design, plan or color for such improvements, construction, or exterior alteration or repair visible from a public street, Common Area or other Lot which is not suitable or desirable, in the ACC's reasonable opinion, aesthetic or otherwise.

8.1.6. In so passing upon such design, the ACC shall have the right to take into consideration the suitability of the proposed Home or other structure, and the material of which it is to be built, and the exterior color scheme, to the site upon which it is proposed to erect the same, the harmony thereof with the surroundings, and the effect or impairment that said structures will have on the view or outlook of surrounding building sites, and any and all factors, which, in the ACC's opinion, shall affect the desirability or suitability to such proposed structure, improvements, or exterior alteration or repair.

8.1.7. The ACC shall have the right to disapprove the design or installation of a swimming pool or any other recreational structure or equipment desirable, in the ACC's reasonable opinion, aesthetic or otherwise. In so passing upon such design or proposed installation, the ACC shall have the right to take into consideration the visual impact of the structure and the noise impact of the related activities upon all of the properties located in close proximity. Any enclosure or cover used in connection with such a recreational structure or equipment, whether temporary, collapsible, seasonal, or whatever, shall be treated as a permanent structure for the purpose of these covenants, and shall be subject to all the conditions, restrictions, and requirements as set forth herein for all buildings and structures. Unless approved by the ACC in writing, swimming pools and hot tubs shall not be nearer than ten (10) feet to any lot line and shall not project with their coping more than four (4) feet above the established grade.

8.1.8. The ACC shall have the right to require, at a Lot Owner's expense, the trimming or topping (or, if deemed necessary by the ACC, removal) of any tree, hedge, or shrub within a Lot which the ACC determines is unreasonably blocking or interfering with the view or access to sunlight to or from another Lot or is dangerous.

8.1.9. The ACC shall have the right to specify precisely the size, color and style of mailboxes, and of the post or support on which such mailboxes are affixed, and their location within the Subdivision Plat.

8.1.10. Notwithstanding any provision contained in this Section, under no circumstance shall the ACC approve any action to construct, alter, restore or repair any structure, improvement, landscaped or native growth vegetation area, etc., which would be contrary to any condition of approval of the development.

8.1.11. The ACC may charge a fee for the review of any matter submitted to it. Any fee schedule adopted by the ACC must be approved by the Board. The ACC may retain and consult with persons or entities to assist in the evaluation of plans submitted for review.

8.1.12. Any Lot Owner feeling aggrieved by a decision of the ACC may appeal to the Board. Any appeal must be filed within 30 days of the written decision by the ACC. The Board may adopt rules and regulations for hearing such appeals.

8.2. Minimum Requirements. Without limiting the foregoing or any other authority designated in this Declaration to the ACC under Section 8 or otherwise, the ACC and all Lot Owners shall adhere to the following minimum standards:

8.2.1. Zoning Regulations. Zoning regulations, building regulations and codes, environmental regulations, and other similar governmental regulations applicable to the Properties subject to this Declaration shall be observed. In the event of any conflict between any provision of such governmental regulations and restrictions of this Declaration, the more restrictive provisions shall apply.

8.2.2. Building Setback Requirements. All building and other Lot improvements shall comply with all applicable governmental requirements, including without limitation minimum setback requirements.

8.2.3. Driveway Standards. All driveways shall be constructed of concrete, or such other hard surface material approved by ACC and shall be completed prior to final building inspection.

8.2.4. Roofing. Roofing materials shall be the same as the original construction and the color shall be a muted earth tone approved by the ACC, subject to the condition that the ACC in its discretion upon request may permit substitutions of any brand name providing the same quality and color match. In addition, any other roofing material shall be permitted only by approval of the ACC.

8.2.5. Building Materials and Colors. All residences constructed on each Lot shall be built of new materials, with the exception of "decor" items such as used brick and similar items. The ACC will determine if a used material is a "decor" item. In making this determination the ACC will consider whether the material harmonizes with the aesthetic character of the other residences within the Subdivision Plat and whether the material would add to the attractive development of the Subdivision Plat.

The exterior of all construction of any Lot shall be designed, built, and maintained in such a manner as to blend in with the natural surroundings and landscaping within the Subdivision Plat. Exterior colors must be approved by the ACC. Exterior trim, fences, doors, railings, decks, eaves, gutters, and the exterior finish of garages and other accessory buildings shall be designed, built, and maintained to be compatible with the exterior of the structure they adjoin. Generally, colors shall be muted earth tones, grays, beiges, and similar shades.

8.2.6. Exterior Finish. The front elevation of each home shall be finished with the same materials as original construction. "T-111" or the equivalent is specifically prohibited on the front elevation. All colors and any other type material shall be approved by the ACC.

8.2.7. Excavations. Except with the permission of the ACC, or except as may be necessary in connection with the construction of any approved improvement, no excavation shall be made nor shall any dirt be removed from or added to any Lot herein.

8.2.8. Permits. No construction or exterior addition or change or alteration of any structure may be started on any portion of the properties without the Lot Owner first obtaining a building permit and other necessary permits from the proper governmental authority and written approval of such permits from the ACC as well as a plan check approval as required by this Declaration.

8.2.9. Time Limit for Completion of Construction. The construction of any Home or structure on any Lot, including painting and all exterior finish, shall be completed within six months of beginning of construction so as to present a finished appearance when viewed from any angle. The building area shall be kept in a reasonably clean and workman-like manner during construction. All Lots shall be kept in a neat and orderly condition, free of brush, vines, weeds and debris. The grass thereon shall be cut and mowed at sufficient intervals to prevent creation of a nuisance or fire hazard.

8.3. Entry for Inspection. Any agent or member of the Declarant or any member of the ACC may at any reasonable predetermined hour upon 24 hours' notice during construction or exterior remodeling, enter and inspect the structure to determine if there has been compliance with the provisions of this Declaration. The above-recited individuals shall not be guilty of trespass for such entry or inspection. There is created an easement over, under, and across, residential Lots for the purpose of making and carrying out such inspections.

8.4. Initial Construction by Declarant. So long as Declarant owns a Lot with no building thereon Declarant is exempt from the requirement of ACC approval. Provided though that Declarant may not construct homes that are not compatible with existing homes in the Plat.

SECTION 9 - OWNERS ASSOCIATION - MEMBERSHIP - VOTING - BYLAWS

9.1. Owners Association. Management of the Subdivision Plat and maintenance, repair and replacement of the Common Elements is vested in Phillips Ridge Homeowners Association ("the Owners Association"). The following provisions govern membership in and voting and Bylaws for the Owners Association. The Association shall administer the Subdivision Plat, through actions of its Board and officers.

9.2. Membership.

9.2.1. Qualification. Each Lot Owner (including Declarant) shall be a member of the Association and shall be entitled to one membership for each Lot so owned. Ownership of a

Lot shall be the sole qualification for membership in the Association.

9.2.2. Transfer of Membership. The Association membership of each Lot Owner (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, pledged, hypothecated, conveyed or alienated in any way except upon transfer of title to said Lot and then only to the transferee of title to such Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

9.3. Voting.

9.3.1. Number of Votes. Each Lot shall have one vote (1/8 of total votes).

9.3.2. Persons Authorized to Vote. The voting representative of each Lot shall be the group composed of all of its Owners. The Association may recognize the vote of any one or more of such Owners present in person or by proxy at any meetings of the Association as the vote of all such Owners.

9.3.3. Pledge of Power to Designate Voting Representative. The power to designate a voting representative may be pledged to the holder of a security interest in a Lot. If the power is so pledged, and if a copy of the instrument is filed with the Board, and if the secured party's designee attends the meeting and requests to exercise the vote, then the vote of such designee shall be recognized as to the issues respecting which the pledge was given.

9.3.4. Pledge of Votes for or Ownership of More Than One Lot - Voting. A person who owns more than one Lot (including Declarants and any mortgagee) or to whom voting rights have been pledged for more than one Lot is entitled to exercise the combined total voting power of all such Lots.

9.3.5. Quorum - Majority for Action. A quorum of Lot Owners at any annual or special meeting of the Association shall be the presence, in person or by proxy, of persons holding twenty-five percent (25%) or more of the total votes, unless otherwise expressly provided herein or in the Bylaws. If the quorum is present at any such meeting, any action may be taken by an affirmative vote of a majority of the total votes present at the meeting, except as otherwise expressly provided in The Act, this Declaration or the Bylaws.

9.3.6. Lots owned by the Association. No votes allocated to a Lot owned by the Association may be cast, and in determining the percentage of votes required to act on any matter, the votes allocated to Lots owned by the Association shall be disregarded.

9.4. Powers of the Owners' Association. The powers of the Association shall include and be governed by the following provisions:

9.4.1. The Association shall have all the powers at common law and statutory powers of an Association not for profit, which are not in conflict with the terms of this Declaration or

the Articles of Incorporation.

9.4.2. The Association shall have all of the powers and duties set forth in the Act except as limited by the Articles and this Declaration and all the powers and duties reasonably necessary to operate the Subdivision Plat as set forth in this Declaration and as it may be amended from time to time.

9.5. Bylaws. The Declarants shall adopt the initial Bylaws of the Association. The Bylaws shall specify the procedures for timing and the holding of annual and special meetings of the Association and may include any other matters or specify other procedures applicable to the organization and administration of the Association not inconsistent with this Declaration. The Declarants alone may amend the Bylaws at any time prior to the election of directors by the Lot Owners and relinquishment by Declarants of managing authority. Thereafter, the Bylaws may be amended, in whole or in part by a two-thirds (2/3) percent vote of the Lot Owners at a meeting of the Association held for that purpose, or in such other manner as the Bylaws themselves may prescribe.

