

DECLARATION

AND

COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATIONS

FOR

NW CUSTOM AIRCRAFT HANGARS LEASING LLC

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ARTICLE 1. DEFINITIONS

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

1.1.1. The Act shall mean the Washington Condominium Act, presently codified in Chapter 64.34, Revised Code of Washington, and amendments thereto. References to "sections" of the Act refer to subsections of RCW 64.34, as codified.

1.1.2. Allocated Interests shall mean the undivided interest in the common elements and the common expense liability allocated in each unit.

1.1.3. Articles shall mean the Articles of Incorporation of the Association defined below.

1.1.4. Association shall mean the Association of Unit Owners described in Article 12 of this Declaration.

1.1.5. Board shall mean the Board of Directors of the Association.

1.1.6. By-Laws shall mean the By-Laws of the Association in the form attached hereto as Schedule E as they may, from time to time, be amended.

1.1.7. Common Elements shall mean all portions of the Condominium other than the units as described in Article 5 and in Article 6. This term is defined in RCW 64.34.020(6).

1.1.8. Common Expenses shall mean expenditures made by or financial liabilities of the Association, together with any allocations to reserves. This term is defined in RCW 64.34.020(7).

1.1.9. Common Expense Liability shall mean the liability for common expenses allocated to each unit pursuant to RCW 64.34.310. This term is defined in RCW 64.34.020(8).

1.1.10. Common Funds shall mean those assessments collected by the Association to be held for payment of common expenses.

1.1.11. Condominium shall mean real property, portions of which are designated for separate ownership and the remainder of which is designated for common ownership solely by the owners of those units. This term is defined in RCW 64.34.020(9).

1.1.12. Declarant shall mean NW CUSTOM AIRCRAFT LEASING LLC and its representatives, successors and assigns. This term is defined in RCW 64.34.020(15).

1.1.13. Declaration shall mean this Declaration and Covenants, Conditions, Restrictions, and Reservations for NW CUSTOM AIRCRAFT HANGARS LEASING LLC, as it may, from time to time, be amended, which creates a leasehold condominium pursuant to RCW 64.34.020(15).

1.1.14. Development rights shall mean any right or combination of rights reserved by a Declarant in the declaration to: (a) add real property or improvements to a condominium; (b) create units, common elements or limited common elements within real property included or added to a condominium; (c) subdivide units or convert units into common elements; or (d) withdraw real property from a condominium. No development rights are reserved by this instrument.

1.1.15. Eligible mortgagee shall mean a holder of a first mortgage on a unit that has requested notices under section 13.2.

1.1.16. First mortgage and first mortgagee shall mean, respectively, (a) a recorded mortgage on a unit that has legal priority over all other mortgages thereon and (b) the holder, insurer or guarantor of a first mortgage.

1.1.17. Foreclosure shall mean a forfeiture or judicial or nonjudicial foreclosure of a mortgage or a deed in lieu thereof. This term is defined in RCW 64.34.020(19).

1.1.18. Identifying Number shall mean a symbol or address that identifies only one unit in this Condominium. This term is defined in RCW 64.34.020(20).

1.1.19. Leasehold Condominium shall mean a condominium in which all or a portion of the real property is subject to a lease, the expiration of which will terminate the condominium or reduce its size, unless the lease is renewed and/or its terms extended.

1.1.20. Limited Common Elements shall mean a portion of the common elements allocated by this Declaration or by operation of RCW 64.34.228 for the exclusive use of one or more but fewer than all of the units. This term is defined in RCW 64.34.020(22).

1.1.21. Mortgage shall mean a recorded mortgage or deed of trust that creates a lien against a unit, and shall also mean a real estate contract for the sale of a unit. This term is defined in RCW 64.34.020(24).

1.1.22. Mortgagee shall mean the beneficial owner, designee of the beneficial owner, insurer, or guarantor of an encumbrance on a unit created by a mortgage or deed of trust, and shall also mean the vendor, or the designee of a vendor, of a real estate contract for the sale of a unit.

1.1.23. Owner shall be synonymous with "unit owner" as defined herein.

1.1.24. Person shall mean an individual, corporation, partnership, association, trustee, or other legal entity.

1.1.25. Purchaser shall mean any person, other than a Declarant or a dealer, who by means of a disposition acquires a legal or equitable interest in a unit other than (a) a leasehold interest, including renewal options, of less than twenty years at the time of creation of the unit, or (b) as security for an obligation.

1.1.26. Real property shall mean 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 thereto 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.

1.1.27. Special Declarant rights shall mean rights reserved for the benefit of a Declarant to: (a) complete improvements indicated on survey maps and plans filed with the declaration under RCW 64.34.232; (b) exercise any development right under RCW 64.34.236; (c) maintain sales offices, management offices, signs advertising the Condominium, and models under RCW 64.34.256; (d) use easements through the common elements for the purpose of making improvements within the Condominium or within real property which may be added to the Condominium under RCW 64.34.260; (e) make the Condominium part of a larger condominium or a development under RCW 64.34.276; (f) make the Condominium subject to a master association under RCW 64.34.276; or (g) appoint or remove any officer of the association or any master association or any member of the board of directors during any period of Declarant control under RCW 64.34.308.

1.1.28. Survey Map and Plans shall mean the survey map and set of plans recorded simultaneously with this Declaration, and any amendments, corrections, and addenda thereto subsequently recorded.

1.1.29. Timeshare shall have the meaning specified in the Timeshare Act, RCW 64.36.010(11).

1.1.30. Transition date is synonymous with "termination date" and is defined in section 14.1.

1.1.31. Unit shall mean a physical portion of the Condominium designated for separate ownership. The boundaries of a unit are the walls, floors and ceilings of the unit, as described at RCW 64.34.204, and the unit includes both the portions of the building so described and the air space so encompassed. "Separate ownership" includes leasing a unit in a leasehold Condominium under a lease that expires contemporaneously with any lease, the expiration or termination of which will remove the unit from the Condominium. "Separate ownership" also includes ownership of a leasehold condominium under a form of ownership expiring with the expiration of the lease.

1.1.32. Unit owner shall mean a Declarant or other person who owns a unit or leases a unit in a leasehold Condominium under a lease that expires simultaneously with any lease, the expiration or termination of which will remove the unit from the Condominium, but does not include a person who has an interest in a unit solely as security for an obligation. "Unit owner" means the vendee, not the vendor, of a unit under a real estate contract.

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

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

ARTICLE 2. SUBMISSION OF THE PROPERTY TO THE ACT

2.1. Declaration of Purpose. NW CUSTOM AIRCRAFT HANGARS LEASING LLC has entered into a lease with the City of Arlington (hereinafter "City Of Arlington"), which took fee title to the real property as City of Arlington, a public entity. Declarant owns and operates NW CUSTOM AIRCRAFT HANGARS LEASING LLC a leasehold condominium located in the City of Arlington in Snohomish County, Washington. Said lease between Declarant and City of Arlington is hereafter referred to as "the lease." The lease, described in greater detail in section 2.3 herein, contemplates that the Declarant will construct three aircraft hangar buildings with 54 units total and improvements on the real property described in section 2.4 herein. The Lessor agrees to the design and configuration of the units, as shown on the Survey Maps and Plans. These units are intended to be used as aircraft hangar facilities and/or leasehold condominium aircraft hangars. For the purposes of RCW

64.34.352 and RCW 64.34.400, and for all other interests and purposes, all units of the condominium created hereby are specifically and forever restricted to nonresidential use.

As the sole lessee and possessor of the real property, Declarant makes this Declaration for the purpose of submitting the property to the Leasehold Condominium form of use and ownership and to the provisions of the Act. The Condominium shall be called "NW CUSTOM AIRCRAFT HANGARS LEASING LLC" Declarant declares that the property shall be held, used, conveyed, encumbered, leased, occupied, rented, and improved subject to the covenants, conditions, restrictions, reservations, and easements stated in this Declaration, all of which are in furtherance of the division of the property into Condominium units and common elements, and shall be deemed to run with the land and be a burden and benefit to Declarant and all persons who own or acquire an interest in the units and common elements, or any part thereof, and their grantees, successors, heirs, executors, administrators, and assigns.

2.2. The NW CUSTOM AIRCRAFT HANGARS LEASING LLC shall be the master lessee of the City of Arlington lease. The Owners' Association has been incorporated under RCW 24.03. The purpose of the corporation is to act as an owners' association of condominium units and as master lessee of the City of Arlington lease, to enforce the provisions of said lease, and to generally do all those things in the management of the condominium, pursuant to the terms of this Declaration, RCW 64.34, the Washington Non-Profit Corporation Act, RCW 24.03, and the Articles and By-Laws.

2.3. The Lease. The lease is recorded under City of Arlington Auditor's Recording Number: . All terms of the lease are incorporated within this document by this reference. A copy of the lease is Schedule F. Each unit owner is charged with a responsibility to be knowledgeable with all terms and conditions of the lease and to comply therewith. In the event of a conflict between the provisions of this Declaration and the lease, the lease provisions shall prevail, .

2.3.1. Term of Lease. The term of the lease shall commence . The lease term is for fifty (50) years, ending at Midnight on . Lessee shall have the option to renew this lease for an additional fifteen years upon the same terms and conditions as provided herein, except that the initial monthly rent payment shall be determined by negotiation or arbitration.

2.3.2. Holding Over. If the lessee/unit owners shall, with the written consent of the Lessor, hold over after the expiration of the term of the lease, such tenancy shall be determined as provided by the laws of the State of Washington. During such tenancy, the lessee/unit owner shall pay the Lessor the same rent as set forth in the lease, unless a different rate is agreed upon, and shall be bound by all of the terms, covenants and conditions of the lease, so far as possible.

2.3.3. Rental Fees and Charges. The rent for the premises for the period from _____ shall be paid in advance on the first day of each rental period, commencing _____ - and shall be mailed or hand- delivered to the lessor's Airport Office, 19321 59TH AVE NE ARLINGTON, WA 98223, and shall be in the following amounts:

First Rental Period Years 1-3: _____ plus 12.84% leasehold tax

a. Future Reappraisals. The parties agree to additional adjustment of rent every three (3) years beginning _____. The County shall give Association written notice of the adjusted rent to take effect 30 days after the date of said notice unless Association, within 30 days following receipt of notice from the County, gives written notice of rejection of the adjusted rent. If the adjusted rent is disputed, the parties shall submit the readjustment to arbitration within 10 days of disputing the rent, Association shall select and pay the fees for one arbitrator and County shall select and pay the fees for one arbitrator. Within 10 days of their selection, these two arbitrators shall select a third arbitrator. Each arbitrator shall be a commercial real estate M.A.I. appraiser conducting business in Snohomish County, Washington and have not less than five (5) years active experience as a commercial real estate appraiser in the leasing market in Snohomish County, Washington. The Board of Arbitrators shall together determine Fair Market Rental Value of the premises. The Board of Arbitrators, after a review of all pertinent facts, may increase or decrease such rents, or continue the previous rate thereof. Any rent during the period for which readjustment is being done by the Board of Arbitrators shall be paid at the rate fixed by the Board of Arbitrators and shall be retroactive to the commencement of the three (3) year period. All fees, costs and expenses of that arbitrator commonly appointed by the parties hereto shall be shared equally. This paragraph shall not in any manner be construed to limit the right to readjustment as required by statutes of the State of Washington.

b. Late Charges. Rent shall be delinquent if not paid by the tenth day of each month. If payment is received after the 10th day of any month, there will be a .0333% per day interest charge on the unpaid balance for each day past the due date. A late payment charge of .01665% per day will also be charged on rent not paid by the 10th of each month for each day past the due date. In addition, a charge in the amount provided by current County ordinance will be made on any payment by check, which is returned unpaid to the Airport because of insufficient funds, account closed, forgery, or any other reason.

Additional terms and conditions pertaining to rental amounts, adjustments, and remedies of the Lessor and lessee regarding rental fees and charges are more fully described in the lease Article III.

2.3.4. Payment of Rent (Land Lease Payment). Declarant shall be responsible for collection of rent from the unit owners, until

Declarant control terminates pursuant to section 14.1 of this Declaration. After the termination of Declarant control, rent collection and payment shall become the responsibility of the Association. Each unit owner, by the mere act of becoming a unit owner, shall irrevocably appoint the Association as his/her attorney-in-fact, with full power of substitution, to collect proportionate leasehold rents from each owner, and to pay the total rent amounts to the Lessor. The Association shall likewise be designated as attorney-in-fact of all unit owners in all matters relating to the lease.

2.3.5. Rent Amounts for Each Unit. The rent due and payable by each unit shall be calculated as the percentage allocated according to each unit's allocated interests, pursuant to Article 8 of this Declaration. The Board shall collect rent and assessments in advance on a quarterly basis as agreed, with the full year's rent fully payable not less than thirty (30) days prior to the next rent term.

2.3.6. Leasehold Excise Tax. Under the terms of the lease, in addition to the rent, lessee shall pay to Lessor such leasehold excise tax as shall have been or may be lawfully levied by the State of Washington or Snohomish County. Lessee's obligation hereunder shall be construed as consistent with the provisions of Section 14.3.13.

