

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR
GAS LAMP TERRACES, A SUBDIVISION

Grantor: 1.

Grantees: 1. Plat of Gas Lamp Terraces

Legal Description: Gas Lamp Terraces, Vol. ____, P. _____

Full Legal: Exhibit "A"

Tax Account Nos.: _____

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**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
GAS LAMP TERRACES**

O'Connor and Associates, LLC a Washington limited liability company ("Declarant") has executed this DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS on this 31 day of August, 2004, to provide a governance structure and a flexible system of standards and procedures for the administration and maintenance of the community known as "Gas Lamp Terraces".

PART ONE: INTRODUCTION TO THE COMMUNITY

Declarant, as the developer of Gas Lamp Terraces has established this Declaration to provide a governance structure and flexible system of standards and procedures for the administration and maintenance of Gas Lamp Terraces as a desirable neighborhood and community for the owners and residents of Gas Lamp Terraces.

ARTICLE I CREATION OF THE COMMUNITY

Section 1.1. Purpose and Intent. Declarant, as the owner and developer of the real property described in Exhibit "A", intends by recording this Declaration to establish a general plan for the administration, maintenance and preservation of Gas Lamp Terraces. An integral part of the general plan is the creation of the Gas Lamp Terraces Home Owners Association, an association comprised of all owners of real property in Gas Lamp Terraces, to maintain the *common areas* and community improvements, and to administer and enforce this Declaration and the Governing Documents referenced in this Declaration.

Section 1.2. Binding Effect. All property described in Exhibit "A" shall be owned, conveyed and used subject to all of the provisions of this Declaration which shall run with the title to such property. This Declaration shall be binding upon all Persons having any right, title or interest in any portion of Gas Lamp Terraces, their heirs, successors, successors-in-title and assigns.

Section 1.3. Term. This Declaration, as it may be amended, shall remain in effect and shall be enforceable by Declarant, the Association, any Owner, and their respective legal representatives, heirs, successors, and assigns for a term of 50 years from the date this Declaration is recorded. After such initial period, this Declaration shall be extended automatically for successive periods of 10 years each, unless an instrument signed by a majority of the then Owners has been recorded within the last year of any such extension period, agreeing to terminate this Declaration, in which case it shall terminate as of the date specified in such instrument. Nevertheless, nothing in this Section shall be construed to permit termination of any easement created in this Declaration without the consent of the holder of such easement.

Section 1.4. Governing Documents. Gas Lamp Terraces' Governing Documents consist of the following, as they may be amended over time:

- This Declaration;

- The Association's Articles of Incorporation and Bylaws;
- The Restrictions and Rules described in Article III of this Declaration;
- The Architectural Guidelines; and
- Such resolutions as the Association's Board of Directors may adopt.

The Governing Documents apply to all Owners and occupants of property within Gas Lamp Terraces, as well as to their respective tenants, guests and invitees. If a Unit, or part of a Unit is leased, the lease shall provide that the tenant and all occupants of the leased Unit are bound by and obligated to comply with the Governing Documents.

If a court should determine that any provision of this Declaration is invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications of such provision.

ARTICLE II CONCEPTS AND DEFINITIONS

Section 2.1. Ordinary Meaning. The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions **unless otherwise specified**.

Section 2.2. Defined Terms. Capitalized terms shall be defined as set forth below.