9.6. Meetings, Audits, Notices of Meetings.

9.6.1. Annual Meetings, Audits. There shall be an annual meeting of the Owners in the first quarter of each calendar year, or such other fiscal year as the Board may by resolution adopt, at such reasonable place and time as set by the Board. At the annual meeting, there shall be presented an accounting of the common expenses, itemizing receipts and disbursements for the preceding fiscal year, and the allocation thereof to each Owner, and the estimated common expenses for the coming fiscal year. The Board at any time or by written request of Owners having at least fifty-one (51%) percent of the total votes, may require that an audit of the Association and management books be presented at any special meeting. A Lot Owner, at his own expense, may at any reasonable time make an audit of the books of the Board and Association.

9.6.2. Special Meetings. Special meetings of the Owners may be called at any time for the purpose of considering matters, which by the terms of The Act or of this Declaration require the approval of all or some of the Owners, or for any other reasonable purpose. Such meetings shall be called by the president of the Association upon the decision of the president, or after request signed by a majority of the Board, or by written request by the Owners having at least twenty (20%) percent of the total votes.

9.6.3. Notice of Meetings. Not less than ten nor more than sixty days in advance of any meeting, the secretary or other officer specified in the Bylaws shall cause notice to be hand delivered or sent prepaid by first class United States mail to the mailing address of each Lot or to any other mailing address designated in writing by the Lot Owner. The notice of any meeting shall state the time and place of the meeting and the items on the agenda to be voted on by the members, including the general nature of any proposed amendment to the Declaration or Bylaws, changes in the previously approved budget that result in a change in assessment obligations, and any proposal to remove a director or officer.

SECTION 10 - MANAGEMENT OF SUBDIVISION PLAT

10.1. Administration of the Subdivision Plat. The Unit Owners covenant and agree that the administration of the Subdivision shall be in accordance with the provisions of this Declaration and the Articles of Incorporation and Bylaws of the Association which are incorporated herein by reference and made a part hereof.

10.2. Election and Removal of Board and Officers.

10.2.1. Declarant Control Until Transition Date. Until the Transition Date, the Declarant shall have the right to appoint and remove all members of the board and to veto or approve a proposed action by the board or association, except as provided, in Section 10.2.2. During this time the Board can consist of one or more persons appointed by Declarant.

(a) Transition Date. Declarant Control of the Association shall terminate on the Transition Date. The Transition Date shall be no later than the earlier of (a) sixty (60) days after conveyance of 75% of the Units that may be created to Owners other than the Declarant, (b) two (2) years after the last conveyance of a Unit to Owners other than a dealer, (c) two (2) years after the last exercise of a Development Right to create units, or (d) the date on which the Declarant records an amendment to this Declaration pursuant to which the Declarant voluntarily surrenders the right to further appoint and remove officers and members of the Board. If the Declarant voluntarily surrenders control pursuant to (d) above, the Declarant may require that for the duration of the period of Declarant Control, specified actions of the Association or the Board, as described in a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

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

10.2.2. Election by Owners, Other Than Declarant.

(a) After Transfer of Declarant Control the affairs of the Association shall initially be governed by a Board composed of at least three (3) members. If there are less than three Units then the Board can be composed of two (2) members. The Owners can increase the number of Board Members through a bylaw amendment by vote at the initial meeting or annual meetings thereafter.

(b) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units which may be created to Unit Owners other than Declarant, at least one (1) member and not less than twenty-five percent (25%) of the members of the Board may be elected by Unit Owners other than Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that may be created to Unit Owners other than a Declarant, not less than

thirty-three and one-third percent of the members of the Board must be elected by Unit Owners other than the Declarant. Within 30 days after the termination of any period of declarant control or, the absence of such period, not later than a date that is sixty days after the conveyance of seventy-five percent of the Units that may be created to Unit Owners than Declarant, the Board must schedule a transition meeting and provide notice to the Unit Owners in accordance of RCW 64.90.445(1)(c). In any event, the period of Declarant Control shall terminate no later than seven years from the conveyance of the first Unit in the Subdivision.

(c) Commencing with the first Association meeting at which the Unit Owners are to elect the entire Board (other than a meeting held when Declarant still owned all of the units), and unless the Bylaws are amended at that meeting, the Board shall be composed of three (3) Members (not including a Board member designated by Declarant), a majority of whom must be Owners of Units in the Subdivision; provided, the Declarant (or a representative of Declarant) shall have the right (which may not be terminated by amendment to the Declaration or Bylaws, and which shall continue so long as any Special Declarant Rights or Developments remain in effect or Declarant has any obligation or liability of any express or implied warranty) to serve as a full non-voting member of the Association Board (with all of the rights and powers of a Board member except for the right to vote).

10.2.3. Taking Office; Officers. The Board shall elect the officers of the Association. Such members of the Board and officers shall take office upon election.

10.2.4. Removal. The Unit Owners, by a two-thirds vote of the voting power in the Association present and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove any member of the Board with or without cause.

10.3. Management by Board.

10.3.1. On Behalf of Association. Except as otherwise provided in the Declaration, the Bylaws, or the Act, the Board shall act in all instances on behalf of the Association. In the performance of their duties, the officers and members of the Board are required to exercise ordinary and reasonable care.

10.3.2. Not on Behalf of Association. The Board shall not act on behalf of the Association to amend the Declaration in any manner that requires the vote or approval of the Unit Owners under this Declaration, to terminate the Subdivision pursuant to RCW64.90.290, or to elect members of the Board or determine the qualifications, powers, and duties, or terms of office of members of the Board pursuant to section 9.2; but the Board may fill vacancies in its membership for the unexpired portion of any term.

10.3.3. Notice and an Opportunity to be Heard. Whenever this Declaration or The Act requires that an action of the Board be taken after "Notice and Opportunity to be Heard," the following procedure shall be observed: The Board shall give written notice of the proposed action to all Owners, tenants, or occupants of the Units whose interest would be significantly affected by the proposed action. The notice must contain a general statement of the proposed

action as well as the date, time, and place of the hearing. The Board shall deliver notice at least five (5) days before a hearing. At the hearing, the affected person shall have the right, personally or by representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the Board to assure a prompt and orderly resolution of the issues. The Board shall consider such evidence in making a decision, but such evidence does not bind the Board. The Board shall notify the affected person of the Board's decision in the same manner that notice of the hearing was given.

10.4. Authority of the Association.

10.4.1. The Association acting by and through the Board, or a Managing Agent appointed by the Board, for the benefit of the Subdivision and the Owners, shall enforce the provisions of this Declaration and of the Bylaws and shall have all powers, authority and duties permitted to or required of the Association under the Act and this Declaration (except as, may be limited herein). The provisions of the Act (as it may be amended) are set forth on Exhibit B hereto.

10.4.2. The Board's power hereinabove enumerated shall be limited in that the Board shall have no authority to acquire and pay for out of the Association funds a capital addition or improvement (other than for purposes of restoring, repairing or replacing portions of the Common Elements) having a total cost in excess of Five Thousand Dollars (\$5,000), without first obtaining the affirmative vote of a majority of Owners at a meeting called for such purpose, or if no such meeting is held, then the written consent of a majority of Owners; provided that any expenditure or contract for each capital addition or improvement in excess of Twenty-Five Thousand Dollars (\$25,000) must be approved by Owners having not less than sixty-seven percent (67%) of the voting power.

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

10.4.4. The Board and its agents or employees, may enter any Unit or Limited Common Element when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible or in the event of emergencies. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board paid for as a Common Expense if the entry was due to an emergency, 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; provided, if the repairs or maintenance were necessitated by or for the Unit entered or its Owners, or requested by its Owners, the costs thereof shall be specially charged to such Unit. In furtherance of the foregoing, the Board (or its designated agent) shall have the right at all times to possess such keys and/or lock combinations as are necessary to gain immediate access to Units and Limited Common Elements.

10.5. Borrowing by Association. In the discharge of its duties and the exercise of its powers as set forth above, but subject to the limitations set forth in this Declaration, the Board may

borrow funds on behalf of the Association and to secure the repayment of such funds, assess each Unit (and the Owner thereof) for said Unit's pro rata share of said borrowed funds and the obligation to pay said pro rata share shall be a lien against said Unit and the undivided interest in the Common Elements appurtenant to said Unit. Provided, that the Owner of a Unit may remove said Unit and the Allocated Interest in the Common Elements appurtenant to such Unit from the lien of such assessment by payment of the Allocated Interest in Common Expense Liability attributable to such Unit. Subsequent to any such payment, discharge, or satisfaction, the Unit and the Allocated Interest in the Common Elements appurtenant thereto shall thereafter be free and clear of the liens so paid, satisfied, or discharged. Such partial payment, satisfaction, or discharge shall not prevent the lienor from proceeding to enforce his rights against any Unit and the Allocated Interest in the Common Elements appurtenant thereto not so paid, satisfied, or discharged.

10.6. Association Records and Funds

10.6.1. Records and Audits. The Association shall keep financial records sufficiently detailed to enable the Association to comply with RCW 64.90.640 in providing resale certificates. All Books and Records of the Association shall be made reasonably available (at all reasonable hours of weekdays or under other reasonable circumstances) for examination and copying by Declarant, and any Owner, Mortgagee, insurer and guarantor of any Mortgage on any Unit, or their agents. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association in accordance with generally accepted accounting principles. If this Subdivision consists of fifty or more Units, the financial statements of the Subdivision shall be audited at least annually by a certified public accountant. If this Subdivision consists of fewer than fifty Units, an annual audit is also required but may be waived annually by Owners (other than the Declarant) of Units to which fifty-one percent of the votes are allocated, excluding the votes allocated to Units owned by the Declarant.

10.6.2. Fund Commingling. The funds of the Association shall be kept in accounts in the name of the Association and shall not be commingled with the funds of any other Association, or with the funds of any Managing Agent of the Association or any other person responsible for the custody of such funds. Any reserve funds of the Association shall be kept in a segregated account and any transaction affecting such funds, including the issuance of checks, shall require documentation of the majority approval by the Board of Directors.