2.3.7. Ownership of Lessee-Constructed Improvements. Pursuant to the lease, upon termination of the lease, the buildings, alterations and additions constructed by Declarant/lessee shall become the sole property of the Lessor unless the lessee elects to remove all constructed buildings during the lease term.

2.3.8. Covenants Running with the Land. Each unit owner shall take notice of and hold title subject to all covenants running with the land.

2.3.9. Right of Redemption. Neither the lease nor this Declaration shall create in the Declarant, Association or unit owners a right to redeem the real property and improvements after the expiration of the lease.

2.3.10. Termination of the Condominium. Pursuant to the provisions of the lease and the Act, as a leasehold condominium, upon expiration of the lease and any nonrenewals, the condominium shall terminate.

NOTICE: THE ASSOCIATION AND ALL UNIT OWNERS SHALL TAKE NOTICE THAT ANY DEFAULT OF THE CITY OF ARLINGTONAIRPORT LEASE SHALL RESULT IN THE TERMINATION OF THIS CONDOMINIUM AND ALL PROPERTY RIGHTS THEREIN. THEREFORE, IF ANY INDIVIDUAL UNIT OWNER FAILS OR REFUSES TO PAY HIS/HER SHARE OF THE RENT IN A TIMELY MANNER, OR IS OTHERWISE OUT OF COMPLIANCE WITH THE LEASE, AND IF AS A CONSEQUENCE THE ASSOCIATION FAILS TO PAY FULL AND TIMELY RENT, OR OTHERWISE COMPLY WITH THE LEASE, THE RIGHTS OF ALL UNIT OWNERS IN THE CONDOMINIUM WILL TERMINATE.

The timely payment of rent shall be secured by the creation and funding of security deposits and a reserve account as described in sections 15.2.10 and 15.2.11 herein.

2.3.11. Lessor's Right of Entry. Lessor, airport employees, and County employees shall have the right to enter the property, during normal business hours, for the purpose of fire, building or environmental inspections. See 7.5

2.3.12. Other Lease Provisions. The lease describes additional terms and conditions which are binding upon the Declarant and other unit owners. This Declaration does not provide a complete description of all terms and conditions of the lease. All unit owners shall be familiar with the terms and conditions of the lease, and comply therewith.

2.4. The Real Property. The real property is described in Schedule A, attached hereto and incorporated herein by this reference.

2.5. Access. Access to and from the property is described in Schedule A.

2.5.1. Access to Common Elements. Each unit has access to common elements and driveways.

2.5.2. Access to Public Streets. Each unit has access across common elements to a public street.

2.5.3. Access to Units. City of Arlington, as Lessor under the Lease, its agents, officials and representatives, shall have such timely and necessary access to individual units as to ensure compliance with state, local and federal laws, regulations and ordinances and compliance with the provisions of the Lease.

ARTICLE 3. DESCRIPTION OF BUILDINGS AND IMPROVEMENTS

3.1. Buildings. The buildings and improvements of the Condominium are described in Schedule B, attached hereto and incorporated herein by this reference.

3.2. Individual Units. The individual units are described in Schedules B and C, attached hereto and incorporated herein by this reference.

3.3 Units. The units in each hangar are contiguous.

3.4 Unit Boundaries. Where units share contiguous walls, then the boundaries of said units along said walls shall be where each unit's wall marries to the other, and each structure present to effect this marriage shall be a portion of the limited common elements of each such unit. Where any unit is contiguous to any other at its floor, any

portion thereof, or at its ceiling, or any portion thereof, then the boundaries of said units at this contiguous place shall be where each unit marries to the other, and each structure present to effect this marriage shall be a portion of the limited common elements of each such unit. To the extent that any unit has a wall, floor or ceiling on the outside of a building, the boundary of said unit there shall be all portions of the unit to the external surface of the outside of said buildings, except the outside most external finish material on said buildings and the finish thereon, which shall be portion of the common elements.

ARTICLE 4. DEVELOPMENT RIGHTS

4.1. All Development Rights are Reserved. The Declarant does reserve all development rights.

ARTICLE 5. COMMON ELEMENTS

5.1. Parking Spaces. Parking spaces are outside of the units. Unit owners may however park their automobile within the unit while the owner uses his/her aircraft. Parking outside of the unit on aircraft ramp shall be for a limited duration only, for the amount of time needed to remove the aircraft prior to parking the automobile in the unit. Automobile parking shall not occur in any taxiway. The parking lot is for the use of owners, invitees, and owner's customers. Owners shall not allow the use of the parking area for long-term storage of automobiles, trailers or other items. The Association shall have the right to establish any other reasonable rules and regulations governing use of parking areas and parking practices of unit owners.

5.2. Other Common Elements. In addition to parking areas, common elements consist of those specified in the Act and include all portions of the condominium other than the units. These include, but are not necessarily limited to, the following:

5.2.1. The land described in Schedule A.

5.2.2 In addition to other common elements described herein, if any chute, flue, duct, wire, conduit, bearing wall, bearing column, or any other fixture lies partially within and partially outside the designated boundaries of a unit, any portion thereof serving only that unit is a limited common element allocated solely to that unit, and any portion thereof serving more than one unit or any portion of the common elements is a part of the common elements. Common elements shall include those designated elements identified as "Common Area" in the Survey Map and Plans.

5.2.3. The pipes, wires, conduits, and other fixtures and equipment for utilities, including cable television system, if any, that are not within a building.

5.2.4. The grounds, trees, gardens, landscaped areas, exterior fixtures, walkways driveways and parking areas, if any.

5.2.5. Certain items which might ordinarily be considered common areas such as, but not limited to, air conditioning units, screen doors, window screens, elevators, awnings, planter boxes, and the like, pursuant to specification in the By-Laws or administrative rules and regulations, may be designated as items to be furnished and maintained by owners at their individual expense, in good order, according to standards and requirements set forth in the By-Laws or by rule adopted by the Board.

5.3. Use. Each owner shall have the right to use the common element areas and facilities (except the 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 areas and facilities, including the limited common elements, shall be governed by the provisions of the Condominium Statute, this Declaration, the By-Laws, and the rules and regulations of the Association (House Rules).

5.4 Prohibition Against Abandonment, Partition, Etc. The owners shall not, by act or omission, seek to abandon, partition, subdivide, encumber, sell, or transfer the common elements, and no other person shall have the right to have them partitioned or divided. The granting of permits, licenses and easements over the common areas for utilities, roads, or other purposes reasonably necessary for the proper maintenance or operation of the condominium shall not be deemed a partition or division. A subdivision of a limited common element as an incident of an authorized subdivision of a unit pursuant to Article 23 will not be deemed a violation of this provision.

ARTICLE 6. LIMITED COMMON ELEMENTS

In addition to other limited common areas described herein, any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, and all exterior doors and windows or other fixtures designed to serve a single unit, but which are located outside the unit's boundaries, are limited common elements allocated exclusively to that unit. Limited common elements shall include those designated and discloses and identified as "Limited Common Area" in the Survey Map and Plans.

ARTICLE 7. EASEMENTS

7.1. Each unit has an easement in and through each other unit and the appurtenant undivided interest, and each unit acknowledges that it is specifically subject to the easement for the benefit of each of the other units as follows:

- a. For all support elements and utility, wiring, heat and service elements and for reasonable access thereto, as required to effectuate and proper operation of this condominium; and
continue
- b. For the electrical wiring and plumbing; and
- c. For the location and maintenance of all the original equipment and facilities and utilities for such unit.

The specific mention or reservation of any easement in this Declaration does not limit or negate the general easement for common areas reserved by law. The right of ingress to and egress from each unit shall be perpetual and appurtenant to the unit. All recorded easements are described in Schedule A and the Survey Map and Plans recorded herein. Article 8 of the "Lease" allows for a non-exclusive easement for ingress, egress, and utilities to the county and any adjacent property owners whether current or future. See "Lease" for specific language on page 20.

7.2. Association Functions.

7.2.1. Reservation. There is hereby reserved to the Association such easements as are necessary to perform the duties and obligations of the Association.

7.2.2. Utility, etc., Easements. The Association, acting through the Board, has the authority to grant utility, road and similar easements, licenses and permits, under and through or over the common elements, which easements the Association, acting through the Board, determines are reasonably necessary for the ongoing development and operation of the Condominium.

7.3. Encroachments. Each unit and limited common element has an easement over all adjoining units and common and limited common elements for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of owners shall not be altered in any way by said encroachments settling or shifting. In no event shall a valid easement for encroachment be created in favor of an owner if said encroachment occurred due to the willful act or acts with full knowledge of said owner. If a unit, common element or limited common element is partially or totally destroyed, and then repaired or rebuilt, any minor encroachment over adjoining units and common and limited common elements shall be permitted and there shall be a valid

easement for the maintenance of said encroachments as long as they exist. The foregoing encroachment shall not be construed to be encumbrances affecting the marketability of title to any unit.

7.4. Declarant Rights. 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.

7.5. Inspection. City of Arlington reserves the right to inspect the premises and improvements thereon at any and all reasonable times throughout the terms of this lease provided that it shall not interfere unduly with the unit owner's operation. The right of inspection reserved to the City of Arlington hereunder shall impose no obligation on the County to make inspections to ascertain the condition of the premises and shall impose no liability upon the City of Arlington for failure to make such inspections. Association shall allow access for an annual fire and safety inspection by the County Fire Marshall, Airport Public Safety Manager, or their designee. Association shall pay the cost of the annual fire and safety inspection and any re-inspection in the event of a violation requiring correction. Association shall allow access for other fire and safety inspections by the City of Arlington, provided that such inspections shall be without charge to the Association. Association shall allow the City of Arlington to install a Knox box on the premises, if deemed necessary by the City of Arlington, at a cost to be reimbursed by the Association. In the event Association desires to install an alarm system, Association shall provide a supervised alarm system with local monitoring by a U. L. approved station acceptable to the Airport Director. Association shall leave the Knox box, alarm system and wiring in place upon termination of the lease, unless requested otherwise in writing by the City of Arlington.

ARTICLE 8. ALLOCATED INTERESTS

8.1. General. Each unit includes an allocated interest. The allocated interest is expressed as a percentage for each unit. The allocated interest for the entire Condominium is one hundred percent (100%). The allocated interest expressed below shall not be severed from the ownership of the unit itself during the ownership of the Condominium. Voting power of unit owners shall be allocated like other interests herein.

8.2. Determination. The allocated interest is based on the value of each unit. The values do not necessarily reflect the amount for which a unit will be sold from time to time by the Declarant or others.

8.3. Calculation. The allocated interest for each unit and the votes appertaining to each unit are calculated as the percentage of value of each unit to the total value of the Condominium. The allocated interests are as set forth in Schedule C.

8.4. Additional Units and Withdrawal of Units. If any unit(s) is withdrawn from the Condominium, allocated interests shall be recalculated by the formula stated above, adding together all assigned unit values and allocating interests based upon the percentage of each value to the then total value of the Condominium. The Declaration shall be amended to reflect such recalculation.

ARTICLE 9. PERMITTED USES; MAINTENANCE OF UNITS; CONVEYANCES

9.1. Use. It is intended that the units be used in such a manner that would be consistent with commercial/corporate "S1" aircraft hangars. Commercial operations must be aviation related and allow for a 60' entry opening space by full depth storage of an aircraft without removal of permanently attached walls or fixtures. The use of office space shall comply with City of Arlington occupancy requirements as "O" occupancy. Residential use or use as a caretaker's facilities is not allowed unless approved in writing by The Board and the Airport Director. The use of the units shall be subject to the terms of the Lease, the Airport rules and regulations, and the Association Bylaws and "house rules". Pursuant to the Uniform Building and Fire Codes, the owners and occupants of units shall not engage in any use of the premises in violation of said Code restrictions for "S1 or O Occupancy" facilities. Any occupancy must comply with applicable sections of City of Arlington Planning Code and receive an occupancy permit, which would also require the Airport Directors approval as required by the Lease.

The use of the ramp for storage is prohibited. Aircraft operations on the taxilane/ramp shall be limited to taxiing to and from the hangars. Aircraft shall not use the taxilane/ramp for any other purposes including but not limited to runups, maintenance, and storage. It is anticipated that helicopter operations will occur. It will not be the Airport's responsibility to police aircraft and helicopter ramp operations. If a problem arises it will be the Associations responsibility to correct the infraction. If they refuse or do not correct the infraction those operations will cease or the Association will be in violation of their lease. This article may not be changed or amended without the approval of the Lessor.

9.2. Leases. Unit owners shall have the right to lease their units upon such terms and conditions as they shall determine; provided, however there shall be no lease of less than sixty days in length. Any lease or rental agreement executed by a condominium unit owner to rent his or her unit must provide that its terms shall be subject in all respects to the provisions of this Declaration and the By-Laws and Rules and Regulations of the Association, and the lease executed between Declarant and the City of Arlington, and that any failure by the tenant to comply with the terms of such documents, rules and regulations shall be a default under the lease or rental agreement, and that the owner grants power of attorney to the Board 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 or rental agreement does

not contain the foregoing provisions (subjecting the conveyance to this Declaration, the lease, and other documents provided herein), such provisions shall, nevertheless, be deemed to be a part of the lease or rental agreement, binding upon the owner and the tenant by reason of their being stated in this Declaration. The Board shall not 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.