- (a) "Architectural Guidelines": The guidelines and standards for architecture, design, construction, landscaping and exterior items adopted pursuant to Article IV, as they may be amended.
- (b) "Area of Common Responsibility": All areas or improvements for which the Association has or assumes responsibility pursuant to the terms of this Declaration, any Supplemental Declaration, or other applicable covenants, contracts, or agreements. The Area of Common Responsibility includes, without limitation, walkways, sidewalks, driveways, landscaping (except within private courtyards or on roof decks), the storm drainage system and streetlights and any Common Areas.
- (c) "Articles": Gas Lamp Terraces Community Association's Articles of Incorporation, filed with the Washington Secretary of State, as they may be amended.
- (d) "Association": Gas Lamp Terraces Owners Association, a Washington nonprofit corporation, its successors or assigns.
- (e) "Base Assessment": Assessments levied on all Units subject to assessment under Article VIII to fund Common Expenses for the general benefit of all Units, as determined in accordance with Section 8.1.
- (f) "Board of Directors" or "Board": The body responsible for administration of the Association, selected as provided in the Bylaws and generally serving the same role as the board of directors under Washington corporate law.
- (g) "Bylaws": The Bylaws of Gas Lamp Terraces Community Association, adopted by the Association, as they may be amended from time to time.
- (h) "Class "B" Control Period": The period of time during which the Class "B" Member is entitled

to be the majority voting member of the Board as provided in the Bylaws. The Class "B" Control Period shall terminate on the first to occur of the following:

- (i) when 90% of the Units on the Property have been conveyed to Class "A" Members;
- (ii) when, in its discretion, the Class "B" Member so determines.

(i) **"Common Expenses"**: The actual and estimated expenses incurred, or anticipated to be incurred, by the Association for the general benefit of all Owners, including any reasonable reserves as the Board may find necessary and appropriate pursuant to the Governing Documents. Common Expenses shall not include any expenses incurred during the Class "B" Control Period for initial development or other original construction costs unless Members representing a majority of the total Class "A" vote of the Association approve.

(j) **"Community-Wide Standard"**: The standard of conduct, maintenance, or other activity generally prevailing at Gas Lamp Terraces, or the minimum standards established pursuant to the Architectural Guidelines, Restrictions and Rules and Board resolutions, whichever is the higher standard. Declarant shall establish initially such standard and it may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and desires within Gas Lamp Terraces change.

(k) **"Declarant"**: O'Connor and Associates, LLC, a Washington limited liability company, or any successor or assign who takes title to any portion of the property described in Exhibit "A" for the purpose of development and/or sale and who is designated as Declarant in a Recorded instrument that the immediately preceding Declarant executes.

(l) **"Governing Documents"**: A collective term referring to this Declaration and any applicable Supplemental Declaration, the Bylaws, the Articles, the Architectural Guidelines, the Restrictions and Rules, and Board resolutions, all as they may be amended from time to time.

(m) **"Gas Lamp Terraces"**: The real property described in Exhibit "A."

(n) **"Limited Common Facility"**: A portion of Gas Lamp Terraces which has been established for the joint use or benefit of one or more, but less than all, Units, as more particularly described in Article XII.

(o) **"Member"**: A Person subject to membership in the Association pursuant to Section 6.2.

(p) **"Mortgage"**: A mortgage, a deed of trust, a deed to secure debt, or any other form of security instrument affecting title to any Unit. The term "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

(q) **"Owner"**: One or more Persons who hold the record title to any Unit, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, and the contract specifically so provides, the purchaser (rather than the fee owner) will be considered the Owner.

(r) **"Person"**: A natural person, a corporation, a partnership, a trustee, or any other legal entity.

(s) **"Property"**: The real property described in Exhibit "A."

- (t) “Record,” “Recording,” or “Recorded”: The filing of a legal instrument in the Pierce County, Washington land records or such other place as may be designated as the official location for recording deeds, plats, and similar documents affecting title to real estate.
- (u) “Restrictions and Rules”: The initial Restrictions and Rules set forth in Exhibit “B,” as they may be supplemented, modified, and repealed pursuant to Article III.
- (v) “Special Assessment”: Assessments levied in accordance with Section 8.4.
- (w) “Specific Assessment”: Assessments levied in accordance with Section 8.5.
- (x) “Supplemental Declaration”: An instrument Recorded pursuant to Article IX that creates or imposes additional easements, restrictions and obligations on the land described in such instrument
- (y) “Unit”: A lot shown on the plat of the Property. The term shall refer to the land, if any, which is part of the Unit as well as any improvements thereon.