10.7. Association as Trustee. With respect to a third person dealing with the Association in the Association's capacity as a trustee, the existence of trust powers and their proper exercise by the Association may be assumed without inquiry. A third person is not bound to inquire whether the Association has power to act as trustee or is properly exercising trust powers. A third person, without actual knowledge that the Association is exceeding or improperly exercising its powers, is fully protected in dealing with the Association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the Association in its capacity as trustee.

10.8. Common Elements, Conveyance, Encumbrance.

10.8.1. In General. 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 if the Owners of Units to which at least eighty percent (80%) of the votes in the Association are allocated, including eighty percent (80%) of the votes allocated to Units not owned by Declarant or an Affiliate of Declarant, agree to that 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 are an asset of the Association.

10.8.2. Agreement. An agreement to convey Common Elements or subject them to a security interest must be evidenced by the execution of an agreement, or ratifications thereof, in the same manner as a deed, 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 Subdivision is situated and is effective only upon recording.

10.8.3. Conditions Precedent. The Association, on behalf of the Unit Owners, may contract to convey Common Elements or subject them to a security interest, but the contract is not enforceable against the Association until approved pursuant to Sections 10.8.1 and 10.8.2. Thereafter, the Association has all powers necessary and appropriate to affect the conveyance or encumbrance, including the power to execute deeds or other instruments.

10.8.4. Void Transactions. Any purported conveyance, encumbrance, or other voluntary transfer of Common Elements, unless made pursuant to this Section, is void.

10.8.5. Support Right. A conveyance or encumbrance of Common Elements pursuant to this section shall not deprive any Unit of its rights of access and support.

10.8.6. Prior Encumbrances. A conveyance or encumbrance of Common Elements pursuant to this section shall not affect the priority or validity of preexisting encumbrances either on Units (and their Allocated Interest in Common Elements) or on Common Elements.

10.9. Termination of Contracts and Leases. If entered into before the Board elected by the Unit Owners pursuant to Section 10.2.1 takes office, (1) any management contract, employment contract, or lease of recreational or parking areas or facilities, (2) any other contract or lease between the Association and a Declarant or an Affiliate of a Declaration, or (3) any contract or lease that is not bona fide or was unconscionable to the Unit Owners at the time entered into under the circumstances then prevailing may be terminated without penalty by the Association at any time after the Board elected by the Unit Owners pursuant to Section 10.2.2 takes office upon not less than ninety days' notice to the other party or within such lesser notice period provided for without penalty in the contract or lease. This Section does not apply to any lease, the termination of which would terminate the Subdivision or reduce its size, unless

the real property subject to that lease was included in the Subdivision for the purpose of avoiding the right of the Association to terminate a lease under this Section.

10.10. Maintenance, Repair, Inspection and Warranty Procedure. The Association and Unit Owners shall defend, indemnify and hold Declarant harmless from any expense or claim arising from or relating to any Association's or Owner's failure to promptly and properly maintain, repair or inspect the improvements in the Subdivision (or any part thereof), or the Association's failure to promptly and properly make a claim (or comply with dispute resolution procedures) under any warranty obtained or issued by Declarant. Declarant shall not be liable under any express or implied warranty for loss or damage which the Association or Owners have not taken timely action to minimize, or which is caused or made worse by a failure to properly and promptly maintain, repair, or inspect (including without limitation failure to fully comply with any inspection, monitoring, maintenance or repair checklist, manual or recommendation provided by Declarant (or a contractor, subcontractor or manufacturer) to the Association or Owners.

10.11. Association Litigation. The term "Legal Proceedings" as used herein shall include litigation, administrative, mediation, arbitration or other proceedings in the name of the Association on behalf of itself or two or more Unit Owners on matters affecting the Subdivision.

(a) The provisions of this Section 10.11 shall not apply to Legal Proceedings, as a result of which the Association could not be held responsible for costs of suit (including fees for attorneys, experts, witnesses, investigations and other costs of suit) in an aggregate amount of not more than \$5,000 (including without limitation fees contingent on a result), and which involve:

(i) collection of delinquent regular or special Assessments, the enforcement of any Assessment lien, and interest and penalties in connection therewith;

(ii) collection of monies owed to the Association, or recovery of damages caused to the Association or Subdivision (or any part thereof), when the principal amount to be recovered involves less than \$25,000;

(iii) enforcement of the provisions of the Declaration, Articles, Bylaws or rules and regulations of the Association;

(iv) defense of a claim against the Association, when the principal amount to be recovered involves less than \$25,000; or

(v) the filing of a complaint, answer or other pleading for the limited purpose satisfying a statute of limitation deadline, avoiding entry of a default order or judgment, or preventing personal injury or serious harm to the Subdivision (if such purpose is certified in good faith by the Association's attorney), but except for this limited purpose the other conditions of Section 10.11 must be satisfied.

(b) In order for the Association (or the Board acting on behalf of the Association) to institute, defend, or intervene in Legal Proceedings, and in order for the Association to become obligated in the aggregate sum in excess of \$5,000, to professionals, consultants or other experts in connection with Legal Proceedings, the following conditions must first be satisfied:

(vi) the Board has received a detailed written summary ("Litigation Summary") concerning the substance of the proceeding, including: (i) agreements with lawyers, experts and consultants; issues involved; (ii) legal and factual basis of anticipated allegations on behalf of and against the Association; (iii) remedies to be sought on behalf of and against the Association; (iv) estimated amount to be sought on behalf of (and that could be sought from) the Association; (v) Association's estimated costs of suit (including fees for attorneys, experts, witnesses, investigations and other costs of suit) and any third-party costs of suit that the Association would pay if the Association does not prevail; (vi) reports and recommendations by any professionals or consultants retained by the Association (and by any opposing party, if available); (vii) any written demands or settlements offers made by an opposing party (the Board shall request that an opposing party make such demand and settlement offer); and (viii) any negative consequences that the Association, Subdivision or Owners could suffer during such proceedings including required disclosures to prospective purchasers, impediments to Unit refinancing, or diminishment of Unit value.

(vii) if the proceeding will involve a claim against the Declarant (or Declarant's contractor, subcontractors, vendors, suppliers or other professionals) concerning construction defects or other condition of the Subdivision, the Litigation Summary will also include: a description of the construction defects or other condition (which shall also have been transmitted to the Declarant); and any written response from the Declarant concerning such defects (including any offer to settle by performing remedial work, payment of cash or a combination of both).

(viii) A copy of the Litigation Summary shall be transmitted to all Owners, together with a written notice of the Owner's right of access to the Books and Records of the Association as provided in Section 10.6.1, and a written notice of a special Owners' meeting to be convened as provided in this Declaration, at which meeting the Declarant (and its representatives) shall be entitled to attend and participate in on a non-voting basis.

(v) The Owners holding eighty percent (80%) of the total Association voting power must grant approval for the Association (or the Board acting on behalf of the Association) to institute, defend, or intervene in legal proceedings; provided, that under no circumstances may legal proceedings be commenced against Declarant (or Declarant's contractor, subcontractors, vendors, suppliers or other professionals) with respect to any alleged construction defect or other condition which Declarant has agreed in writing to remedy and is proceeding with reasonable due diligence to do so.

SECTION 11 - MANAGEMENT RIGHTS RETAINED BY DECLARANT

11.1. Transition Date. The "Transition Date" shall be the date upon which full authority

and responsibility to administer and manage the Association and the Subdivision Plat, subject to this declaration and the Bylaws, passes to the Association. The date of the Transition is set forth in Section 10.2.1 of this Declaration.

11.2. Declarant's Powers Until Transition Date. Until the Transition Date, Declarant or persons designated by Declarant shall have the full power and authority to appoint and remove the officers and members of the Board. The Board appointed by Declarant shall have the same authority as given the Board in Section 10 of this Declaration subject to the limitations in this Declaration and in the Act.

11.3. Limitations of Power of Board Appointed by Declarant.

11.3.1. Removal of Directors. The Unit Owners other than Declarant may remove by two-thirds vote any directors elected by the Unit Owners but may not remove directors selected by Declarant. The Declarant may not remove any director duly elected by the Unit Owners.

11.4. Transfer of Control to Association. Declarant will provide for and foster early participation of Lot Owners in the management of the Subdivision Plat. After the transition date control of the Association shall be transferred to the Lot Owners in accordance with the following guidelines:

11.4.1. Director Election. Within thirty (30) days after the transition date, the Lot Owners shall elect a board of directors at least a majority of which must be Lot Owners. The board of directors shall elect the officers. Such members of the board and officers shall take office upon election.

11.4.2. Transfer of Property and Records. Within sixty (60) days after the transition date the Declarant shall deliver to the Association all property and records of Lot Owners and of the Association held or controlled by the Declarant including but not limited to those items required to be delivered by RCW 64.90.420.

11.4.3. Audit of Association Records. Upon transfer of control to the Association, the records of the Association shall be audited as of the date of transfer by an independent certified public accountant in accordance with generally accepted auditing standards and the requirements of RCW 64.90.420 unless the Lot Owners, other than the Declarant, by majority vote of all such Lot Owners elect to waive the audit. The cost of the audit shall be a common expense of the Association.

SECTION 12 – ASSESSMENTS

12.1. Estimated Expenses. Within sixty (60) days prior to the beginning of each calendar year, or such other fiscal year as the Board may adopt, the Board: shall estimate the charges including Common Expenses, and any special charges for particular Lots to be paid during such year; shall make provision for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for maintenance, repair, replacement and acquisition

of Common Elements; and shall take into account any expected income and any surplus available from the prior year's operating fund. The initial Board, whether appointed by Declarant or elected by Lot Owners, may at any suitable time establish the first such estimate. If the sum estimated and budgeted at any time proves inadequate for any reason (including non-payment for any reason of any Owner's Assessment), the Board may at any time levy a further Assessment, which shall be assessed to the Owners according to Section 12.4. Similarly, if the sum estimated and budgeted, and being collected and/or already collected, at any time proves excessive, the Board may reduce the amount being assessed and/or apply existing funds (in excess of current needs and required reserves) against future Assessments and/or refund such excess funds.