9.2.1. A unit owner, by purchasing a unit in the condominium, gives the board a power of attorney, with all rights and privileges granted by law to sublessors, to terminate such sublease. Notice given by the board to a sub lessee shall be deemed to be notice by the unit owner-sublessor, for all purposes. Any sub lessee of a unit shall be subject hereto despite the term of any sublease agreement with the owner-sublessor.

9.2.2 In the event the sub lessee has not vacated the subleased unit upon the termination of the thirty (30) day period, the board shall be entitled to bring an action for unlawful detainer in the name of the board and the unit owner-sublessor, in accordance with the unlawful detainer statutes of the State of Washington, and notwithstanding a longer term or notice period specified in a sublease agreement.

9.2.3 In the event the unit owner-sublessor, whose sublease is terminated, fails to cooperate with the board in such termination, such unit owner-sublessor shall be liable to the Association for reasonable attorney fees and costs incurred in terminating the sublease, and in the conducting of the unlawful detainer action, and may be made a party defendant in any acting commenced by the Association relating to such sublease.

9.3. Maintenance of Units and Limited Common Areas. Each owner shall, at the owner's sole expense, keep the interior of the unit and its limited common areas, equipment, fixtures, and appurtenances in a clean and sanitary condition, free of rodents and pests, and in good order, condition, and repair. The cost of maintaining, repairing or replacing limited common areas that are portions of the building will be shared according to the relative percentages of undivided interest. Each owner shall be responsible for the maintenance, repair or replacement of any plumbing fixtures, water heaters, elevators, fans, heating equipment, electrical fixtures, or appliances which are in the unit, or portions thereof, that serve that unit only, and shall replace any glass in the windows and in the exterior doors of the unit that becomes cracked or broken. Owners may not, however, modify, or in any way alter, their respective limited common areas without prior written approval of the Board and if required airport manager.

9.4. Exterior Appearance. In order to preserve a uniform exterior appearance of the buildings. No owner may modify or decorate the exterior of the buildings, or screens, doors, signs, awnings, or

other portions of any unit visible from outside the unit without the prior written consent of the Board or in accordance with rules or regulations of the Board. No radio or television antennas or other appliances may be installed on the exterior of any building without the prior written consent of the Board.

9.5. Effect on Insurance. Nothing shall be done or kept in any unit or in any common area that will increase the rate of insurance on the property without the prior written consent of the Board. Nothing shall be done or kept in any unit or in any common area that will result in the cancellation of insurance on any part of the property that would be in violation of any laws, or that constitute a violation of lease provisions.

9.6. Alteration of Common Area. Nothing shall be altered or constructed in or removed from any common area or facility, except upon the prior written consent of the Board.

9.7. Signs. Any signs placed in or on the windows, doors, exterior walls or elsewhere on the premises must first be approved by the City of Arlington and the Association Board. The failure to seek such approval constitutes a breach of the lease and may result in the termination of the lease.

9.8. Offensive Activity. No noxious or offensive activity shall be carried on in any unit or common area, nor shall anything be done therein that may be or become an unreasonable annoyance or nuisance to other owners, taking into consideration the overall operation of the Condominium as housing aircraft and other aviation-related uses subject to the lease.

9.9. Conveyances; Notice Required. The right of an owner to sell, transfer, or otherwise convey the unit shall be subject to a first right of refusal, by the Board and Lessor. These requirements are set forth in Article 27 herein.

ARTICLE 10. ENTRY FOR REPAIRS, MAINTENANCE, AND INSPECTIONS

The Association and its agents or employees may enter any unit, and limited common areas appurtenant thereto, to effect repairs, inspections, improvements, replacements, maintenance, or sanitation work deemed by the Board to be necessary in the performance of its duties, to do necessary work that the owner has failed to perform, or to prevent damage to the common areas and facilities or to another unit. Except in cases of great emergency that preclude advance notice, the Board shall cause the unit occupant to be given notice and an explanation of the need for entry as far in advance of entry as is reasonably practicable. Such entry shall be made with as little inconvenience to the owners and occupants as practicable. Any damage caused by such entry shall be repaired by the Association as a common expense, unless the repairs or maintenance were necessitated by the acts or default of the owner or occupant of the unit entered, in which

event the costs of the repairs or maintenance shall be specifically assessed to that unit.

ARTICLE 11. SERVICE OF PROCESS

NW CUSTOM AIRCRAFT HANGARS LEASING LLC 19321 59TH AVE NE ARLINGTON WA 98223, is the person upon whom process may be served as provided for in the Act. The Board may, at any time, designate a different person for such purpose by recording an amendment to this Declaration limited to the sole purpose of making such change, and such amendment need be signed and acknowledged only by the President of the Association.

ARTICLE 12. OWNERS' ASSOCIATION

12.1. Form of Association. The owners of units shall constitute an Owners' Association as defined in the Act. The Association will be a nonprofit corporation formed under the laws of the State of Washington, and will be known as the NW CUSTOM AIRCRAFT HANGARS LEASING LLC. It will be governed by a Board of Directors of three (3) directors elected from the owners. The rights and duties of the members and of the corporation shall be governed by the provisions of the Act and of this Declaration. In the event of a conflict between the Act and the enabling corporation act, articles or By-Laws, the Act shall control.

12.2. Articles and By-Laws. Before the transition date, Declarant will adopt Articles of Incorporation and, under its authority to act as the Board of Directors of the Association, will adopt By-Laws in the form attached hereto and incorporated herein by this reference as Schedule E to supplement this Declaration, and to provide for the administration of the Association and the property, and for other purposes not inconsistent with the Act or this Declaration. Amendments to the Articles and By-Laws may be adopted at any meeting called for that purpose by a vote of the majority of the owners.

12.3. Qualification for Membership. Each owner of a unit (including Declarant) shall be a member of the Association and shall be entitled to one membership for each unit owned; provided, that if a unit has been sold on contract, the contract purchaser shall exercise the rights of the owner for purposes of the Association, this Declaration, and the By-Laws, except as hereinafter limited, and shall be the voting representative, unless otherwise specified. Ownership of a unit shall be the sole qualification for membership in the Association.

12.4. Transfer of Membership. The Association membership of each owner (including Declarant) shall be appurtenant to the unit giving rise to such membership, and shall not be transferred in any way, except upon the transfer of title to the unit, and then only to the transferee of title to the unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a unit shall operate

automatically to transfer the membership in the Association to the new owner.

12.5. Number of Votes. The total voting power of all owners shall be 100 votes. Each owner has available to him/her the number of votes allocated to each unit he/she owns. A person (including Declarant) who owns more than one (1) unit shall have the votes appertaining to each unit owned. The total voting power of all owners and the allocation of votes for each unit is set forth in Article 8.

12.6. Voting Representative. An owner may, by written notice to the Board, designate a voting representative for the unit. The voting representative need not be an owner. There shall be one (1) voting representative of each unit. The designation may be revoked at any time by written notice to the Board from a person having an ownership interest in a unit, or by actual notice to the Board of the death or judicially-declared incompetence of any person with an ownership interest in the unit, except in cases in which the person designated is a mortgagee of the unit. This power of designation and revocation may be exercised by the guardian of an owner, the attorney-in-fact for the owner under a durable power of attorney, and the administrators or executors of an owner's estate. If no designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each unit shall be the group composed of all of its owners. If a unit is owned by husband and wife, and any one of them is at a meeting, the one who is present will represent the marital community.

12.7. Joint Owner Disputes. The vote for a unit must be cast as a single vote. Fractional votes shall not be allowed. If joint owners are unable to agree how their vote shall be cast, they shall lose their right to vote on the matter in question.

12.8. Pledged Votes. An owner may, but shall not be obligated to, pledge his or her vote on all issues or on specific issues to a mortgagee. If an owner is in default under a first mortgage on the unit for 90 consecutive days or more, the mortgagee shall automatically be authorized to declare, at any time thereafter, that the owner has pledged his or her vote on all issues to the mortgagee during the continuance of the default. If the Board has been notified of any such pledge to a mortgagee, only the vote of the mortgagee will be recognized on the issues that are subject to the pledge.

12.9. Annual and Special Meetings. There shall be an annual meeting of the members of the Association in the fourth quarter of the fiscal year at such reasonable place and time as may be designated by written notice from the Board delivered to the owners no less than 30 days before the meeting. The audited financial statement for the preceding year and the budget the Board has adopted for the current year shall be presented at the annual meeting for the information of the members. Special meetings of the members of the Association may be called at any time, in the manner provided in the By-Laws, for the purpose of considering matters which require approval of all or some of

the owners, or for any other reasonable purpose. Any first mortgagee of a unit may attend or designate a representative to attend the meetings of the Association.

12.10. Audits. As soon as is convenient after the close of each fiscal year, the Board shall have a financial statement prepared for that year. The financial statement shall be made by a certified or licensed public accountant who is not a member of the Board or an owner. The financial statement shall be completed in time for the Association's annual meeting and, in any event, within 90 days following the end of the fiscal year. Any mortgagee will, upon request, be entitled to receive the annual financial statement within 90 days following the end of the fiscal year. The Board, or persons having thirty-five percent (35%) of the voting power of the Association, may require that an audit of the Association and management books be presented at any special meeting. An owner, at his or her expense, may at any reasonable time conduct an audit of the books of the Board and Association. The Association by a 60% majority vote may choose such other financial review as deemed necessary.

12.11. Books and Records. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures of the Association, in a form that complies with generally accepted accounting principles.

12.12. Inspection of Condominium Documents, Books and Records. The Association shall make available to owners, mortgagees, prospective purchasers and their prospective mortgagees, and the agents or attorneys of any of them, current copies of this Declaration, the Articles, the By-Laws, and other rules governing the Condominium, and other books, records, and financial statements of the Association, and the most recent annual financial statement, if one is prepared. "Available" shall mean available for inspection upon request, during normal business hours or under other reasonable circumstances. The Association may require the requesting party to pay a reasonable charge to cover the cost of making the copies.

ARTICLE 13. NOTICES

13.1. Form and Delivery of Notice. All notices given under the provisions of this Declaration, or the By-Laws, or rules or regulations of the Association, shall be in writing and may be delivered either personally, by regular or E mail. If delivery is made by regular mail, the notice shall be deemed to have been delivered upon being deposited in the United States mail, first class, postage prepaid, addressed to the person entitled to such notice at the most recent address known to the Board. Notice to the owner of any unit shall be sufficient if mailed to the unit if no other mailing address has been given to the Board. Mailing addresses may be changed by notice, in writing, to the Board. Notices to the Board shall be given to Declarant until the transition date, and thereafter shall be given to the President or Secretary of the Association.

13.2. Notices to Holders, Insurers and Guarantors of Mortgages.

A holder, insurer or guarantor of a mortgage is, respectively, any holder, insurer or guarantor of a mortgage on a unit that files with the Secretary of the Board a written request that it must be given copies of the notice listed below. The request must state the name and address of the holder, insurer or guarantor, and the unit number. Until such time thereafter that the holder, insurer or guarantor withdraws the request or the mortgage held, insured or guaranteed by the holder, insurer or guarantor, as the case may be, is satisfied, the Board shall send to the holder, insurer or guarantor timely written notice of (a) any proposed amendment of the Declaration or Survey Map and Plans effecting a change in (i) the boundaries of any unit, (ii) the exclusive easement rights, if any, appertaining to any unit, (iii) the percentage interest in the common areas and facilities appertaining to any unit, or the liability for common expenses appertaining thereto, (iv) the number of votes in the Association appertaining to any unit, or (v) the purposes to which a unit or the common areas are restricted; (b) any proposed termination of Condominium status, transfer of any part of the common areas; (c) any condemnation loss or casualty loss that affects a material portion of the Condominium or that affects any unit on which a holder has a first mortgage; (d) any delinquency which has continued for 60 days in the payment of assessments or charges owed by an owner of a unit on which a holder has a mortgage; (e) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association pursuant to Article 20; and (f) any proposed action that would require the consent of a specified percentage of holders pursuant to Articles 21, 22 or 24.

ARTICLE 14. MANAGEMENT OF CONDOMINIUM

14.1 Declarant Control.

14.1.1. General. In order to assure that the Condominium will be adequately administered in the initial phases of development, and to assure an orderly transition to Association operations, the Condominium shall be managed by Declarant. During such time, Declarant or persons designated by Declarant may appoint and remove officers and directors. Prior to the sale of units, the Declarant shall constitute the Association and its directors with full authority to transact the business of the Association.