PART TWO: CREATION AND MAINTENANCE OF COMMUNITY STANDARDS

The standards for use and conduct, maintenance, architecture, landscaping and other aesthetic matters at Gas Lamp Terraces are what give the community its identity and make it a place that people want to call “home.” Each Owner and resident in developing and upholding such standards can take pride in the results of that common effort. This Declaration establishes procedures for Owners to adopt, modify, apply, and enforce such standards while providing the flexibility for the Owners to modify the community standards as Gas Lamp Terraces changes over time.

ARTICLE III USE AND CONDUCT

Section 3.1. Framework for Regulation. The Governing Documents establish a framework of affirmative and negative covenants, easements, and restrictions that govern Gas Lamp Terraces. Within that framework, the Board and the Members must have the ability to respond to unforeseen problems and changes in circumstances, conditions, needs, desires, trends, and technology. Therefore, this Article establishes procedures for modifying and expanding the initial Restrictions and Rules which have been prepared by Declarant and are set forth in Exhibit “B.”

Section 3.2. Authority To Enact Restrictions and Rules.

(a) Subject to the terms of this Article and the Board’s duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Board may modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules. **The Board shall send notice to all Owners concerning any proposed action at least five business days prior to the Board meeting at which such action is to be considered.** Members shall have a reasonable opportunity to learn about the proposed action and to be heard at a Board meeting prior to such action being taken.

Such action shall become effective, after compliance with subsection (c), unless Members representing

more than 50% of the total Class "A" votes in the Association and the Class "B" Member, if any, disapprove such action at a meeting. The Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition of the Members as required for special meetings in the Bylaws. Upon such petition of the Members prior to the effective date of any Board action under this Section 3.2(a), the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

(b) Alternatively, Members, representing at least 51% of the total Class "A" votes in the Association at an Association meeting duly called for such purpose, may vote to adopt rules which modify, cancel, limit, create exceptions to, or expand the Restrictions and Rules then in effect. Such action shall require approval of the Class "B" Member, if any.

(c) Prior to any action taken under this Section becoming effective, the Board shall send a copy of the new Restrictions and Rules, or an explanation of any changes to the Restrictions and Rules to each Owner. The effective date shall be not less than 30 days following distribution to Owners. The Association shall provide, without cost, a copy of the Restrictions and Rules then in effect to any requesting Member or Mortgagee.

(d) No action taken under this Article shall have the effect of modifying, repealing or expanding the Architectural Guidelines or any provision of this Declaration other than the initial Restrictions and Rules set forth in Exhibit "B." The procedures required under this Section 3.2 shall not apply to the enactment and enforcement of administrative procedures for internal Association governance.

Section 3.3. Owners' Acknowledgment and Notice to Purchasers. All Owners are given notice that use of their Units and the Common Area are limited by the Restrictions and Rules as amended, expanded and otherwise modified from time to time. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision and that the Restrictions and Rules may change from time to time. All purchasers of Units are on notice that the Association may have adopted changes. Copies of the current Restrictions and Rules may be obtained from the Association.

Section 3.4. Protection of Owners and Others. Except as may be set forth in this Declaration (either initially or by amendment) or in the initial Restrictions and Rules set forth in Exhibit "B," all Restrictions and Rules shall comply with the following provisions:

(a) **Similar Treatment.** Similarly situated Owners shall be treated similarly.

(b) **Displays.** The rights of Owners to display religious and holiday signs, symbols, and decorations inside structures on their Units of the kinds normally displayed in dwellings located in single-family residential neighborhoods shall not be abridged, except that the Association may adopt time, place, and manner restrictions with respect to displays visible from outside the dwelling.

(c) **Political Signs.** No rules shall regulate the content of political signs; however, rules may regulate the time, place and manner of posting such signs (including design criteria).