12.2. Payment by Owners. Each Owner shall be obligated to pay its share of Common Expenses and special charges made pursuant to this Section to the treasurer for the Association or managing agent in equal monthly installments on or before the first day of each month during such year, or in such other reasonable manner as the Board shall designate. No Owner may exempt himself from liability for payment of assessments for any reason, including waiver of use or enjoyment of any of the Common Elements or abandonment of the Owner's Lot.

12.3. Commencement of Assessments. The Declarant in the exercise of its reasonable discretion shall determine when the Association shall commence making Assessments; provided, that in all events Assessments shall commence on a date within 60 days the date on which all Lots have been conveyed to Owners. Until the Association makes an Assessment, the Declarant shall pay all Common Expenses. After any Assessment has been made by the Association, Assessments must be made against all Lots, based on a budget adopted by the Association; provided, until all Lots have been conveyed to Owners (other than Declarant or an Affiliate of Declarant):

(a) the Board (whether appointed by Declarant or elected by Lot Owners) may elect not to collect monthly assessments calculated as provided in Section 12.1 and instead elect to collect and expend monthly assessments based on the actual costs of maintaining, repairing, operating and insuring the Common Areas; or

(b) the Declarant may elect to pay all of certain of such actual costs and have Lot Owners pay a pro-rata share (based on each Lot's Allocated Interest) of the remainder of such costs.

12.4. Allocated Liability. Except for Assessments under Sections 12.5, 12.6, 12.7, 12.8 and 12.10, all Common Expenses must be assessed against all the Lots equally. Any past due Common Expense Assessment or installment thereof bears interest at the rate of 12% per annum.

12.5. Limited Common Element. Any Common Expense associated with the operation, maintenance, repair, or replacement of a Limited Common Element shall be paid by the Owner of or assessed against the Lots to which that Limited Common Element is assigned, equally.

12.6. Only Some Lots Benefited. The Board may elect that any Common Expense or portion thereof benefiting fewer than all of the Lots must be assessed exclusively against the Lots benefited.

12.7. Insurance Costs. The Board may elect that the costs of insurance must be assessed in proportion to risk.

12.8. Utility Costs. The Board may elect that the costs of utilities must be assessed in proportion to usage.

12.9. Assessments for Judgment. Assessments to pay a judgment against the Association pursuant to RCW 64.90.490 may be made only against the Lots in the Subdivision Plat at the time the judgment was entered in proportion to their Allocated Common Expense Liabilities at the time the judgment was entered. The judgment lien shall not apply to any other property of a Lot Owner.

12.10. Owner Misconduct. To the extent that any Common Expense is caused by the misconduct of any Lot Owner, the Association shall assess that expense against the Owner's Lot.

12.11. Reallocation. If Common Expense Liabilities are reallocated, Common Expense Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense Liabilities.

12.12. Lien for Assessments

12.12.1. Lien. The Association has a lien on a Lot for any unpaid Assessments levied against a Lot from the time the Assessment is due.

12.12.2. Priority. A lien under Section 12.12 shall be prior to all other liens and encumbrances on a Lot except: (a) liens and encumbrances recorded before the recording of the Declaration; (b) a Mortgage on the Lot 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 Lot.

12.12.3. Mortgage Priority. Except as provided in Sections 12.12.4 and 12.12.5, the lien shall also be prior to the Mortgages described in Section 12.12.2(b) to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the periodic budget adopted by the Association pursuant to Section 12.1, which would have become due during the six months immediately preceding the date of the 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 non-judicial 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.

12.12.4. Mortgagee Notice. The priority of the Association's lien against Lots encumbered by a Mortgage held by an Eligible Mortgagee or by a Mortgagee which has given the Association a written request for a notice of delinquent Assessments shall be reduced by up to three months if and to the extent that the lien priority under Section 12.12.3 includes delinquencies which relate to a period after such holder becomes an Eligible Mortgagee or has given such request for notice and before the Association gives the holder a written notice of the delinquency. This Section does not affect the priority of mechanics' or materialmen's liens, or the priority of liens for other Assessments made by the Association.

12.12.5. Recording as Notice. Recording of the Declaration constitutes record notice and perfection of the lien for Assessments. While no further recording of any claim of lien for Assessment under this section 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 Subdivision Plat is located. Such recording shall not constitute the written notice of delinquency to a Mortgagee referred to in Section 12.12.3.

12.12.6. Limitation on Action. A lien for unpaid Assessments and the personal liability for payment of Assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the Assessments sought to be recovered becomes due.

12.12.7. Foreclosure. The lien arising under Section 12.12 may be enforced judicially by the Association or its authorized representative in the manner set forth in chapter 61.12 RCW. The Association or its authorized representative shall have the power to purchase the Lot at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be eight months. Nothing in this Section shall prohibit an Association from taking a deed in lieu of foreclosure.

12.12.8. Receiver. From the time of commencement of an action by the Association to foreclose a lien for nonpayment of delinquent Assessments against a Lot 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 Lot as and when due. If the rental is not paid, the receiver may obtain possession of the Lot, refurbish it for rental up to a reasonable standard for rental Lots in this type of Subdivision Plat, rent the Lot 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 Lot, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent Assessments. Only a receiver may take possession and collect rents under this section, and a receiver shall not be appointed less than ninety days after the delinquency. The exercise by the Association of the foregoing rights shall not affect the priority of preexisting liens on the Lot.

12.12.9. Mortgagee Liability. Except as provided in Section 12.12.3, the holder of a Mortgage or other Purchaser of a Lot who obtains the right of possession of the Lot through foreclosure shall not be liable for Assessments or installments thereof that became due prior to

such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Lot Owners, including such Mortgagee or other purchaser of the Lot. Foreclosure of a Mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Lot prior to the date of such sale as provided in this Section.

12.12.10. Lien Survives Sale. The lien arising under Section 12.12 shall not be affected by the sale or transfer of the subject Lot except in the event of sale through foreclosure, as provided in Section 12.12.9.

12.13. Owner Liability. In addition to constituting a lien on the Lot, each Assessment shall be the joint and several obligations of the Owner or Owners of the Lot to which the same are assessed as of the time the Assessment is due. In a voluntary conveyance, the grantee of a Lot shall be jointly and severally liable with the grantor for all unpaid Assessments against the latter up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore. 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.

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

12.15. Attorney's Fees. The prevailing party shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Assessments, whether or not such collection activities result in suit being commenced or prosecuted to judgment. In addition, the prevailing party shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal and in the enforcement of a judgment.

12.16. Assessment Certificate. The Association, upon written request, shall furnish to a Lot 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 Lot. The statement shall be furnished within fifteen days after receipt of the request and is binding on the Association, the Board, and every Lot Owner, unless and to the extent known by the recipient to be false.

12.17. Acceleration of Assessments. In the event any monthly Assessment or special charge attributable to a particular Lot remains delinquent for more than sixty (60) days, the Board may, upon fifteen (15) days' written notice to the Owner of such Lot, accelerate and demand immediate payment of all, or such portion as the Board determines, of the monthly Assessments and special charges which the Board reasonably determines will become due during the next succeeding twelve (12) months with respect to such Lot.

12.18. Delinquent Assessment Deposit; Working Capital

12.18.1. Delinquent Assessment Deposit.

(a) A Lot Owner may be required by the Board or by the Manager, from time to time, to make and maintain a deposit not less than one (1) month nor in excess of three (3) months estimated monthly Assessment and charges, which may be collected as are other Assessments and charges. Such deposit shall be held in a separate fund, be credited to the Lot owned by such Owner, and be for the purpose of establishing a reserve for delinquent Assessments.

(b) Resort may be had thereto at any time when such owner is ten (10) days or more delinquent in paying his monthly or other Assessments and charges. Said deposits shall not be considered as advance payments of regular Assessments. In the event the Board should draw upon said deposit as a result of a Lot Owner's delinquency in payment of any Assessments, said Owner shall continue to be responsible for the immediate and full payment of said delinquent Assessment (and all penalties and costs thereon) and thus the full restoration of said deposit, and the Board shall continue to have all of the rights and remedies for enforcing such Assessment payment and deposit restoration as provided by this Declaration and by law.

(c) Upon the sale of a Lot, the seller/Owner thereof shall not be entitled to a refund from the Association of any deposit or reserve account made or maintained with respect to such Lot pursuant to this or any other Section of this Declaration; rather, any such deposit or reserve account shall continue to be held by the Association for the credit of such Lot, and the Lot Purchaser shall succeed to the benefit thereof, and the Lot seller shall be responsible for obtaining from the Purchaser appropriate compensation therefore.

12.18.2. Working Capital Contribution. The first Purchaser of any Lot shall pay to the Association, in addition to other amounts due, an amount equal to two (2) months of monthly Assessments as a contribution to the Association's working capital. Such working capital contributions shall not be used to defray Declarant's expenses in completing the construction of the Subdivision Plat, to pay Declarant's contributions to Association reserves or to make up any deficits in the budget of the Association. Upon the election of the first Board by Lot Owners other than Declarant, Declarant shall pay to the Association as a working capital contribution an amount equal to two (2) months of monthly Assessments for each of the Lots then owned by Declarant. When a Lot owned by Declarant is sold, Declarant may apply funds collected at closing from the Purchaser to reimburse itself for funds paid to the Association for such contribution with respect to that Lot.

SECTION 13. INSURANCE.

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

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

13.2. Property Insurance. The property insurance shall, at a minimum, provide special cause of loss coverage in an amount equal to the full replacement cost of the Common Elements, the Limited Common Elements, personal property of the Association, and betterments and improvements. The Association does not insure the Lots or Homes. The Association's policy must provide for the recognition of any insurance trust agreement. Certificates of insurance shall be issued to each Owner and Mortgagee upon request. The name of the insured under such policy must be substantially as follows: "Phillips Ridge Homeowners Association" for the use and benefit of the individual owners."