14.1.2. Termination. Declarant's authority shall end and the Board's shall assume management upon the sooner of:

a. a date on which the Declarant records an amendment to this Declaration pursuant to which Declarant voluntarily surrenders the right to further appoint and remove officers and directors; or

b. sixty (60) days after conveyance of seventy-five percent (75%) of the units to owners other than a Declarant; or

c. two (2) years after the last conveyance or transfer of record of a unit except as a security for a debt; or

d. two (2) years after any development right to add new units was last exercised.

14.1.3. Temporary Board.

a. Up until the termination of Declarant control, Declarant has the right to select all directors, subject to the provisions of subsection 14.1.3.b.

b. Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the units to owners other than Declarant, one director must be elected by owners other than Declarant. Declarant may not remove any director elected by owners. The owners (other than Declarant) may remove any director elected by the owners.

c. A Declarant may voluntarily surrender the right to appoint and remove officers and director before termination of Declarant control. In such event, Declarant may require, for the duration of the period of Declarant control, that specific actions of the Association or Board, as described in a recorded instrument executed by Declarant, be approved by Declarant before they become effective.

14.1.4. Termination of Contracts and Leases. This section 14.1.4 applies to any contracts or leases entered into prior to the Board (that is elected by the owners) taking office. Upon ninety (90) days notice to the other party (or within such lesser notice, as provided for in such contract or lease), any of the following may be terminated without penalty by the Association at any time:

a. any management contract, employment contract or lease of recreational or parking areas or facilities;

b. any other contract or lease between the Association and a Declarant or an affiliate of Declarant; and

c. any contract or lease that is not bona fide or was unconscionable to the owners at the time entered into under the circumstances then prevailing.

This section does not apply to any lease, the termination of which would terminate the Condominium or reduce its size, unless the real property subject to that lease was included in the Condominium for the purpose of avoiding the right of the Association in terminating a lease under this section.

14.1.5. Transfer of Control. Within sixty (60) days of the termination of Declarant control, Declarant shall deliver to the

Association all property of the owners and of the Association held or controlled by Declarant.

14.2. Directors.

14.2.1. Size and Term. The size of the Board and the term of its directors shall be as set forth in the By-Laws and as provided in section 12.1.

14.2.2. Initial Board and Officers. Within thirty (30) days after the termination of Declarant control, the owners shall elect a Board at a special meeting called for that purpose. The Board shall elect the officers. The directors and officers shall take office upon election, to serve until the first annual meeting.

14.2.3. Election. At each annual meeting the owners shall elect directors to replace those whose terms have expired.

14.2.4. Removal. Notwithstanding any other provision of the Declaration and By-Laws, the owners, having sixty-seven percent (67%) or more of the voting power present and entitled to vote at any meeting of the owners at which a quorum is present, may remove any director with or without cause, other than a director appointed by Declarant.

14.2.5. Vacancies. Any vacancies on the Board shall be filled by a vote of the majority of the remaining directors, even though they may constitute less than a quorum. Any director so elected shall remain a director until a successor is elected at the next annual meeting or a special meeting of the Association called for that purpose.

14.2.6. Qualification. All directors must be owners or general partners of partnerships, or officers of corporations with ownership interests.

14.3. Authority of Board. All administrative power and authority of the Association vests in the Board.

14.3.1. General Authority. The Board, for the benefit of the Condominium and the owners, shall enforce the provisions of the lease, this Declaration and of the By-Laws and shall have all powers and authority permitted under the Act and the Declaration. The Board shall have the duty and the authority to collect rents from all unit owners and to pay said rents to the Lessor. The Board shall have the duty and authority to enforce all terms and conditions of the Declaration, By Laws, and Lease on all unit owners. The Board shall act on behalf of the Association in carrying out all of the powers of the Association.

14.3.2. Standard of Care. In the performance of their duties, the officers and directors are required to exercise:

a. if appointed by Declarant, the care required of fiduciaries of the owners; or

b. if elected by the owners, ordinary and reasonable care.

14.3.3. Right to Contract. The Board shall have the exclusive right to enter into contracts on behalf of the Association. The Board may delegate such powers.

14.3.4. Right of Entry. The Board 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 owner as practicable. Any damage caused thereby shall be repaired by the Board. If the repairs or maintenance were necessitated by or for the unit entered or requested by its owner, the costs thereof shall be specially assessed to such unit.

14.3.5. Not for Profit. Nothing herein contained shall be construed to give the Board authority to conduct an active business for profit on behalf of any of the owners.

14.3.6. Authority to Contract. The Board, on behalf of the Association, may use common funds of the Association to acquire tangible and intangible personal property and real property and interests therein, and may dispose of the same by sale or otherwise. Such property shall thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for the benefit of the common fund of the Association as the Board may direct. Grant easements, leases, licenses, and concessions through or over the common elements.

14.3.7. Disbursements. As part of the Board's authority, the Board shall acquire and pay for all goods and services as provided for in the budget or as the Board deems necessary or advisable for the proper functioning of the Condominium from common funds.

14.3.8. Adoption of Rules and Regulations. The Board is empowered to adopt, amend and revoke, on behalf of the Association, detailed administrative rules and regulations necessary or convenient from time to time to insure compliance with the general guidelines of this Declaration, and to promote the comfortable use and enjoyment of the property. The rules and regulations of the Association shall be binding upon all owners and occupants and all other persons claiming any interest in the Condominium.

14.3.9. Enforcement of Declaration, Etc. The Board (or Declarant or the interim Board of Directors until the transition date) shall have the power and the duty to enforce the provisions of this Declaration, the Articles, the By-Laws, and the rules and regulations of the Association, as the same may be lawfully amended from time to time, for the benefit of the Association. If a legal action is brought to interpret or enforce compliance with the provisions of this

Declaration, the Articles, the By-Laws, or the rules or regulations of the Association, the prevailing party shall be entitled to judgment against the other party for its reasonable expenses, court costs and attorney's fees in the amount awarded by the court.

14.3.10. Protection of Property. The Board may spend such funds and take such action, as it may, from time to time, deem necessary to preserve the property, settle claims, or otherwise act in what it considers to be the best interests of the Condominium or the Association. The Board shall have the right to grant permits, licenses and easements over the common areas for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Condominium.

14.3.11. Limitation of Authority. The Board's powers enumerated in this section 14.3 are limited by this section 14.3.11. The Board shall have no authority to pay or contract for goods or services (other than for purposes of restoring, repairing or replacing portions of the common elements) having a total cost in excess of five thousand dollars (\$3,000) unless:

- a. It is set forth as a separate item in the budget;
- or
- b. it is approved by a majority vote of the owners at a meeting called specially for that purpose; or
 - c. written consent of a majority of the owners is received.

14.3.12 Power of Attorney. Each unit owner, by the mere act of becoming a unit owner, shall irrevocably appoint the Association as his attorney-in-fact, with full power of substitution, to take such action as reasonably necessary promptly to perform the duties of the Association and board. These duties include, but are not limited to, the duties to maintain, repair and improve the property, to deal with the unit upon damage or destruction, and to secure insurance proceeds. Any use of the power conferred here shall impose upon the user the duty of care of fiduciaries of the unit owners.

14.3.13. Arlington Airport Lease. The Board shall have the authority and duty, in accordance with this Declaration and/or the bylaws, to perform each and every obligation of the Association under the Lease and all amendments thereto, as set out in Exhibit F.

14.3.13.1 The board shall have the authority and duty to sign on behalf of the Association all rent readjustments contemplated by the terms of the Lease as set out in Exhibit F.

14.3.13.2 The Board shall have the authority and duty to, in accordance with this Declaration and/or the bylaws, provide to Snohomish County (or the appropriate governmental entity) leasehold excise tax affidavits clarifying improvements to the property for the

purpose of calculation of payment by the Association of leasehold excise tax, if applicable.

14.3.13.3 The Board shall have the authority and duty to expend, any amount necessary to insure and execute timely and full performance of each and every obligation of the Association under the Lease as set out in Exhibit A and all amendments thereto.

ARTICLE 15. BUDGET AND ASSESSMENT FOR COMMON EXPENSES

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

15.2. Preparation of Budget. Not less than thirty (30) days before the end of the fiscal year the Board shall prepare a budget for the Association for the coming year. In preparing its budget, the Board shall estimate the common expenses of the Association to be paid during the year, including all rental payments due to the Lessor, make suitable provisions for accumulation of reserves, and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Association. Declarant, or the interim Board, shall prepare a budget for the remainder of the fiscal year in which this Declaration is recorded and for subsequent years until the transition date. If during the year the budget proves to be inadequate for any reason, including nonpayment of any owner's assessment, the Board may prepare a supplemental budget for the remainder of the year.

15.2.1. Basis of Assessment. The common expenses shall be assessed to the units and the owners thereof on the basis of their allocated interest. Special assessments are to be levied against the unit benefiting there from.

15.2.2. Adoption of Budget. The owners shall review and consider ratification of the budget at a meeting called especially for that purpose as provided for in section 12.9. Unless at that meeting a majority of votes reject the budget, the budget is ratified whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the owners shall be continued until such time as the owners ratify a subsequent budget proposed by the Board.

15.2.3. Assessment. The budget shall provide for an assessment against each unit for its common expense liability. Until the Association makes an assessment, the Declarant shall pay all common expenses. After any assessment has been made by the Association, they must be made against all units based on the budget adopted.

15.2.4. Guidelines.

a. To the extent any common expense is caused by the misconduct of any owner, the Association may assess that expense against the owner's unit.

b. If common expense liabilities are reallocated, assessments and any installments thereof not yet due shall be recalculated in accordance with the reallocated common expense liabilities.

c. Where the amounts are material in relationship to all expenses and it is feasible to do so:

i. 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 units to which that limited common element is assigned in equal shares;

ii. Any common expense or portion thereof benefiting fewer than all of the units shall be assessed exclusively against the units benefited.

iii. The costs of insurance must be assessed in proportion to risk; and

iv. The costs of utilities must be assessed in proportion to the usage.

15.2.5. Special Assessments. If a special assessment becomes chargeable against a unit under the authority of this Declaration or the By-Laws, the Board shall determine the amount of such special assessment and fix the month or months in which it is to be paid. The special assessment shall be added to the unit's monthly installment of common expenses and be included in the assessment against the unit.

15.2.6. Notice of Assessment. The Board shall notify each owner in writing of the amount of the monthly assessments to be paid for his unit, and shall furnish copies of each budget on which the assessments are based to all owners and, if so requested, to their respective mortgagees.

15.2.7. Payment of Assessments. On or before the first day the assessment period, as determined by the Board, each owner shall pay or cause to be paid to the Treasurer of the Association the assessment against the unit for that month or quarter. Any assessment not paid by the first day of the assessment period for which it is due shall be delinquent and subject to late charges, interest charges and collection procedures as provided in Article 16.

15.2.8. Declarant Liability. Declarant shall be liable for the common expense assessment related to any unit that it owns on the same basis as any other units.

15.2.9. Proceeds Belong to Association. All assessments and other receipts received by the Association on behalf of the Condominium shall belong to the Association.

15.2.10. Additional Security Deposit. In addition to the assessment provided above, the Board shall require each unit owner to make and maintain a "security deposit." The security deposit shall be in an amount of six (6) months estimated monthly assessment. No unit owner shall be entitled to any interest accruing from such security deposit. Any interest accruing shall be for the benefit of the Association. The security deposit shall be held in a separate fund credited to such unit owner. This security deposit shall not be considered as an advance payment, and resort may be had thereto at any time such unit owner is ten (10) days or more delinquent in paying his monthly or other assessments. In the event that the security deposit is drawn upon, the unit owner shall be considered in default, and the Association shall retain all of its rights with regard to such default until the security deposit, together with all interest, penalties and costs, has been fully restored. Said default shall be construed as an assessment default, entitling the Board to pursue all remedies set forth in Article 16.

15.2.11. Monies Collected.

a. Purpose. All assessments shall be collected and held in trust and administered and expended for the benefit of the Association. All funds collected shall be expended for the purpose designated in this Declaration.

b. Separate Accounts. The Association shall maintain separate accounts for current operations and reserves.

c. Reserve Account. The Board shall establish an account in a federally insured depository to be known as the reserve account. The purpose of the reserve account is to provide for:

i. Timely performance of all obligations of the Association under the City of Arlington lease annexed to this Declaration; and

ii. Financial stability during periods of special stress; and

iii. Meeting deficiencies in the general funds that may occur from time to time as a result of delinquent payments of assessments; and

iv. Other contingencies.

The Board shall calculate the contributions to this reserve account so that there are sufficient funds available. The reserve account shall be established by the initial budget. If the sum

estimated and budgeted at any time proves inadequate for any reason, the Board may at any time levy a further assessment.

15.2.12. Failure to Assess. Any failure by the Board or the Association to make the budget and assessments there under before the expiration of any year for the ensuing year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the owners from the obligation to pay assessments during that or any subsequent year, and the monthly assessment amount established for the preceding year shall continue until a new assessment is established.