(d) **Household Composition.** No rule shall interfere with the freedom of Owners or residents to determine the composition of their households, except that the Association shall have the power to require that all occupants of dwelling units be members of a single household unit.

(e) **Activities Within Dwellings.** No rule shall interfere with the activities carried on within the confines of dwellings, except that the Association may prohibit activities not normally associated with property restricted to residential use, and it may restrict or prohibit any activities that create monetary costs for the Association or other Owners, that create a danger to the health or safety of occupants of other Units, that generate excessive noise or traffic, that create unsightly conditions visible outside the dwelling, or that create an unreasonable source of annoyance.

(f) **Allocation of Burdens and Benefits.** No rule shall alter the allocation of financial burdens among the various Units or the rights to use the Common Area to the detriment of any Owner over that Owner's objection expressed in writing to the Association. Nothing in this provision shall prevent the Association from changing the Common Area available, from adopting generally applicable rules for use of Common Area, or from denying use privileges to those who are delinquent in paying assessments, abuse the Common Area, or violate the Governing Documents. This provision does not affect the right to increase the amount of assessments as provided in Article VIII.

(g) **Alienation.** No rule shall prohibit leasing or transfer of any Unit, or require consent of the Association or Board for leasing or transfer of any Unit; provided, the Association or the Board may require all leases to be in writing, and may require a minimum lease term of up to 6 months. No rule shall be construed as abrogating or amending any obligation of Owners under any covenants or contracts for financial incentives to develop affordable housing.

(h) **Abridging Existing Rights.** No rule shall require an Owner to dispose of personal property that was in or on a Unit prior to the adoption of such rule if such personal property was in compliance with all rules previously in force. This exemption shall apply only during the period of such Owner's ownership of the Unit, and shall not apply to subsequent Owners who take title to the Unit after adoption of the rule.

(i) **Declarant's Rights to Develop.** No Restrictions and Rules, or action by the Association or Board shall unreasonably impede Declarant's right to develop Gas Lamp Terraces.

The limitations in subsections (a) through (h) of this Section 3.4 shall only limit the authority exercised under Section 3.2. They shall not apply to amendments to this Declaration adopted in accordance with Article XIX.

ARTICLE IV ARCHITECTURE AND LANDSCAPING

Section 4.1. **General.** No structure or thing shall be placed, erected, or installed upon any Unit and no improvements or other work (including site work, exterior alterations of existing improvements, re-roofing, re-siding, re-painting, or planting or removal of landscaping) shall take place within Gas Lamp Terraces, except in compliance with this Article and the Architectural Guidelines, if any.

No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with original plans and specifications for Gas Lamp Terraces. Any Owner may remodel, paint or redecorate the interior of his or her Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structure shall be subject to approval.

All dwellings constructed on any portion of Gas Lamp Terraces shall be designed by and built in

accordance with the plans and specifications of a licensed architect.

This Article shall not apply to the activities of any Declarant or to the activities of the Association during the Class "B" Control Period.

Section 4.2. Design Review.

(a) **Declarant Review.** Each Owner, by accepting a deed or other instrument conveying any interest in any portion of Gas Lamp Terraces, acknowledges that, as the developer of Gas Lamp Terraces and as an owner of a portion of Gas Lamp Terraces, the Declarant has a substantial interest in ensuring that the improvements within Gas Lamp Terraces enhance Declarant's reputation as a community developer and do not impair Declarant's ability to market, sell, or lease its property. Therefore, each Owner agrees that no activity within the scope of this Article shall be commenced on such Owner's Unit unless and until Declarant has given its prior written approval for such activity, which approval may be granted or withheld in the Declarant's or its designee's sole discretion.

In reviewing and acting upon any request for approval, Declarant or its designee shall be acting solely in Declarant's interest and shall owe no duty to any other Person. Declarant's rights reserved under this Article shall continue so long as Declarant owns any Unit in Gas Lamp Terraces, unless earlier terminated in a written instrument executed and Recorded by the Declarant.