13.3. Commercial General Liability Insurance. The liability insurance policy shall insure the Board, Association, Owners, Declarant, and Manager. The policy will cover all of the Common Elements in the Subdivision Plat with a "Severability of Interest Endorsement" or equivalent coverage which would preclude the insurer from denying the claim of an owner because of the negligent acts of the Association or of another Owner, and shall cover liability of the insureds for property damage and bodily injury and death of persons arising out of the operation, maintenance, and use of the Common Elements, host liquor liability, employers' liability insurance, automobile liability insurance, and such other risks as are customarily covered with respect to Subdivision Plat projects of similar construction, location and use. The liability policy shall also cover any commercial space owned and leased by the Association, and any public ways of the Subdivision Plat. Coverage shall also include legal liability arising out of lawsuits related to employment contracts of the Association. The limits of liability shall be in amounts generally required by Mortgagees for projects of similar construction, location and use but shall be at least \$1,000,000 combined single limit for bodily injury and property damage per occurrence and \$2,000,000 general aggregate.

13.4. Fidelity Insurance. The required fidelity insurance shall afford coverage to protect against dishonest acts on the part of officers, directors, trustees, employees or the Association and Manager and all other persons who handle or are responsible for handling funds of or administered by, the Association. All such fidelity insurance shall name the Association as obligee and shall not be less than the estimated maximum of funds, including reserve funds, in

custody of the Association at any time during the term of each policy, but, in no event, shall the aggregate amount of insurance be less than three months aggregate Assessments including reserve funds. The policy shall contain waivers of any defense based upon the exclusion of the persons who serve without compensation from any definition of "employee" or similar expression.

13.5. Other Insurance. The Board of Directors may obtain other insurance it deems advisable.

13.6. Flood Insurance. The Association shall obtain flood insurance if the Subdivision Plat is located within an area which has been officially identified by the Secretary of Housing and Urban Development as having special flood hazards and for which flood insurance has been made available under the under the National Flood Insurance Program ("NFIP"). Such insurance shall be obtained by the Association, as a common expense, under a "master" or "blanket" policy of flood insurance on the buildings and any other property covered by the required form of policy (herein "insurable property"), in an amount deemed appropriate by the Association, but not less than the following:

The lesser of: (a) the maximum coverage available under the NFIP for all buildings and other insurable property within the Subdivision Plat to the extent that such buildings and other insurable property are within an area having special flood hazards; or (b) 100% of current replacement costs of all such buildings and other insurable property within such area.

Such policy shall be in a form which meets the criteria set forth in the most recent guidelines on the subject issued by the Federal Insurance Administrator.

13.7. Owner's Insurance. Each Lot Owner shall maintain special cause-of-loss coverage in an amount equal to 100% of the replacement cost of its Home (exclusive of such items as land, foundations, excavations, and other items normally excluded from property policies). Each Lot Owner and Tenant shall maintain a liability policy insuring against liability for property damage or bodily injury caused by the Lot Owner or Tenant or those for whom each is legally responsible, and cover any obligation to pay or reimburse the Association for any deductible under the Association's property insurance or for any portion of loss caused by the insured and not covered by the Association's property insurance. The liability policy shall have a limit of liability of at least \$500,000. Owners must obtain the required insurance from insurance carriers authorized to do business in the State of Washington. All policies must provide that coverage may not be canceled without 30 days written notice to the Association. The Board may adopt Rules that establish greater or more specific requirements for such policies, including minimum amounts and types of coverage.

SECTION 14 - DISPUTE RESOLUTION

14.1 Policy - Mediation. Subdivision living requires that the Declarant, all Owners and the Association (collectively referred to as "party" or "parties") cooperate in good faith and deal fairly in performing their duties and exercising their rights under this Declaration. If any party

to a dispute determines that the dispute cannot be resolved without intervention, then that parties shall give notice (the "Arbitration Demand") to all other parties to the dispute and the Association demanding that the dispute be submitted to mediation and arbitration pursuant to this Section. All parties to the dispute shall then participate in a nonbinding mediation for 45 days after the Arbitration Demand. The mediator shall be Dispute Resolution by Volunteers of America in your county. If the mediation is not successful, the dispute shall be resolved by binding arbitration conducted pursuant to Section 14.2 below. The parties confirm that by agreeing to this alternate dispute resolution process, they intend to give up their right to have any dispute decided in court by a judge or jury. Section 14 is the exclusive remedy to resolve disputes between parties of any claims related in any way to the Subdivision, the construction of the Subdivision and/or warranty, statutory or common law claims.

14.2 Binding Arbitration. If binding arbitration is required to resolve a dispute, it shall be conducted in the County the Subdivision is located in, pursuant to RCW 7.04.060, provided, that the total award by a single arbitrator (as opposed to a panel of three arbitrators) shall not exceed \$50,000, including interest, attorney's fees and costs. If any party demands a total award greater than \$50,000, there shall be three (3) neutral arbitrators. If the parties cannot agree on the selection of the arbitrator(s) within ten (10) days of the arbitration demand, the arbitrator(s) shall be selected by the administrator of the American Arbitration Association (AAA) office in Seattle from its Large Complex Case Panel or from any group of arbitrator with equivalent professional credentials as determined by the administrator. Each arbitrator shall be an attorney with at least fifteen (15) year experience in commercial or real estate law in the King or Snohomish County. The arbitrator(s) shall determine whether the dispute is subject to binding arbitration under this Section. All statutes of limitations that would otherwise be applicable shall apply to any arbitration proceeding hereunder.

14.3. Hearing - Law - Appeal Limited. The arbitrator(s) shall take such steps as may be necessary to hold the arbitration hearing within ninety (90) days of the Arbitration Demand, conclude the hearing within three (3) days, issue its decision not later than fourteen (14) calendar days after the hearing. These time limits are intended to expedite the proceeding, but they are not jurisdictional. The arbitrator(s) may for good cause permit reasonable extensions or delays. The arbitrator(s) shall issue a written decision stating the award for each claim involved in the dispute. In making the decision and award, the arbitrator(s) shall apply applicable substantive law. Absent fraud, collusion or willful misconduct by an arbitrator, the award shall be final and judgment on the award may be entered in any court having jurisdiction thereof. The arbitrator(s) may award injunctive relief or any other remedy available from a judge, order the joinder of parties, or consolidate the arbitration with any other proceeding involving common issues of law or fact or to promote judicial economy. The arbitrator(s) shall not have the power to award punitive or exemplary damages, or attorney's fees and costs to any party. If the hearing is before a panel of three (3) arbitrators, the decision of any two arbitrators shall be the decision of the panel.

14.4. Exception to Arbitration. The dispute resolution provisions shall not apply to actions by the Association in collecting assessments arising under the Declaration against Unit Owners.

14.5. Binding Agreement. Section 14 of this Declaration is a covenant running with the land and binds all heirs, successors and assigns. The terms of Section 14 may not be amended without Declarant's written consent to an Amendment that is recorded.

SECTION 15 - RETAINED DEVELOPMENT RIGHTS BY DECLARANT

15.1. Special Declarant Rights. As more particularly provided in this Section, Declarant for itself and any successor Declarant, has reserved the following Declaration Rights:

15.1.1. Completion of Improvements. Declarant, Lot Owners, their agents, employees and contractors shall have the right to complete improvements and otherwise perform work authorized by the Declaration, indicated on the Subdivision Map, authorized by building permits, provided for under any Purchase and Sale Agreement between the Declarant and a Lot Purchaser, necessary to satisfy any express or implied warranty under which Declarant is obligated, or otherwise authorized or required by law.

15.1.2. Sales Facilities of Declarant. Declarant, its agents, employees and contractors shall be permitted to establish and maintain in any Lot still owned by Declarant and in any of the Common Elements, such facilities as in the sole discretion of the Declarant may be reasonably required, convenient or incidental to the construction, sale or rental of Lots and appurtenant interests, including but not limited to: business offices, management offices, sales offices, construction offices, storage areas, signs, model Lots, and parking areas for all agents, employees, contractors, prospective tenants or purchasers of Declarant. Declarant may maintain signs on the Common Elements advertising the Subdivision Plat.

15.1.3. Association Officers. Declarant may appoint or remove any officer of the Association during the period of Declarant Control set forth in this Declaration.

15.1.4. Exercise of Development Rights. Declarant shall have the right to exercise Development Rights, if any under this Declaration and the Act.

15.1.5. Termination of Special Declarant Rights. Except as otherwise stated in this Declaration, the foregoing Special Declarant Rights shall continue as long as Declarant is completing improvements which are within or may be added to the Subdivision Plat, or Declarant owns any Lots, or any Development Rights remain in effect, provided, that Declarant may voluntarily terminate any or all of such Rights at any time by recording an Amendment to this Declaration, which amendment specifies which Right is terminated.

15.2. Development Rights. As more particularly provided herein, the Declarant, for itself and any successor Declarant, has reserved Development Rights that may be exercised as provided by this Declaration and the Act.

15.2.1. Different Parcels; Different Times.

(a) Any Development Right may be exercised with respect to different parcels of Real

Property at different times.

(b) No assurances are made as to final boundaries of such parcels or as to the order in which those parcels may be subjected to the exercise of each Development Right.

(c) Even though a Development Right is exercised in any portion of the Real Property subject to that right, that right need not be exercised in all or any other portion of the remainder of the Real Property.

15.2.2. Exercise of Development Rights. To exercise any Development Right reserved under this Section, the Declarant shall prepare, execute, and record an amendment to the Declaration as provided in this Declaration and comply with RCW64.90.250.