15.2.13. Certificate of Unpaid Assessments. Upon the request of any owner or mortgagee of a unit, the Board will furnish a certificate in recordable form stating the amount, if any, of unpaid assessments charged to the unit. The certificate shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the certificate in favor of all purchasers and mortgagees of the unit who rely on the certificate in good faith. The Board may establish a reasonable fee to be charged to reimburse it for the cost of preparing the certificate.

15.2.14. Termination of Utility Service. In addition to and not by way of limitation upon other methods of collecting any assessments, the Board shall have the right, after giving ten (10) days' notice to any unit owner who is delinquent in paying his assessments, to cut off any or all utility services to the delinquent owner's unit until such assessments are paid.

ARTICLE 16. LIEN AND COLLECTION OF ASSESSMENTS

16.1. Assessments Are a Lien; Priority. All unpaid sums assessed by the Association for the share of the common expenses chargeable to any unit, including the unit's proportionate share of rent, and any sums specially assessed to any unit under the authority of this Declaration or the By-Laws (together with interest, late charges, costs, and attorney's fees in the event of delinquency), shall constitute a continuing lien on the unit, and all its appurtenances from the date the assessment became due until fully paid. The lien for such unpaid assessments shall be subordinate to tax liens on the unit in favor of any assessing unit and/or special district, and to all sums unpaid on all mortgages of record, but shall have priority over all other liens against the unit. A mortgagee of a mortgage of record of a unit that obtains title through a mortgage foreclosure or deed of trust sale, or by taking a deed in lieu of foreclosure or sale, or a purchaser at a foreclosure sale shall not be liable for the common expenses or assessments by the Association chargeable to the unit that became due before taking title, and will be liable for the common expenses and assessments that accrue after taking title. For the purpose of this section, the terms "mortgages" and "mortgagee" shall not mean real estate contracts, or a vendor, or a designee, or assignee of a vendor under a real estate contract. Any unpaid "pre-possession assessments" for units title to which has been obtained through

foreclosure, deed in lieu or purchased at a foreclosure sale shall become a common expense to be shared by all unit owners.

16.2. Lien May Be Foreclosed. The lien for delinquent assessments may be foreclosed by suit by the Board, acting on behalf of the Association, in like manner as the foreclosure of a mortgage of real property. The Board, acting on behalf of the Association, shall have the power to bid on the unit at the foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same.

16.3. Assessments Are Personal Obligation. In addition to constituting a lien on the unit and all its appurtenances, all sums assessed by the Association chargeable to any unit (together with interest, late charges, costs, and attorney's fees in the event of delinquency), shall be the personal obligation of the owner of the unit when the assessment is made. Suit to recover personal judgment for any delinquent assessments shall be maintainable without foreclosing or waiving the liens securing them.

16.4. Late Charges and Interest on Delinquent Assessments. The Board may, from time to time, establish late charges and a rate of interest to be charged on assessments that may thereafter become delinquent. In the absence of another established non-usurious rate, delinquent assessments shall bear interest at the rate of twelve percent (12%) per annum. If a monthly assessment against a unit is not paid when due, the Board may elect to declare all monthly assessments against that unit for the remainder of the fiscal year to be immediately due and payable.

16.5. Recovery of Attorney's Fees and Costs. In any action to collect delinquent assessments, the prevailing party shall be entitled to recover, as part of its judgment, a reasonable sum for attorney's fees and expenses reasonably incurred in connection with the action, in addition to taxable costs permitted by law.

16.6. Delinquent Assessments--Rented Units. If assessments are more than thirty (30) days delinquent for a unit which is rented, the Association may collect from the tenant of the unit so much of the rent for the unit as is required to pay any amounts due for assessments, plus interest and costs. The tenant shall have no right or duty to question payment to the Association, and the payment to the Association will discharge the tenant's obligation to the owner for rent.

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

16.8. Security Deposit. An owner who has been delinquent in paying his monthly assessments for three (3) of the five (5) preceding months may be required by the Board, from time to time, to make and maintain a security deposit not in excess of three (3) months'

estimated monthly assessments, which shall be collected and shall be subject to penalties for nonpayment as are other assessments. The deposit shall be held in a separate fund, credited to such owner, and may be resorted to at any time when such owner is ten (10) days or more delinquent in paying his assessments.

ARTICLE 17. FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE/NO WAIVER

The failure of the Board in any instance to insist upon the strict compliance with this Declaration, or the By-Laws, or rules and regulations of the Association, or to exercise any right contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of any term, covenant, condition, or restriction. The receipt by the Board of payment of an assessment for an owner, with knowledge of a breach by the owner, shall not be a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed by the Board. This Article also extends to the Declarant, and the interim Board of Directors, exercising the power of the Board before the transition date.

ARTICLE 18. LIMITATION OF LIABILITY

18.1. Liability for Utility Failure, Etc. Except to the extent covered by insurance obtained by the Board, neither the Association nor the Board (nor the Declarant, or the interim Board of Directors), shall be liable for: the failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from outside or from any parts of the buildings, or from any of their pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of 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.

18.2. No Personal Liability. So long as a Board member, or Association committee member, or Association officer, or Declarant has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such person, no such person shall be personally liable to any owner, or to any other person, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence of such person; provided, that this section shall not apply where the consequences of such act, omission, error, or negligence is covered by insurance obtained by the Board.

18.3. Declarant Liability.

18.3.1. Responsibility. Neither the Association nor any owner (except Declarant) is liable for Declarant's torts in connection

with any part of the Condominium, which that Declarant has the responsibility to maintain. Unless the wrong was done by an owner other than Declarant, if the wrong by the Association occurred during any period of Declarant control and the Association gives the Declarant reasonable notice of an opportunity to defend against the action, the Declarant who then controlled the Association is liable to the Association or to any owner:

a. For all tort losses not covered by insurance suffered by the Association or that owner; and

b. For all costs, which the Association would not have incurred, but for breach of contract or other wrongful act or omission by the Association.

18.3.2. Failure to Defend. If Declarant does not defend the action and is determined to be liable to the Association under this section 18.3, Declarant is also liable for all litigation expenses including reasonable attorneys' fees incurred by the Association in such defense.

18.3.3. Statute of Limitations. Any statute of limitations affecting the Association's right of action under this section 18.3 is tolled until the period of Declarant control terminates.

18.3.4. Standing. An owner is not precluded from bringing an action contemplated by section 18.3 because he/she is an owner or a director or officer of the Association.

ARTICLE 19. INDEMNIFICATION

19.1. Indemnification of Board Members, Association, Committee Members and Declarant. Each Board member and Association committee member and Association officer and Declarant shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may be a party, or in which he may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by any type of insurance, and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his or her 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.

19.2. Indemnification of the City of Arlington/Lessor. The lessee/Association agrees to defend, indemnify and hold harmless City of Arlington, its appointed and elective officials and employees, while acting within the scope of their duties as such, from and against all claims, demands, and causes of action of any kind or character,

including the cost of defense thereof, arising in favor of the lessee's employees or third parties on account of personal injuries, death, or damage to property arising out of the premises leased by the lessee or in any way resulting from the negligent acts or omissions of the lessee and/or its agents, employees or representatives, except for those damages solely caused by the negligence or willful misconduct of the County, its elected and appointed officials, officers, employees, and agents.

ARTICLE 20. INSURANCE

20.1. Insurance Coverage. The Association shall, at all times, procure and continue in force all insurance coverage as is required by the lease with City of Arlington, including any amendments thereto. The Association shall maintain any other insurance, from time to time, it shall deem advisable. With the exception of insurance required by the terms of the lease, pursuant to RCW 64.34.352(8), all provisions of RCW 64.34.352 are deemed waived due to the restriction, applicable to all units of the Condominium, that all units are for nonresidential use. Pursuant to the terms of the lease with the City of Arlington, the Association shall maintain the following insurance:

20.1.1. Fire. The Association shall at all times carry at its own expense fire insurance, extended coverage and vandalism and malicious mischief fire insurance on all buildings existing or hereafter constructed on the premises acceptable to the Lessor, which policy or policies shall name the Association and City of Arlington as the insured, and to the extent of at least eighty percent (80%) of value. The original policy, a duplicate true certified copy, or such other evidence of insurance as the Lessor shall in writing have agreed to accept, shall be on deposit with the lessor's Clerk at all times during the term hereof. Each such policy shall provide that the policy may not be canceled without the company first giving the Lessor at least thirty (30) days' prior written notice. No such policy shall contain a deductible clause greater than ONE THOUSAND AND NO/100THS DOLLARS (\$1,000.00) per claim. In the event of loss, the Association shall pay such deductible sum. The Association may change the deductible amount with a majority vote of all unit owners to change said amount.

20.1.2. Liability. The Association shall at all times carry and maintain liability insurance in a company or companies rated in the current edition of Best's General Ratings as at least A (Excellent), and Financial Size Category of not less than Class X, or in such other company or companies not so rated which may be acceptable to Lessor, insuring the Association against all claims for damages for personal injury, including death, and against all claims for damage and destruction of property, which may arise by the acts or negligence of the Association, its agents, employees, servants or members, or by any means of transportation whatsoever including owned, non-owned and hired automobiles, to the extent of at least TWO MILLION AND NO/100THS DOLLARS (\$2,000,000.00) combined single limit. City of Arlington shall be named in all such policies as an additional insured, and a duplicate true certified copy of the original of such insurance policy or

policies shall be furnished to Lessor. Each such policy shall provide that the policy may not be canceled without the company first giving Lessor at least thirty (30) days' written notice.

20.1.3. Personal Property. Insurance may be procured against loss of personal property of the Association by fire, theft and other losses with deductible provisions, as the Board deems advisable.

20.1.4. Additional Insurance. The Board may procure such other insurance as may be required by the state or other political entity (for example, workman's compensation) and such other insurance as the Board deems advisable. They will also provide for the indemnification of its officers and board of directors and maintain directors' and officers' liability insurance.

20.2. Policy Provisions. All insurance policies obtained pursuant to sections 20.1.1 and 20.1.2 shall have the following provisions to the extent reasonably available:

20.2.1. Named Insured. Each owner is an insured person under the policy with respect to liability arising out of the owner's interest in the common elements or membership in the Association. Additionally, City of Arlington shall be named as an insured.

20.2.2. Waiver of Subrogation. There shall be a waiver of subrogation by the insurers to any and all claims against the Association, any owner and/or their respective agents, employees or tenants, and of any defenses based upon co-insurance or upon invalidity arising from the acts of the insured.

20.2.3. Negligence. No act or omission by any owner, unless acting within the scope of the owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy.

20.2.4. Dispute. If there is any provision giving the insurer the right to restore damage in lieu of a cash settlement, such option shall not be exercisable:

a. without the prior written approval of the Association; or

b. when in conflict with the provisions of any insurance trust agreement to which the Association is a party or any requirement of law.

20.2.5. Cancellation or Modification. Insurance may not be canceled or modified substantially without at least thirty (30) days' prior written notice to the Association, the City of Arlington, and each person listed in the insurance policy as a scheduled holder of a first mortgage.

20.3. Additional Undertakings.

20.3.1. Notice of Change. If the insurance described in sections 20.1.1 and 20.1.2 is modified, canceled or not renewed, the Association promptly shall cause notice of that fact to be hand delivered or sent prepaid by first class United States mail to all owners, to each eligible mortgagee and to each mortgagee to whom a certificate or memorandum of insurance (described in section 20.3.2.) has been issued at their respective last known addresses.

20.3.2. Notice to Snohomish County of Cancellation, Nonrenewal or Material Change. In the event of nonrenewal, cancellation or material change in the coverage provided, thirty (30) days' written notice shall be furnished to the Snohomish County prior to the date of nonrenewal, cancellation or change.

20.3.3. Certificates of Insurance. An insurer that has issued an insurance policy shall issue certificates or memoranda of insurance to the Association and upon request to any owner or mortgagee. The insurer issuing the policy may not modify the amount or the extent of the coverage of the policy or cancel or refuse to renew the policy unless the insurer has complied with all applicable provisions of Revised Code of Washington Chapter 48.18 (the Insurance Contract) pertaining to the cancellation or nonrenewal of contracts of insurance.

20.3.4. Owner's Additional Insurance. Each owner may obtain additional insurance respecting his unit, at his own expense. No owner shall maintain insurance coverage in any manner, which would decrease the amount, which the Board (or any trustee for the Board, on behalf of all of the owners) will realize under any insurance policy, which the Board may have in force on the Condominium at any particular time. Any owner who obtains individual insurance policies covering any portion of the Condominium, other than personal property belonging to such owner, is required to file a copy of such individual policy or policies with this Board within thirty (30) days after purchase of such insurance. The Board shall immediately review the effect of such insurance with the Board's insurance broker, agent or carrier.

20.4. Insurance Proceeds.

20.4.1. Receipt of Funds. Insurance proceeds for damage or destruction to any part of the Condominium shall be paid to the Association which shall segregate such proceeds from other funds of the Association for use and payment as provided for in Article 21.

20.4.2. Settlement of Claim/Insurance Trustee. The Association, acting through its Board, shall have the exclusive authority to settle and compromise any claim under insurance obtained by the Association, and the insurer may accept a release and discharge of liability made by the Board on behalf of the named insured's under the policy. Notwithstanding any of the provisions of Article 20, there may be named as an insured, on behalf of the Association, an "Insurance

Trustee." The Insurance Trustee would be the authorized representative of the Association and may include the Board or any other trustee with whom the Association may enter into any insurance trust agreement or any successor to such trustee. The Insurance Trustee shall have exclusive authority to negotiate losses under any policy providing for property or liability protection.

20.4.3. Authority. Each owner appoints the Association, or any Insurance Trustee or substitute Insurance Trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including:

a. the collection and appropriate disposition of the proceeds thereof; and

b. the negotiation of losses and execution of releases of liability; and

c. the execution of all documents; and

d. the performance of all other acts necessary to accomplish such purpose.

The Association or any Insurance Trustee is required to receive, hold or otherwise properly dispose of any proceeds of insurance in trust for owners and their first mortgagees, as their interests may appear.

ARTICLE 21. DAMAGE AND REPAIR OF DAMAGE TO PROPERTY

21.1. City of Arlington Lease Requirements. At all times all provisions of the City of Arlington lease shall control any decision by the Association on any unit owner in the event of damage or destruction of any condominium property or any unit or portion thereof, and all persons having any interest in said property or taking said interest shall be subject to any such City of Arlington lease provision. Notwithstanding any such provisions and, where not inconsistent therewith, to discharge said provisions, the Association, unit owners, and anyone exercising any right in the condominium and/or its property shall have rights and duties as follows.

21.2. Initial Board Determination. In the event of damage to any part of the common areas and facilities, the Board shall promptly, and in all events within fifteen (15) days after the date of damage, make the following determinations with respect thereto, employing such advice as the Board deems advisable:

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

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

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

21.2.4. The amount, if any, by which the estimated cost of repair exceeds the expected insurance proceeds, and the amount of the assessments that would have to be made against each unit if the excess cost were to be paid as a maintenance expense and specifically assessed against all the units in proportion to their allocated interest;

21.2.5. The Board's recommendation whether the damage should be repaired.

21.3. Notice of Damage. The Board shall promptly, and in all events within fifteen (15) days after the date of damage, provide each owner and each holder of a first mortgage on a unit with a written notice describing the damage and summarizing the initial Board determinations made under section 21.2. If the Board fails to do so within fifteen (15) days, any owner or mortgagee may make the determinations required under section 21.2 and give the notice required under this section 21.3.

21.3.1. Notice to the City of Arlington. In the event the premises are destroyed or damaged by fire or other casualties so that the same shall be unfit for use or occupancy, then the Board or Declarant shall immediately notify the City of Arlington of the loss. The Board or Declarant shall give the County notice of intention to rebuild within sixty (60) days of the date of loss. If the Declarant or Board fails to give notice of intention to rebuild within the time specified, the County shall then have the option to rebuild and shall give the Declarant or Board notice in writing of such intention within one hundred twenty (120) days after receiving written notice of loss from the Declarant or Board, subject to such policy conditions governing the replacement cost provisions therein.

21.4. Definitions: Damage, Substantial Damage, Repair, Emergency Work. As used in this Article 21:

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

21.4.2. Substantial Damage shall mean that in the judgment of a majority of the Board the estimated special assessment determined under subsection 21.2.4 for any one (1) unit exceeds ten percent (10%) of the full, fair market value of the unit before the damage occurred, as determined by the then current assessment for the purpose of real estate taxation.

21.4.3. Repair shall mean restoring the improvements to substantially the condition they were in before they were damaged, with each unit and the common elements and limited common elements having substantially the same vertical and horizontal boundaries as before. Modifications to conform to applicable governmental rules and regulations or available means of construction may be made.

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

21.5. Execution of Repairs.

21.5.1. The Board shall promptly repair the damage and use the available insurance proceeds therefore unless, before the repairs (other than emergency work) are begun;

a. The Condominium is terminated;

b. The repairs or replacement would be illegal under any state or local health or safety statute or ordinance; or

c. The unit owners decide in accordance with this Article not to repair.

21.5.2. The cost of repair or replacement in excess of insurance proceeds and reserves, if any, is a common expense.

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

21.6. Damage Not Substantial. If the damage as determined under sections 21.2 and 21.4 is not substantial, the provisions of this section 21.6 shall apply.

21.6.1. Either the Board or the requisite number of owners, within fifteen (15) days after the notice required under section 21.3 has been given, may, but shall not be required to, call a special owners' meeting in accordance with section 12.9 and the By-Laws to decide whether to repair the damage.

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

21.6.3. A unanimous decision of the owners and, in addition, the unanimous consent of the holders of first mortgages on units will be required to elect not to repair the damage. The failure

of the Board and the owners within the 15-day period to call a special meeting shall be deemed a decision to repair the damage.

21.7. Substantial Damage. If the damage determined under sections 21.2 and 21.4 is substantial, the provisions of this section 21.7 shall apply.

21.7.1. The Board shall promptly, and in all events within fifteen (15) days after the date of damage, call a special owners' meeting to consider repairing the damage. If the Board fails to do so within fifteen (15) days, then, notwithstanding the provisions of section 12.8 and the By-Laws, any owner or first mortgagee of a unit may call and conduct the meeting.

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

21.7.3. At the special meeting the following consent requirements will apply:

a. The owners shall be deemed to have elected to repair the damage in accordance with the original plan, unless the owners of at least sixty-seven percent (67%) of the total voting power of the Condominium, other than that held by Declarant, have given their written consent not to repair the damage.

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

c. In addition to the consent of the owners specified above, any election not to repair the damage or not to rebuild substantially in accordance with the original plan will require the approval of eligible holders of first mortgages on units that have at least fifty-one percent (51%) of the votes subject to eligible holder mortgages.

d. Failure to conduct the special meeting provided for under subsection 21.7.1 within ninety (90) days after the date of damage shall be deemed a unanimous decision to repair the damage in accordance with the original plan.

21.8. Effect of Decision Not to Repair. In the event of a decision under either sections 21.5 or 21.7 and 21.3.1 not to repair the damage, the Board may nevertheless expend so much of the insurance proceeds and common funds as the Board deems reasonably necessary for emergency work (which emergency work may include but is not necessarily limited to removal of the damaged improvements and clearing, filling and grading the land), and the remaining funds, if any, shall be deposited into the Reserve Account established under 15.2.11.c, and the affected property shall, if possible, be returned to City of Arlington for an abatement on monthly lease obligation, failing which the

property shall be distributed to the units and their owners on the basis of their allocated interests.

ARTICLE 22. CONDEMNATION

22.1. Consequences of Condemnation; Notices. If any unit, or portion thereof, or the common elements or limited common elements, or any portion thereof, is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by a condemning authority (referred to herein as a "taking"), notice of the proceeding or proposed acquisition shall promptly be given to each owner and to each holder of a first mortgage, and the provisions of this Article 22 shall apply.

22.2. Power of Attorney; Proceeds. Each owner appoints the Association as attorney-in-fact for the purpose of representing the owners in condemnation proceedings and negotiations, settlements and agreements with the condemning authority for acquisition of common elements and limited common elements, or any part thereof, from the condemning authority. The Board may appoint a trustee to act on behalf of the owners in carrying out the foregoing functions in lieu of the Association. All compensation, damages or other proceeds of the taking, the sum of which is hereinafter called the "Condemnation Award," shall be payable to the Association or any trustee in trust for the owners and their first mortgagees as their interests may appear.

22.3. Complete Taking. If the entire property is taken, the Condominium ownership shall terminate. The Condemnation Award shall be apportioned among the owners in proportion to their allocated interests; provided, that if a standard different from the value of the property as a whole is employed to measure the Condemnation Award in the taking, then in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On the basis of the foregoing principle, the Board shall, as soon as practicable determine the share of the Condemnation Award to which each owner is entitled. Each owner's share shall be applied first to the payment of all mortgages and liens on the owner's interest in accordance with the existing priorities, and the balance of each share shall be distributed to the owner.

22.4. Partial Taking. If less than the entire property is taken, the Condominium ownership shall not terminate. Each owner shall be entitled to a share of the Condemnation Award determined in the following manner:

22.4.1. As soon as practicable the Board shall, reasonably and in good faith, allocate the Condemnation Award among compensation for property taken, severance damages or other proceeds;

22.4.2. The Board shall apportion the amounts so allocated to taking of or injury to the common elements and limited common

elements, which in turn shall be apportioned among owners in proportion to their allocated interests;

22.4.3. The total amount allocated to severance damages shall be apportioned to the units that were not taken;

22.4.4. The amounts allocated to the taking of or injury to a particular unit and/or improvements an owner had made within the unit shall be apportioned to the unit;

22.4.5. The amount allocated to consequential damages and any other takings or injuries shall be apportioned as the Board determines to be equitable in the circumstances;

22.4.6. If an allocation of the Condemnation Award has already been established in negotiation, judicial decree or otherwise, then in apportioning the Condemnation Award the Board shall employ that allocation to the extent it is relevant and applicable;

22.4.7. Distribution of apportioned proceeds shall be made to the owners and their respective mortgagees in the manner provided in section 22.3.

22.5. Reconstruction and Repair. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 21 for repair of damage, provided that the Board may retain and apply such portion of each owner's share of the Condemnation Award as is necessary to discharge the owner's liability for any special assessment arising from the operation of Article 21.

ARTICLE 23. PROCEDURES FOR SUBDIVIDING OR COMBINING UNITS

The subdivision or combination of units may only be permitted if first approved in writing by the City of Arlington, pursuant to all terms of the lease, and if all procedures herein are followed.

23.1. Commencement. Any owner may propose the subdivision of a unit or the relocation of boundaries between adjoining units in accordance with the terms of this Article 23. The proposal must be in writing, together with complete plans and specifications for accomplishing the proposal. The proposal must include proposed amendment(s) to the Declaration and Survey Map and Plans. The submittal shall be made to the Board.

23.2. Conditions of Approval. The owner making the proposal may proceed according to such plans and specifications upon the following conditions:

23.2.1. All of the owners and first mortgagees of the units to be subdivided or have their boundaries relocated have given their written approval;

23.2.2. For the relocation of boundaries between units, unless the Board determines within thirty (30) days that the reallocations are unreasonable, they shall be deemed approved; and

23.2.3. For a subdivision of units, a majority of the Board must approve and submit it to the owners. Thereafter ninety percent (90%) of all of the owners and ninety percent (90%) of the first mortgagees must give their prior written approval.

23.3. Recordation. Where such subdivision or relocation of boundaries is approved, the Association shall prepare, execute and record an amendment to the Declaration, including Survey Map and Plans, affecting the unit(s). The amendment must also be executed by those owners affected thereby. In addition, the amendment must:

23.3.1. In the case of relocation of boundaries, contain words of conveyance between the owners, show the altered boundaries between adjoining units, their dimensions, and identifying numbers.

23.3.2. In the case of subdivision, assign an identifying number to each unit created, reallocate, the allocated interests formerly allocated to the subdivided unit to the new units in any reasonable and equitable manner prescribed by the owner of the subdivided unit.

ARTICLE 24. AMENDMENT

24.1. Declaration Amendment.

24.1.1. Adoption. Amendments to the Declaration shall be made by an instrument in writing entitled "Amendment to Declaration" which sets forth the entire amendment. Except as otherwise specifically provided in the Act or this Declaration, amendments may only be adopted by a vote or agreement in writing of owners having at least sixty-seven percent (67%) of the votes.

24.1.2. Exceptions--General. The following matters shall require the approval as set forth in the Act or appropriate section of the Declaration:

- a. Declarant rights in RCW 64.34.232(6) or RCW 64.34.236;
- b. Condemnation covered in Article 22 and RCW 64.34.236;
- c. Foreclosure of a portion of the real property in RCW 64.34.268;
- d. Relocation of boundary between units by combination or subdivision, as provided in Article 23.

Article

24.1.3. Matters Requiring Ninety Percent (90%) Vote of Owners. Except to the extent expressly permitted by provisions of the Act, no amendment may:

- a. Create or increase special Declarant rights;
- b. Increase the number of units;
- c. Change the boundaries of any unit;
- d. Change the allocated interest of a unit; or
- e. Change the uses to which any unit is restricted, unless approved or agreed upon by the owners of each unit particularly affected and the owners of units to which at least ninety percent (90%) of the votes are allocated (other than Declarant).

24.1.4. Matters Requiring Consent of Particular Owners. The following decisions require the consent of the owners affected:

- a. Any decision changing votes or allocated interest requires unanimous consent of all affected owners and their mortgagees;
- b. Decisions as set forth under RCW 64.34, sections 228(2), 244(1), 248(2) or 268(2).

24.1.5. Effectiveness.

a. Every amendment to the Declaration must be recorded in every county in which any portion of the Condominium is located and is effective upon and only upon recording. Any amendment shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment.

b. Amendments shall be prepared, executed, recorded and certified on behalf of the Association by any officer of the Association designated, or in the absence of such designation, by the President of the Association.