15.2.3. Termination of Development Rights. The foregoing Development Rights shall terminate seven (7) years from the date of recording of the first conveyance of a Lot to an Owner other than Declarant; provided that Declarant may voluntarily terminate any or all of such Rights at any time by recording an amendment to this Declaration, which amendment specifies which Right is thereby terminated.

15.3. Liability for Damages. The Declarant is subject to liability for the prompt repair and restoration, to a condition compatible with the remainder of the Subdivision Plat, of any portion of the Subdivision Plat damaged by the exercise of rights reserved the Declarant pursuant to or created by this Declaration or the Act.

15.4. Declarant's Easements. Declarant has an easement through the Common Elements as may be reasonably necessary for the purpose of discharging Declarant's obligations or exercising Special Declarant Rights or Development Rights, whether arising under the Act or reserved in this Declaration.

SECTION 16 - EASEMENTS - ENTRY FOR REPAIRS

This Declaration establishes the following easements:

16.1. In General. In addition to the rights and easements reserved or provided for under The Act (which shall be accorded whether this Declaration is recognized under The Act or as real covenants or equitable servitudes) each Lot has an easement for ingress and egress to its original entries through the Common Elements, and is granted easements as required through Common Elements and other Lots for: Location of all pipes, wiring and plumbing and for all structural or service elements necessary or convenient for the occupation of the Home for its intended use. All such easements shall be located as such features are located on the Lots, or as they may become located due to settling, repair, or reconstruction. The easements extend to reasonable access for purposes of repair, replacement or maintenance so long as the areas where they are located are restored after completion of such work.

16.2. Right of Entry for Maintenance, Repairs, Emergencies or Improvements. The

Association shall have the right to have access to each Lot from time to time as may reasonably be necessary for maintenance, repair, or replacement or improvement of any of the Common Elements accessible therefrom, or for making repairs necessary to prevent damage to the Common Elements or to other Lots, or for any emergency situations.

16.3. Declarant Functions. There is hereby reserved to the Declarant (and its duly authorized agents, employees, contractors and representatives), such easements and rights of access over, across, under or into the Subdivision Plat (and any part thereof) as are necessary, for repairs, maintenance or replacement and/or to perform the rights, duties and obligations of the Declarant as are set forth, provided for or authorized in: this Declaration, Subdivision Map; Articles, Bylaws, or Association Rules; building or other governmental permits or approvals; and Purchase and Sale Agreement between Declarant and a Lot Purchaser; any express or implied warranty under which Declarant is obligated; or otherwise authorized or required by law.

16.4. Grant of Easement for Utilities. Declarant declares that electrical power wires, natural gas pipelines, cable wires, water pipelines and plumbing pipelines which provide services to the Lots on the Real Property were installed within the Lots at locations which are not clearly identified on any map or plan.

Declarant grants an easement for utility purposes over, under and across each Lot where each such wire, pipe and/or line currently lies in favor of the Lots served by such wires, pipes and/or lines. In the event any repair or replacement of any such wire, line or pipe is required by any Lot Owner and such repair or replacement requires entry into another Unit Owner's Lot, the "Consenting Lot Owner" (i.e., the Owner of the Lot which will be entered) agrees to grant reasonable rights of entry for such purposes and further grants such other Lot Owner the right to make such repairs or replacements from within such Consenting Unit Owner's Lot, on condition that the Unit Owner(s) in need of such entry and such work pays the cost of such work and restores the Consenting Unit Owner's Lot to the same condition it was before such entry and work therein. This provision is intended to be interpreted in favor of the Consenting Unit Owner who must grant entry for such purposes and shall be liberally interpreted to ensure that a Consenting Lot Owner is not damaged by such work.

Declarant grants an easement for water, drainage pipes and related equipment which form a part of the drainage and retention system which services the property, electric power, cable, natural gas, telephone, over, under and across the Lots in the Subdivision Plat, as constructed, in favor of the owners of the Lots in the Subdivision Plat. The intent of this easement is to allow the suppliers of such utility services (and the Owners' Association with respect to the drainage and retention system) a reasonable right to access and right to make necessary repairs and replacement of component parts of the utility service systems. The Owners of the Lot(s) that benefit from any work in such utility easement area shall bear the cost of such repair and replacement and are obligated to restore the ground surface or the side of the structure to the same condition it was prior to such utility repair or replacement.

The Board, on behalf of the Association and all members thereof, shall have the authority

to grant utility, road and similar easements, licenses and permits under, through or over the Common Elements, the roadways and the areas shown as easements on the Subdivision Map, which easements the Board determines are reasonably necessary to the ongoing development and operation of the property and which would not materially interfere with the use and enjoyment of the easements.

16.5. Maintenance of Easement Areas. Each Lot shall share equally in the costs of repair and maintenance of all easement areas on the Real Property.

The Association shall determine the time and manner of repair and maintenance of the easement areas, the time and manner of payment therefore by the Lot Owners and all other matters relating to the repair and maintenance of said easements.

16.6. Storm Detention Vault and Drainage Lines. Declarant grants an easement to the Association over, under and across Lots 1, 2 and 4 for the Stormwater Detention Vault, drainage pipes and related equipment which form a part of the drainage detention system as demarcated on the Plat of Phillips Ridge filed herewith.

16.7. Drainage Easements. Declarant grants and conveys an easement to the Owners of Lots 4, 5, 6 and 7, under and across Lots 5 and 6 for the roof drain lines in the 10' Drainage Easement as demarcated on the Plat of Phillips Ridge filed herewith. The Owners of the Lots served/benefited by those easements shall equally share in the maintenance and repair of the easements and facilities located within or upon said easement. Provided that, if a Lot owner negligently or intentionally damages those facilities or impedes the easement area then said owner shall be responsible for the cost of restoration.

Declarant grants and conveys a twenty-five (25') easement to the Owners of Lot 5 under and across Lot 4 for foundation drainage in the area shown on the survey map and plans and grants and conveys a twenty-five (25') easement to the Owners of Lot 6 under and across Lot 7 for foundation drainage over and across Lot 4 in the area shown on the survey map and plans

16.8. Side Sewer Easements. Declarant grants and conveys an easement to The Owners of Lots 4, 5, 6 and 7, under and across Lots 5, 6, 7 and 8 for the Sewer lines in the 10' Sewer Easement as demarcated on the Plat of Phillips Ridge filed herewith. The Owners of the benefited lots shall be responsible for maintenance, repair and replacement of the sewer line located within the Easement serving their lot. Provided that if one Lot Owner of anyone or entity acting on their behalf damage the sewer line serving another lot then that Lot Owner shall be responsible for the expense and costs of the repair.

16.9. Private Easements. There are private easements demarcated on the Subdivision map serving some but not all of the Lots. The Owners of the Lots served/benefited by those easements shall equally share in the maintenance and repair of the easements and facilities located within or upon said easement. Provided that, if a Lot owner negligently or intentionally damages those facilities or impedes the easement area then said owner shall be responsible for the cost of restoration.

16.10. Reserved Easement. Declarant reserves a grading easement over the South forty feet (40') of Tract 997 in favor of the property identified by Tax Parcel Numbers 00373101800701 and 00373101800702. Declarant is in the process of purchasing that property and retains the right to grant the grading easement in favor of that property. This Reserved Easement shall not require the approval of the Association.

SECTION 17 – AMENDMENT OF DECLARATION, SURVEY MAP, PLANS

17.1. In General. The Declaration, including the Subdivision Plat Map, may be amended only by vote or written agreement of Owners of Lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated. Amendments to the Declaration required by the Act to be recorded by the Association shall be prepared, executed, recorded, and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

17.2. Challenge to Validity. No action to challenge the validity of an amendment adopted by the Association pursuant to this Section may be brought more than one year after the amendment is recorded.

17.3. Recording. Every amendment to the Declaration must be recorded in every county in which any portion of the Subdivision Plat is located and is effective only upon recording. An amendment shall be indexed in the name of the Subdivision Plat and shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment thereto.

17.4. General Limitations. Except to the extent expressly permitted or required by other provisions of the Act, no amendment may create or increase Special Declarant Rights, increase the number of Lots, change the boundaries of any Lot, the Allocated Interests of a Lot, or the uses to which any Lot is restricted, in the absence of the vote or agreement of the Owner of each Lot particularly affected and the Owners of Lots to which at least ninety percent of the votes in the Association are allocated other than the Declarant.

17.5. Special Declarant/Development Rights. No amendment may restrict, eliminate, or otherwise modify any Special Declarant or Development Right, or any other right, power, benefit provided in the Declaration to Declarant (nor otherwise hinder the business activities or expectations of, or benefits provided hereunder to, the Declarant) without the consent of the Declarant and any Mortgagee of record (excluding Mortgagees of Lots owned by persons other than the Declarant) with a security interest in the Special Declarant or Development Right or in any real property subject thereto.

17.6. Material Amendments. Any amendment to a provision of this Declaration establishing, providing for, governing or regulating the following (all of which shall be deemed "Material Amendments") shall require the consent of fifty-one percent (51%) of the Eligible Mortgagees: voting rights; Assessments, Assessment liens, or the priority of Assessment liens; reserves for maintenance, repair, and replacement of Common Elements; responsibility for

maintenance and repairs; reallocation of interests in the Common or Limited Common Elements, or rights to their use; redefinition of any Unit boundaries; convertibility of Units into Common Elements or vice versa; expansion or contraction of the Subdivision, or the addition, annexation, or withdrawal of property to or from the Subdivision; insurance or fidelity bond; imposition of any restrictions on a Unit Owner's right to sell or transfer his or her Unit; a decision by the Association to establish self-management when professional management had been required previously by the Subdivision's documents or by an Eligible Mortgage holder; restoration or repair of the Subdivision (after a hazard damage or partial condemnation) in a manner other than that specified in the Declaration; any action to terminate the legal status of the Subdivision after substantial destruction or condemnation occurs; or any provisions that expressly benefit Mortgage holders, insurers, or guarantors. A Mortgagee who fails to respond within sixty (60) days of a written request to approve an amendment shall be deemed to have approved the request if such request was delivered by certified or registered mail with a return receipt requested.