24.1.6. Statute of Limitations. No action to challenge the validity of an amendment to the Declaration or to the Survey Map and Plans may be brought more than one (1) year after the amendment is recorded.

24.2. Survey Map and Plans.

24.2.1. Adoption. The Survey Map and Plans may be amended by revised versions or revised portions thereof. Copies of any such proposed amendment to the Survey Map and Plans shall be made available for the examination of every owner. The amendment shall be adopted in

the same manner as an amendment to the Declaration provided for in section 24.1.

24.2.2. Effectiveness. Any amendment to the Survey Map and Plans shall be effective upon recordation in the same manner as any amendment to the Declaration.

24.3. By-Laws. By-Laws may be amended as stated in section 12.2.

24.4. Declarant Rights.

24.4.1. Amendments to Conform to Construction. Declarant may, prior to the sale of all of the units, solely upon his/her signature, file an amendment to the Declaration as to the Survey Map and Plans to conform them to the actual location of any of the constructed improvements, or to establish, vacate and relocate utility easements, access road easements and parking areas.

24.4.2. Amendments to Conform to Lending Guidelines. As long as Declarant continues to own one or more units, the Declarant, solely on his/her signature, and as an attorney-in-fact for all owners with an irrevocable power coupled with an interest, may file such amendment to the Declaration and to the Survey Map and Plans as necessary to meet the then current requirements of lender financing, or title insurance companies insuring, the purchase of a unit from the Declarant.

24.4.3. Special Declarant Rights. No amendment may restrict, eliminate or otherwise modify any special Declarant right provided in the Declaration without the consent of the Declarant and any mortgagee with a security interest in the special Declarant right or in any real property subject thereto excluding mortgagees of units owned by persons other than Declarant.

ARTICLE 25. TERMINATION OF CONDOMINIUM

25.1. Methods of Termination. This Condominium may be terminated by any of the following means:

25.1.1. Expiration of the underlying lease, or failure of the lessee or Association to exercise its options to renew;

25.1.2. The taking of all units by condemnation (see section 22.3 of this Declaration);

25.1.3. The lessee's exercise of its right of cancellation, resulting from one of the following occurrences:

a. The permanent abandonment of the Airport as an operating airport;

b. The occurrence of any supervening event or act of God, which precludes the lessee from, the use as stated herein and within the lease;

c. The breach by the City of Arlington of any covenants, terms or conditions of the lease agreement to be kept and observed by Lessor and the failure to remedy such breach within a period of sixty (60) days after written notice from the lessee of the existence of the breach;

d. The assumption by the Federal Government or any other governmental agency of the control of the Airport or any portion thereof in a manner which would preclude the lessee from operating under the terms of the lease or which would substantially restrict its operation under the terms of the lease;

e. If the Lessor should develop, change or alter the development of the Airport in such manner that would substantially preclude, prevent or hinder the lessee from operation under the terms of the lease.

25.1.4. The breach of lease terms or default by the lessee, including any of the following occurrences:

a. If the lessee becomes insolvent, voluntarily or involuntarily bankrupt, or if a receiver, assignee or other liquidating officer is appointed for the lessee;

b. If lessee fails to pay when due the whole or any part of the amount agreed upon in the lease for rent and charges;

c. If lessee shall fail to perform, keep or observe any of the covenants or conditions contained in the lease agreement to be performed, kept or observed by it, and having been given prior written notice as required by law; then, and in such event, the Lessor shall have the right, at once, to declare the lease agreement terminated.

25.1.5. Execution by the owners of a termination agreement.

25.2. Requisites of Termination Agreement. In order to be effective, a Termination Agreement must:

25.2.1. Be evidenced by the execution or ratification thereof in the same manner as a deed, by owners having eighty percent (80%) or more of the votes;

25.2.2. Specify that the Termination Agreement will be void unless it is recorded prior to a date certain;

25.2.3. Contain a description of the manner in which the creditors of the Association and the Lessor, through the then current lease term, will be paid or provided for;

25.2.4. Be recorded in every county in which a portion of the Condominium is situated; and

25.2.5. Provide with regard to all of the common elements and units of the Condominium that:

a. They be held by the owners as tenants in common in accordance with their allocated interest for the tendency of the then current lease term; or

b. They become the sole property of the Lessor, owned in fee simple, subject to the recorded rights of any financing institution for the remaining lease and sublease terms.

25.3. Value of Interest Post Termination.

25.3.1. If any unit or limited common element is destroyed to the extent that an appraisal of the fair market value before destruction cannot be made, the interests of all owners are their respective allocated interests immediately before termination.

25.3.2. Except as provided in subsection 25.2.5 above, the respective interests of owners are the fair market values of their units, appurtenant limited common elements, and allocated interest immediately before the termination's determined by one or more independent appraisers selected by the Association. The decision of an independent appraiser shall be distributed to the owners and becomes final unless disapproved within thirty (30) days from the date of distribution by the owners having twenty-five percent (25%) or more of the votes. The proportion of any owner's interest to that of all owners is determined by dividing the fair market value of that unit owner's unit (including appurtenant limited common elements) and allocated interest in the common elements by the total fair market value of the Condominium.

ARTICLE 26. CONSTRUCTION/INTERPRETATION

26.1. Binding Effect. The Declaration, together with the lease, Survey Map and Plans, sets forth a common plan for the leasehold Condominium mutually beneficial to all of the units. The Declaration, together with the lease, Survey Map and Plans, shall be operative as a set of covenants running with the land or equitable servitude and are binding upon the Condominium and upon each unit. The Declaration is binding upon the owners and occupants of units and upon any person claiming by or through them, without requirement of further specific reference or inclusion in deeds, leases, rental agreements, mortgages or any other documents.

26.2. Captions. Captions are for convenience only. Captions are not intended to modify or affect the meaning of any of the substantive provisions of this Declaration.

26.3. 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 Condominium under the provisions of the Act.

26.4. Declarant is Original Owner. Declarant is the original owner of all units, allocated interest, appurtenant limited common elements and votes and will continue to be deemed the owner thereof until conveyances or documents changing such ownership regarding specifically-described units and appurtenant interest are filed of record.

26.5. Lease Assumption. The Association shall, subject to the approval of and conditions imposed by the Lessor, assume all obligations of the Declarant/Lessor under the lease, and hold the Declarant harmless there from.

26.6. Enforcement. Each owner, occupant of a unit, and any person claiming by or through either of them, shall be bound by and strictly comply with the provisions of the Declaration, the By- Laws, the Rules and Regulations and all decisions adopted by the Association. Failure to comply shall be grounds for a judicial action to recover sums due for damages, for injunctive relief, or both. Such action shall be maintainable by the Association or by any aggrieved owner on his/her own.

26.7. Inflationary Increase in Dollar Limits. The dollar amount specified in Article 8, as well as all other Articles specifying dollar amounts may, at the discretion of the Association, be increased proportionately to the increase in the Consumer Price Index - All Urban Consumers for West A index prepared by the United States Department of Labor. The adoption date of this Declaration shall be deemed to be the base.

26.8. No Waiver of Strict Performance. The Association and the Board shall not be deemed to waive or relinquish any of their rights due to their failure:

26.8.1. In any one or more instance to insist upon the strict performance of any of the duties owed by any owner or occupant of a unit;

26.8.2. To exercise any right or option permitted;

26.8.3. To serve any notice; or

26.8.4. To institute any action.

The receipt of any assessment from an owner, with knowledge of any such breach, shall not be deemed a waiver of the breach. There shall be no waiver by the Association of any type unless expressed in writing and acknowledged by an authorized representative of the Association. This section also extends during the period of Declarant control.

26.9. References. Any reference in the Declaration to "Article," "section," or "subsection" shall refer to Articles, sections and subsections of this Declaration. Any reference to "Section ____ of the Act" shall refer to provisions of the Act.

26.10. Severability. The invalidity of any provisions of the Declaration shall in no way affect the validity of other provisions of the Declaration.

26.11. Terms. Plural and singular terms are used interchangeably. Gender-based pronouns are used interchangeably. Sometimes the plural refers to the singular, and sometimes the singular to the plural.

ARTICLE 27. CONVEYANCES/NOTICE

The right of an owner to dispose of his/her unit shall be subject to a right of first refusal by the Association and City of Arlington. The Owner may not transfer, assign or sell their interest in the premises to any third party without first offering the same to the Association and City of Arlington on the same terms and conditions that the Owner is willing to transfer, assign or sell its interest in the premises to any third party. If the Owner proposes to make such a third party transfer, the Owner shall first offer, in writing, to transfer all right, title and interest in the lease premises to Association and City of Arlington under the same terms and conditions. Association and Lessor may accept the offer by delivering written notice of acceptance to Owner within sixty (14) days of their receipt of the written notice from Owner. Owner may however in anticipation of a sale request a 60 day waiver of First Right of Refusal form Association and/or City of Arlington by requesting same in writing prior offering unit for sale. The Association and City of Arlington agree to not unreasonably withhold this request. Form to be available through Association.

The Association shall have the right to notify the purchaser, the title insurance company, and the closing agent of the amount of unpaid assessments, whether or not such information is requested. A violation of this section shall not invalidate the disposition of a unit which is otherwise valid.

ARTICLE 28. EFFECTIVE DATE

This Declaration shall take effect upon recording.

ARTICLE 29. REFERENCES TO SURVEY MAP AND PLANS

CITY OF ARLINGTON AUTHORIZATION:

The City of Arlington, a public entity, as the Lessor and fee simple owner of the real property, hereby joins in this instrument for the sole purpose of indicating its consent to subjecting the above-described leasehold to the Condominium. Covenants, conditions, restrictions, and reservations subject to the priority of the lease.

Dated: 2018 SNOHOMISH COUNTY

By _____

STATE OF WASHINGTON)

ss.

COUNTY OF SNOHOMISH)

I hereby certify that I know or have satisfactory evidence that _____ signed this instrument, on oath stated that he was authorized to do so, and acknowledged it as the Airport Manager of Arlington Airport to be the free and voluntary act of such party for the uses and purposes therein mentioned.

DATED this _ day of _ , 2018.

NOTARY PUBLIC in and for the
State of Washington, residing
at
My commission expires

Schedule A

Legal Description of Land

Access:

Each unit shall have access to any and all common areas of the property and shall have access to the adjacent paved areas surrounding the building, and the airport taxiways and runways, and each unit shall be entitled to pedestrian and automobile access from 51st Airport Blvd, a public street in the City of Arlington, Said access easement shall also provide access to the City of Arlington Airport taxiways and runways.

SCHEDULE B

NW CUSTOM AIRCRAFT HANGARS LEASING LLC

Street Addresses and Descriptions of Buildings

Street Addresses:

4701 AIRPORT BLVD ARLINGTON, WA 98223
404 A Unit _____

Description of Buildings:

All dimensions and square footage described herein are approximate in value. Greater accuracy in these figures can be found on the Survey Maps and Plans.

The Condominium consists of three (3) individual buildings, located on the parcel described in Schedule A. The buildings are more fully described in the Survey Maps and Plans filed herein.

SCHEDULE C

NW CUSTOM AIRCRAFT HANGARS LEASING LLC

Unit Description, Identifying Numbers,

Values and Allocated Interests

There are three buildings. Each Building has eighteen units, making a total of 54 hangars in total. Each unit is designed to accommodate small aircraft and serve as a hangar for the same.

The dimensions of each unit are described in Schedule B and shown on the Survey Maps and Plans.

<u>NUMBER</u>	<u>SQUARE FOOTAGE</u>	<u>% OF OWNERSHIP</u>
<u>IDENTIFYING</u>	<u>APPROXIMATE</u>	

SCHEDULE D

NW CUSTOM AIRCRAFT HANGARS LEASING LLC

Declarant's Reserved Development Rights

Declarant does reserve all development rights.

SCHEDULE E

BY-LAWS OF NW CUSTOM AIRCRAFT HANGARS LEASING LLC

The following are By-Laws of NW CUSTOM AIRCRAFT HANGARS LEASING LLC. These By- Laws provide for operation of NW CUSTOM AIRCRAFT HANGARS LEASING LLC established under the laws of the State of Washington. They apply to the entire Condominium, each unit therein, and all common areas and facilities. Each owner automatically, by virtue of such ownership, becomes a member in the Association. All present and future owners, mortgagees, and other encumbrances, lessees, tenants, licensees, and occupants of units, and their guests and employees, and any other person who may use the Condominium shall do so subject to the Declaration and Covenants, Conditions, Restrictions and Reservations for NW CUSTOM AIRCRAFT HANGARS LEASING LLC and the rules and regulations pertaining to use and operation of the Condominium.

Words and phrases that are defined in the Declaration shall have the same meaning in these By-Laws.

ARTICLE 1. MEMBERSHIP; REGISTER; VOTING.

Section 1.1 Membership. The owners of units in the Condominium shall constitute the Owners' Association. Corporations, partnerships, associations, and other legal entities, trustees under an express trust, and other fiduciaries, as well as natural persons, may be members of the Association. Owners of a unit as joint tenants, tenants in common, community property, or other ownership involving more than one owner, shall be joint members in the Association, but the sum total of their vote shall not exceed the percentage of interest for voting power appurtenant to the unit owned.

Section 1.2 Persons Under Disability. Minors and persons declared legally incompetent shall be eligible for membership in the Association, if otherwise qualified, but shall not be permitted to vote, except through a legally-appointed, qualified, and acting guardian of their estate voting on their behalf or, in the case of a minor with no legal guardian of his estate, through a parent having custody of the minor.

Section 1.3 Register of Members. The Board shall cause a register to be kept containing the names and addresses of all members of the Association. Persons who purchase an interest in a unit shall promptly inform the Board of their interest. Persons who claim to be members of the Association shall, upon request, furnish the Board with

copies of any documents under which they assert ownership to a unit, or any interest therein, and any mortgages thereon.

ARTICLE 2. MEETINGS OF MEMBERS.

Section 2.1 Place. Meetings of the members of the Association shall be held at such suitable place as may be convenient to the membership and designated from time to time by the Board.

Section 2.2 Annual Meetings. The annual meeting of the Association shall be held in the fourth quarter of each fiscal year, on a date fixed by the Board. At such annual meeting there shall be a financial report, the owners shall elect members to the Board or fill vacancies therein, and such other business as shall properly come before the meeting may be transacted.

Section 2.3 Special Meetings. It shall be the duty of the President to call a special meeting of the Association as directed by resolution of the Board, or upon the written request of a majority of the Board or upon the written request of owners having one-third of the total voting power of the Association. A meeting called at the request of the members shall be held at such time as the President may fix, which time shall not be less than 10 nor more than 30 days after the receipt of the written request therefore. No business shall be transacted at a special meeting, except as stated in the notice given therefore, unless consented to by four-fifths of the owners present, either in person or by proxy.

Section 2.4 Notice of Meetings. It shall be the duty of the Secretary to give notice of each annual meeting and special meeting, stating the purpose thereof and the time and place where it is to be held, to each member of the Association and to each mortgagee that has requested notice, all as provided in Article 13 of the Declaration. Notice shall be given at least 10 and not more than 30 days before each meeting. Before any meeting of the Association, any member may, in writing, waive notice of such meeting. Attendance by a member at a meeting of the Association shall be a waiver by him of timely and adequate notice, unless he expressly challenges the notice when the meeting begins.

Section 2.5 Quorum. The presence in person or by proxy of members of the Association or voting representatives holding fifty percent (50%) of the total voting powers shall constitute a quorum for the transaction of business at any meeting of members of the Association.

Section 2.6 Proxies. Any owner or voting representative may vote by proxy. Proxies shall be in writing, signed by the owner or voting representative, and filed with the Board. Proxies may be revoked at any time by written notice to the Board. Any designation of proxy must be signed by all owners of a unit; but where husband and wife are

owners, the proxy need be signed by only one spouse, unless the other spouse notifies the Board not to accept the proxy.

Section 2.7 Adjournment of Meetings. If any meeting of owners cannot be organized because a quorum has not attended, the owners present, in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called.

Section 2.8 Order of Business. The order of business at meetings of the Association shall be as follows, unless dispensed with on motion:

- a) Roll call;
- b) Proof of notice of meeting or waiver of notice.
- c) Minutes of preceding meeting;
- d) Reports of officers;
- e) Reports of committees;
- f) Election of directors (annual meeting or special meeting called for such purpose);
- g) Unfinished business;
- h) New business; and
- i) Adjournment.

Section 2.9 Parliamentary Authority. In the event of dispute, the parliamentary authority for the meeting shall be the most current available edition of Robert's Rules of Order, or such other published code of parliamentary procedure as shall be approved by a majority at the meeting.

ARTICLE 3. BOARD OF DIRECTORS.

Section 3.1 Number and Qualification. The affairs of the Association shall be governed by a Board of three (3) directors, who shall be elected by ballot from the members of the Association. The members of the Association at any meeting may change the number of directors within those limits, but shall not reduce the number in such a manner to deny an incumbent director (unless removed for cause) a full term of office. If a corporation is a member of the Association, any one of its officers, directors or shareholders may be elected to the Board; if a partnership is a member, any one partner of such partnership may be elected to the Board.

Section 3.2 Powers and Duties. The Board shall have the powers and duties provided for the administering authority of the Condominium in the statutes and in the Declaration, and all other power necessary for the administration of the affairs of the Association, and may do all such acts and things as are not prohibited by statutes or by the Declaration required to be done in another manner. No contract made by the Board or any officer for the Association shall have a fixed term longer than one year.

Section 3.3 Election and Term of Office. Within 60 days after the conveyance of seventy-five percent (75%) of the units to owners other than Declarant, there shall be a meeting of the Association to elect a Board of Directors to serve until the first day of the calendar month following the date of adjournment of the first annual meeting. Thereafter, the term of office for directors will begin on the first day of the calendar month following the date of adjournment of the annual meeting at which they are elected. The normal term of office for directors will be for three years and until their successors are elected and take office. In the event that seventy-five percent (75%) of the units are not conveyed sixty (60) days after the Declaration is recorded, the provisions of sections 14.1.2 and 14.1.3 of the Declaration shall control.

Section 3.4 Vacancies. Vacancies on the Board caused by reasons other than the removal of a director by a vote of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum. Each person so selected shall be a director until a successor is elected at the next annual meeting of the Association to serve the balance of the unexpired term.

Section 3.5 Compensation. Except as provided in Section 4.9 herein, no compensation shall be paid to directors for their service as directors.

Section 3.6 Organization Meeting. The first meeting of the newly-elected Board shall be held within 10 days of election at a place to be fixed by the directors at the meeting at which the directors were elected, and no notice shall be necessary to the newly-elected directors in order to legally call the meeting, providing a majority of the whole Board shall be present at the meeting.

Section 3.7 Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the directors, but at least two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each director personally or by mail, telephone or telegraph at least three days before the day fixed for the meeting.

Section 3.8 Special Meetings. Special meetings of the Board may be called by the President on three days' notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by either the President or the Secretary in

like manner and on like notice on the written request of any two directors.

Section 3.9 Waiver of Notice. Before any meeting of the Board, any director may, in writing, waive notice of such meeting. Attendance by a director at any meeting of the Board shall be a waiver by him of timely and adequate notice, unless he expressly challenges the notice when the meeting begins. If all directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at the meeting.

Section 3.10 Open Meeting. Any owner or voting representative may attend any meeting of the Board, but shall not be entitled to participate. The Board may, however, go into private, executive session to consider the employment or dismissal of persons employed by the Association, or to hear complaints or charges brought against such person, unless the person requests a public hearing, or to discuss with legal counsel litigation in which the Association is or is likely to become a party if public discussion would adversely affect the interests of the Association in such litigation.

ARTICLE 4. OFFICERS.

Section 4.1 Designation. The principal officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer, all of whom shall be elected by and from the Board. The directors may appoint from the Board such other officers as in their judgment may be necessary or desirable. The same person may hold two or more offices, except that a person may not hold the offices of President and Secretary simultaneously.

Section 4.2 Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board meeting after the annual meeting of the Association. They shall hold office at the pleasure of the Board.

Section 4.3 Removal of Officers. At any regular meeting of the Board, or at any special meeting of the Board called for such purposes, upon an affirmative vote of a majority of the members of the Board, any officer may be removed, either with or without cause. A successor to the removed officer may be elected at any such meeting.

Section 4.4 President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board, and shall have all powers and duties usually vested in the office of the President.

Section 4.5 Vice-President. The Vice-President shall perform the duties of the president when the President is absent or unable to act, and shall perform such other duties as may be prescribed by the Board.

Section 4.6 Secretary. The Secretary shall keep the minutes of all meetings of the Board and of the Association, and shall have

custody of the business records of the Board and the Association, other than financial records kept by the Treasurer. He shall also perform such other duties as may be prescribed by the Board.

Section 4.7 Treasurer. The Treasurer shall have responsibility for Association funds and securities, and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association.

Section 4.8 Other Officers and Employees. Other officers of the Association, and any person employed to assist the officers, shall have such authority and shall perform such duties as the Board may prescribe within the provisions of the applicable statutes, the Declaration, and these By-Laws.

Section 4.9 Compensation. The Board may pay reasonable compensation to any officer or owner who performs substantial services for the Condominium in carrying out the management duties of the Board. The Board's decision to compensate an officer shall not become final until 60 days after notice of it (including the amount of compensation to be paid) has been given to all persons entitled to notice of meetings of the Association, and such decision may be reversed by the members of the Association at a meeting duly called and held within 60 days after the notice of the decision was given.

ARTICLE 5. COMMITTEES.

Section 5.1 Committees of Directors. The Board may appoint one or more committees that consist of one or more directors. Such committees, if composed entirely of Board members, shall have and exercise, to the extent provided in the resolution establishing the committee, the authority of the Board in the management of the Association. The appointment of any such committee shall not relieve the Board of its ultimate responsibility for the administration and management of the Condominium.

Section 5.2 Other Committees. Other committees, not having or exercising the authority of the Board in the management of the Association, may be appointed by the President or the directors, and such committees may be composed of one or more members of the Association.

ARTICLE 6. OBLIGATION OF OWNERS.

Section 6.1 Assessments. All owners are obligated to pay assessments imposed by the Association to meet the common expenses of the Condominium as provided in the Declaration.

Section 6.2 Damages to Common Areas. Each owner shall reimburse the Association for any expenditures incurred in repairing or replacing any common area or facility damaged through that owner's fault.

ARTICLE 7. RIGHTS OF ACTION.

Each owner, the Board and the Association shall comply strictly with the Declaration, these By-Laws, and with the administrative rules and regulations adopted pursuant thereto, as they may be lawfully amended from time to time, the decisions of the Board, and with the covenants, conditions and restrictions set forth in the deed to his unit. Failure to comply with any of the foregoing shall be grounds for an action to recover sums due, damages, and for injunctive relief, or any or all of them, maintainable by the Board on behalf of the Association or by an owner.

ARTICLE 8. HANDLING OF FUNDS.

Section 8.1 Accounts. The Association shall establish the necessary funds or accounts to provide properly for the operation and maintenance of the Condominium. Overall supervision of these funds shall be the responsibility of the Treasurer of the Association. There shall be at least three separate funds as described in Sections 8.2, 8.3 and 8.4.

Section 8.2 Working Capital Fund. There shall be established a checking account in a commercial bank to be known as the "Working Capital Fund." This fund will be used for the normal operation of the Condominium and will receive all monthly assessments, first purchasers' initial contributions to the fund, and other monies received by the Association. Checks shall be issued from this account for all monthly and annual rental amounts owing to the Lessor of the real property, and management and operation expenditure necessary for the Condominium and maintenance expenses of a routine or minor nature.

Section 8.3 Reserve Fund for Insurance Premiums. The Treasurer shall cause to be established an interest-bearing savings account in a savings bank or saving and loan association which shall be known as the "Reserve Fund for Insurance Premiums." Each quarter the Treasurer shall cause to be deposited into this fund an amount equal to at least one-fourth (1/4) of the total cost of all premiums for the policy or policies and bonds the Association is required by the Declaration to purchase. Such premiums shall be paid out of this fund.

Section 8.4 Reserve Account. Pursuant to Section 4.2.11(c) of the Declaration of the Association, the Treasurer shall cause to be established an interest-bearing reserve account in a federally- insured depository. The purpose of said account is to provide for timely performance of obligations of the City of Arlington lease; financial stability during periods of special stress; meeting deficiencies in the general fund that may occur from time to time as a result of delinquent payment of assessments; and other contingencies.

ARTICLE 9. KEEPING RECORDS AND REPORTS

The Board shall cause to be kept complete, detailed and accurate books and records of the receipts and expenditures of the Association

in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures, and all contracts, documents, papers, and other records of the Association shall be available for examination by the owners or mortgagees, and the agents or attorneys or either of them, during normal business hours and at any other reasonable time or times.

ARTICLE 10. AMENDMENTS.

The procedure and necessary consents required for adoption of amendments to the By-Laws are set forth in Article 24 of the Declaration. An amendment will become effective upon the recording of a certificate of the amendment, executed by two officers of the Association, in the public records.

The foregoing By-Laws are adopted by Declarant, under its authority to act as the Board of the Association, before the transition date and effective upon the filing of the Articles of Incorporation of the Owners' Association with the Secretary of State.

NW CUSTOM AIRCRAFT HANGARS LEASING LLC

By
Duane Wilcoxon
Manager

STATE OF WASHINGTON)

ss.

COUNTY OF SNOHOMISH)

I hereby certify that I know or have satisfactory evidence that Duane Wilcoxon signed this instrument, on oath stated that he was authorized to do so, and acknowledged it as manager, of NW CUSTOM AIRCRAFT HANGARS LEASING LLC to be the free and voluntary act of such party for the uses and purposes therein mentioned.

DATED this ___ _ day of, 2018.

NOTARY PUBLIC in and for the
State of Washington,.
Residing at
My commission expires