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

17.8 Amendments to Conform to Lender Guidelines. This Declaration is intended to continuously comply with the requirements and guidelines of FNMA, FHLMC, FHA and VA as the same may change from time to time. The Association, upon approval of the Board of Directors, and the Declarant, upon the Declarant's sole signature, in each case without approval of the Owners, may at any time file an amendment to this Declaration or the Bylaws, Rules and Regulations, or Map to conform them to the requirements and guidelines of those lending institutions.

17.9 Corrective Amendments by Declarant. Upon thirty-day advance notice to the Owners, Declarant may, without a vote of the Owners or approval by the Board, unilaterally adopt, execute, and record a corrective amendment or supplement to the this Declaration, the Map, or other governing documents to correct a mathematical mistake, an inconsistency, or a scrivener's error, or clarify an ambiguity in the governing documents with respect to an objectively verifiable fact including, without limitation, recalculating the Allocated Interests (including votes and Common Expense Liability), within five (5) years after the recordation or adoption of the governing document containing or creating the mistake, inconsistency, error, or ambiguity. Any such amendment or supplement may not materially reduce what the obligations of the Declarant would have been if the mistake, inconsistency, error, or ambiguity had not occurred. By way of example but not limitation, Declarant's intent with regard to this Declaration, the Map, and other governing documents is that they fully comply with all requirements of the Act and any ordinances or codes of the Municipality or other governmental or quasi-governmental entity with authority over the Community and, as a result, Declarant

shall have the authority to record an amendment under this Section to make any changes required by the City or such other entity.

SECTION 18 - MISCELLANEOUS PROVISIONS

18.1. Notices. The term "Notice" includes letters or other communications other than legal process. Any notices permitted or required to be delivered under the provisions of this Declaration, the Bylaws, or The Act may be delivered either personally or by mail. If delivery is by mail, any such notice shall be deemed to have been delivered forty-eight (48) hours after a copy has been deposited in the United States mail, postage prepaid for first class mail, addressed to the person entitled to such notice at the address of such person or, in the case of items sent by the Association, at the most recent address given in writing by such person to the Association. Notice to a Lot Owner or Owners shall be sufficient if delivered or addressed to the Lot if no other name or mailing address has been given the Association. Notice to be given to the Association may be given to the person named for service of process until the Board has been elected, and thereafter shall be given to the president or secretary of the Association. Acceptable proof of delivery shall include, but shall not be limited to, registered mail receipt, or post office validated or signed receipt for certified mail, or return receipt signed by party to whom the item was sent or his agent.

18.2. Records. The Board shall cause to be kept complete and accurate books and records of the receipts and expenditures of the Association, itemizing the expenses incurred and current copies of the Declaration, Articles of Incorporation, Bylaws, and other rules concerning the Subdivision Plat. Such books and records, Subdivision Plat documents, and the directives authorizing payments shall be available for examination by the Lot Owners, their agents, mortgagees, or attorneys, at any reasonable time or times. All books and records shall be kept in accordance with good accounting procedures and processed according to law. At least annually the financial statements of the Subdivision Plat shall be audited by a certified public accountant unless the Lot Owners of Lots to which 60% of the votes are allocated waive this requirement.

18.3. Accounts. The Association shall maintain sufficient accounts for current operations and reserves as deemed necessary by the Treasurer. The funds of the Association shall not be commingled with the funds of any other Association or any other person responsible for the custody of such funds. Any reserve funds of an Association shall be kept in a segregated account and any transactions 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.

18.4. Enforcement - Remedies. Each Lot Owner shall comply strictly with the provisions of this Declaration and the Bylaws, as amended from time to time. Failure to comply shall be grounds for an action to recover sums due, or for damages, or injunctive relief, or for any appropriate remedy, maintainable by the Board or officers of the Association on behalf of the Lot Owners, or in a proper case, by an aggrieved Lot Owner against the Association, or other Lot Owners. Failure to comply shall also entitle the Association to collect reasonable attorney's fees incurred by reason of such failure, irrespective of whether any suit or other judicial

proceeding is commenced, and if suit is brought because of such failure, all costs of suit may be recovered in addition to reasonable attorney's fees by the prevailing party. No right or remedy provided or reserved by this Declaration is exclusive of any other right or remedy, and in addition to the foregoing, the Association shall have such rights and remedies as may be provided in this Declaration, the Bylaws, The Act or otherwise existing at law, in equity or by statute.

The Declarant shall have no obligation to enforce or seek the enforcement of these covenants. The Declarant shall have no liability for the enforcement or non-enforcement of these covenants.

18.5. Waiver. The failure of the Association, the Board, the Association officers or agents, or the Declarants, to require, in any one or more instances, strict performance of or compliance with any of the terms, covenants, conditions or restrictions contained in this Declaration, the Bylaws, or The Act, or to serve any notice or to institute any action or proceeding, shall not be construed as a waiver or a release thereof, but the same shall continue and remain in full force and effect; and the receipt by any of said parties of any sum paid by a Lot Owner, with or without the knowledge of the breach of or failure to comply with any such provision, shall not be deemed a waiver thereof; and no waiver, express or implied, of any such provisions shall be effective unless made in writing pursuant to procedures specified herein, or in the Bylaws or in The Act, or if no such procedures are specified, then in writing and signed by the president of the Association pursuant to the authority contained in a resolution of the Board, or by the managing authority.

18.6. Limitation of Liability.

18.6.1. Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Board pursuant to Section 13, neither the Association nor the Board shall be liable for: any failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may 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 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.

18.6.2. No Personal Liability. So long as a Board member, or Association committee member, or Association officer, or Declarants or Declarants' managing agent exercising the powers of the Board, has acted in good faith, without willful or intentional misconduct, upon the basis of such information as may be possessed by such person, then no such person shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of such person; provided, that this section shall not apply where the consequence of such act, omission, error or negligence are covered by insurance obtained by the Board pursuant to

Section 13.

18.6.3. Indemnification of Board Members. Each Board member or Association committee member, or Association officer, or Declarant or Declarant's managing agent exercising the powers of the Board, shall be indemnified by the Owners against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of being or having held such position, or any settlement thereof, whether or not he holds such position at the time such expenses or liabilities are incurred, except in such cases wherein such person is adjudged guilty of willful misfeasance or malfeasance in the performance of his duties; provided, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interests of the Association.

18.7. Interpretation.

18.7.1. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development and operation of this Subdivision Plat including the development and completion of its phases. It is intended also that, insofar as it affects this Declaration, Bylaws and Subdivision Plat development, the provisions of the Act, referenced herein under which this Declaration is operative, shall be liberally construed to affect the intent of this Declaration and the Bylaws insofar as reasonably possible.

18.7.2. Gender and Number. When interpreting this Declaration, or the Bylaws, or any Rules and Regulations, the singular may include the plural and the masculine may include the feminine, or vice versa, where the context so admits or requires.

18.7.3. Declaration Effect as Covenants or Servitudes. It is intended that the covenants of this Declaration, together with any Subdivision Plat plans by reference incorporated herein or filed simultaneously herewith, and all amendments to the said Declaration shall be operative as covenants running with the land, or equitable servitudes, supplementing and interpreting The Act, and operating independently of The Act should The Act be, in any respect, inapplicable, to establish the common plan for the Subdivision Plat development and its operation as indicated herein and in the Subdivision Map; provided, however, that the provision of this Declaration shall not be so applied if the property is removed from submission to The Act or discontinued in whole or part as a Subdivision Plat development, unless such continued application of all or a part of the Declaration is specifically called for or reasonably implied for all or part of the property.

18.8. Severability. The provisions hereto shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion hereof shall not affect the validity or enforceability of any other provision hereof if the remaining portions are sufficient under The Act, or as covenants running with the land, or as equitable servitudes, to affect the common plan for division into Lots for individual ownership.

18.9. Effective Date. This Declaration shall take effect upon recording.

18.10. Reference to Subdivision Map. The Subdivision Map for the Subdivision Plat development referred to herein were recorded with the proper county recording authority simultaneously with the recording of this Declaration, as set forth on the Recording Cover Sheet of this Declaration. The recording authority, the Declarants, or any title company or escrow company or institutional lender is authorized to insert the correct recording data, or correct the same, above the signatures on this document.

18.11. Transfer of Declarant's Powers. It is understood that Declarant, at any time in the exercise of its sole discretion, may sell, assign, transfer, encumber, or otherwise convey to any person, upon such terms and conditions as Declarant may determine, all of Declarant's rights, powers, privileges and authority arising hereunder by virtue of Declarant's capacity as Declarant (which rights, powers, privileges and authority are in addition to those arising from Declarant's ownership of one or more Lots and include Development Rights and Special Declarant Rights).

SECTION 19 – MORTGAGEE PROTECTION

19.1. Change in Manager. In the event that professional management is employed by the Association, at least thirty (30) day notice of any contemplated change in the professional manager shall be given to any Eligible Mortgagee. The Association shall not elect to terminate professional management and assume self-management without the prior vote or written approval of sixty-seven (67%) percent Unit Owners and fifty-one percent (51%) of all Eligible Mortgagees; provided that such prior consent shall not be required to change from one professional manager to another professional manager.

19.2. Abandonment of Subdivision Status. Except when acting pursuant to the provisions of the Act involving damage, destruction, or condemnation, the Association shall not, without prior written approval of fifty-one percent (51%) of all Eligible Mortgagees and written approval of eighty percent (80%) Unit Owners, seek by act or omission to, abandon or terminate the Subdivision status of the project; or abandon, encumber, sell or transfer any of the Common Elements.

19.3. Partitions and Subdivision. The Association shall not abandon, partition, subdivide, encumber or sell any Common Elements, or accept any proposal so to do, without the prior written approval of fifty-one percent (51%) of all Eligible Mortgagees and vote or written approval of eighty percent (80%) percent Lot Owners.

19.4. Change in Percentages. The Association shall not make any Material Amendment (as defined in Section 17.6) to this Declaration or Bylaws (including changes in the percentages of interest in the Common Elements) without the prior written approval of fifty-one percent (51%) of all Eligible Mortgagees and vote or written approval of ninety percent (90%) percent Lot Owners, and without unanimous approval of the Eligible Mortgagee(s) and Owner(s) of the Lot(s) for which the percentage(s) would be changed.

19.5. Copies of Notices. A Mortgagee of a Unit (and any insurer or guarantor of such Mortgage) shall be entitled to receive timely written notice: (a) that the Owner/Mortgagor of the Unit has for more than sixty (60) days failed to meet any obligation under the Subdivision documents; (b) of all meetings of the Association and be permitted to designate a representative to attend all such meetings; (c) of any condemnation loss or casualty loss affecting a material portion of the Property or the Unit on which it holds a Mortgage; (d) of any lapse, cancellation or material modification of insurance policies or fidelity bonds maintained by the Association; and (e) of any proposed action that requires the consent of a specified percentage of Mortgagees. To be entitled to receive notices under this Section 19.5, the Mortgagee (or Mortgage insurer or guarantor) must send a written request to the Association stating both its name and address and the Unit number or address of the Unit on which it has (or insures or guaranties) the Mortgage.

19.6. Effect of Declaration Amendments. No amendment of this Declaration shall be effective to modify change, limit or alter the rights expressly conferred upon Mortgagees in this instrument with respect to any unsatisfied Mortgage duly recorded unless the amendment shall be consented to in writing by the holder of such Mortgage. Any provision of this Declaration conferring rights upon Mortgagees that is inconsistent with any other provision of said Declaration or the Bylaws shall control over such other inconsistent provisions.

SECTION 20: DEPARTMENT OF VETERANS AFFAIRS FINANCING:

To the extent that any provision set forth in the condominium documents is inconsistent with the requirement(s) of guaranteed or direct loan programs of the United States Department of Veterans Affairs, as set forth in chapter 37 of title 38, United States Code, or part 36 of title 38, Code of Federal Regulations (“DVA Financing”), such provision shall not apply to any Unit that is:

- (i) encumbered by DVA Financing or;
- (ii) owned by the Secretary of Veterans Affairs, an Officer of the United States.

**EXHIBIT A
LEGAL DESCRIPTION**

Lot 5, Block 18, Alderwood Manor No. 6, According to the Plat Thereof Recorded in Volume 9 of Plats, Pages 93 through 96, Inclusive, Records of Snohomish County, Washington;

Situate In The County of Snohomish, State of Washington.

Exhibit B
Powers, Duties and Limitation of the Association
RCW 64.90.290

(1) An association must:

- (a) Adopt organizational documents;
- (b) Adopt budgets as provided in RCW 64.90.525;
- (c) Impose assessments for common expenses and specially allocated expenses on the unit owners as provided in RCW 64.90.080 (1) and 64.90.525;
- (d) Prepare financial statements as provided in RCW 64.90.530; and
- (e) Deposit and maintain the funds of the association in accounts as provided in RCW 64.90.530.

(2) Except as provided otherwise in subsection (4) of this section and subject to the provisions of the declaration, the association may:

- (a) Amend organizational documents and adopt and amend rules;
- (b) Amend budgets under RCW 64.90.525;
- (c) Hire and discharge managing agents and other employees, agents, and independent contractors;
- (d) Institute, defend, or intervene in litigation or in arbitration, mediation, or administrative proceedings or any other legal proceeding in its own name on behalf of itself or two or more unit owners on matters affecting the common interest community;
- (e) Make contracts and incur liabilities subject to subsection (4) of this section;
- (f) Regulate the use, maintenance, repair, replacement, and modification of common elements;
- (g) Cause additional improvements to be made as a part of the common elements;
- (h) Acquire, hold, encumber, and convey in its own name any right, title, or interest to real estate or personal property, but:
 - (i) Common elements in a condominium, plat community, or miscellaneous community may be conveyed or subjected to a security interest pursuant to RCW 64.90.465 only
 - (i) Grant easements, leases, licenses, and concessions through or over the common elements and petition for or consent to the vacation of streets and alleys;
 - (j) Impose and collect any reasonable payments, fees, or charges for:
 - (i) The use, rental, or operation of the common elements, other than limited common elements described in RCW 64.90.210 (1)(b) and (3);
 - (ii) Services provided to unit owners; and
 - (iii) Moving in, moving out, or transferring title to units to the extent provided for in the declaration;
 - (k) Collect assessments and impose and collect reasonable charges for late payment of assessments;
 - (l) Enforce the governing documents and, after notice and opportunity to be heard, impose and collect reasonable fines for violations of the governing documents in accordance with a previously established schedule of fines adopted by the board of directors and furnished to the owners;
 - (m) Impose and collect reasonable charges for the preparation and recordation of amendments to the declaration, resale certificates required under RCW 64.90.640, lender questionnaires, or statements of unpaid assessments;
 - (n) Provide for the indemnification of its officers and board members, to the extent provided in RCW 23B.17.030.
 - (o) Maintain directors' and officers' liability insurance;
 - (p) Subject to subsection (4) of this section, assign its right to future income, including the right to receive assessments;
 - (q) Join in a petition for the establishment of a parking and business improvement area, participate in the ratepayers' board or other advisory body set up by the legislative authority for operation of a parking and

business improvement area, and pay special assessments levied by the legislative authority on a parking and business improvement area encompassing the condominium property for activities and projects that benefit the condominium directly or indirectly;

(r) Establish and administer a reserve account as described in RCW 64.90.535;

(s) Prepare a reserve study as described in RCW 64.90.545;

(t) Exercise any other powers conferred by the declaration or organizational documents;

(u) Exercise all other powers that may be exercised in this state by the same type of entity as the association;

(v) Exercise any other powers necessary and proper for the governance and operation of the association;

(w) Require that disputes between the association and unit owners or between two or more unit owners regarding the common interest community, other than those governed by chapter RCW 64.50, be submitted to nonbinding alternative dispute resolution as a prerequisite to commencement of a judicial proceeding; and

(x) Suspend any right or privilege of a unit owner who fails to pay an assessment, but may not:

(i) Deny a unit owner or other occupant access to the owner's unit;

(ii) Suspend a unit owner's right to vote; or

(iii) Withhold services provided to a unit or a unit owner by the association if the effect of withholding the service would be to endanger the health, safety, or property of any person.

(3) The declaration may not limit the power of the association beyond the limit authorized in subsection (2)(w) of this section to:

(a) Deal with the declarant if the limit is more restrictive than the limit imposed on the power of the association to deal with other persons; or

(b) Institute litigation or an arbitration, mediation, or administrative proceeding against any person, subject to the following:

(i) The association must comply with chapter 64.50 RCW, if applicable, before instituting any proceeding described in chapter 64.50 RCW in connection with construction defects; and

(ii) The board must promptly provide notice to the unit owners of any legal proceeding in which the association is a party other than proceedings involving enforcement of rules or to recover unpaid assessments or other sums due the association.

(4) Any borrowing by an association that is to be secured by an assignment of the association's right to receive future income pursuant to subsection (2)(e) and (p) of this section requires ratification by the unit owners as provided in this subsection.

(a) The board must provide notice of the intent to borrow to all unit owners. The notice must include the purpose and maximum amount of the loan, the estimated amount and term of any assessments required to repay the loan, a reasonably detailed projection of how the money will be expended, and the interest rate and term of the loan.

(b) In the notice, the board must set a date for a meeting of the unit owners, which must not be less than fourteen and no more than sixty days after mailing of the notice, to consider ratification of the borrowing.

(c) Unless at that meeting, whether or not a quorum is present, unit owners holding a majority of the votes in the association or any larger percentage specified in the declaration reject the proposal to borrow funds, the association may proceed to borrow the funds in substantial accordance with the terms contained in the notice.

(5) If a tenant of a unit owner violates the governing documents, in addition to exercising any of its powers against the unit owner, the association may:

(a) Exercise directly against the tenant the powers described in subsection (2)(l) of this section;

- (b) After giving notice to the tenant and the unit owner and an opportunity to be heard, levy reasonable fines against the tenant and unit owner for the violation; and
- (c) Enforce any other rights against the tenant for the violation that the unit owner as the landlord could lawfully have exercised under the lease or that the association could lawfully have exercised directly against the unit owner, or both; but the association does not have the right to terminate a lease or evict a tenant unless permitted by the declaration. The rights referred to in this subsection (5)(c) may be exercised only if the tenant or unit owner fails to cure the violation within ten days after the association notifies the tenant and unit owner of that violation.

(6) Unless a lease otherwise provides, this section does not:

- (a) Affect rights that the unit owner has to enforce the lease or that the association has under other law; or
- (b) Permit the association to enforce a lease to which it is not a party in the absence of a violation of the governing documents.

(7) The board may determine whether to take enforcement action by exercising the association's power to impose sanctions or commencing an action for a violation of the governing documents, including whether to compromise any claim for unpaid assessments or other claim made by or against it.

(8) The board does not have a duty to take enforcement action if it determines that, under the facts and circumstances presented:

- (a) The association's legal position does not justify taking any or further enforcement action;
- (b) The covenant, restriction, or rule being enforced is, or is likely to be construed as, inconsistent with law;
- (c) Although a violation may exist or may have occurred, it is not so material as to be objectionable to a reasonable person or to justify expending the association's resources; or
- (d) It is not in the association's best interests to pursue an enforcement action.

(9) The board's decision under subsections (7) and (8) of this section to not pursue enforcement under one set of circumstances does not prevent the board from taking enforcement action under another set of circumstances, but the board may not be arbitrary or capricious in taking enforcement action.