Declarant may, in its sole discretion, designate one or more Persons from time to time to act on its behalf in reviewing applications hereunder.

Declarant may from time to time, but shall not be obligated to, delegate all or a portion of its reserved rights under this Article to (i) an architectural review committee appointed by the Board of Directors (the "ARC" Architectural Review Committee); or (ii) a committee comprised of architects, engineers or other persons who may or may not be Members of the Association. Any such delegation shall be in writing specifying the scope of responsibilities delegated and shall be subject to (i) Declarant's right to revoke such delegation at any time and reassume jurisdiction over the matters previously delegated; and (ii) Declarant's right to veto any decision which Declarant determines, in its sole discretion, to be inappropriate or inadvisable for any reason. So long as Declarant has any rights under this Article, the jurisdiction of the foregoing entities shall be limited to such matters as Declarant specifically delegates to them.

(b) **Architectural Review Committee.** Upon delegation by Declarant or upon expiration or termination of Declarant's rights under this Article, the Association, acting through the ARC, shall assume jurisdiction over architectural matters. The ARC, when appointed, shall consist of at least three, but not more than five, persons who shall serve and may be removed and replaced in the Board's discretion. The members of the ARC need not be Members of the Association or representatives of Members, and may, but need not, include architects, engineers or similar professionals, who may be compensated in such manner and amount if any, as the Board may establish.

Unless and until such time as Declarant delegates all or a portion of its reserved rights to the ARC or Declarant's rights under this Article terminate, the Association shall have no jurisdiction over architectural matters.

(c) **Fees; Assistance.** For purposes of this Article, the entity having jurisdiction in a particular case shall be referred to as the "Reviewer." The Reviewer may establish and charge reasonable fees for review

of applications and may require such fees to be paid in full prior to review of any application. Such fees may include the reasonable costs incurred in having any application reviewed by architects, engineers or other professionals. Declarant and the Association may employ architects, engineers, or other persons as deemed necessary to perform the review.

Section 4.3. Guidelines and Procedures.

(a) Architectural Guidelines. Declarant may prepare initial Architectural Guidelines to provide guidance to Owners regarding matters of particular concern to the Reviewer in considering applications. The Architectural Guidelines are not the exclusive basis for decisions of the Reviewer and compliance with the Architectural Guidelines does not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Architectural Guidelines as long as it owns any portion of Gas Lamp Terraces, notwithstanding a delegation of reviewing authority to the ARC, unless Declarant also delegates the power to amend to the ARC. Upon termination or delegation of Declarant's right to amend, the ARC shall have the authority to amend the Architectural Guidelines with the consent of the Board.

Any amendments to the Architectural Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. There shall be no limitation on the scope of amendments to the Architectural Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Architectural Guidelines less restrictive.

(b) Procedures. Except as otherwise specifically provided in the Architectural Guidelines, no activities shall commence on any portion of Gas Lamp Terraces until an application for approval has been submitted to and approved by the Reviewer. Such application shall include plans and specifications showing site layout, structural design, exterior elevations, exterior materials and colors, landscaping, drainage, exterior lighting, irrigation, and other features of proposed construction, as applicable. The Architectural Guidelines and Reviewer may require the submission of such additional information as may be reasonably necessary to consider any application.

In reviewing each submission, the Reviewer may consider any factors it deems relevant, including, without limitation, (i) harmony of external design, colors or materials with surrounding structures and environment, (ii) harmony with the single family residential use of surrounding structures, (iii) impact on use of common facilities, (iv) impact on views, privacy, or use of surrounding property. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. The Reviewer shall have the sole discretion to make final, conclusive, and binding determinations on matters of aesthetic judgment and such determinations shall not be subject to review so long as made in good faith and in accordance with the procedures set forth herein.

The Reviewer shall make a determination on each application within 30 days after receipt of a completed application and all required information. The Reviewer may (i) approve the application, with or without conditions; (ii) approve a portion of the application and disapprove other portions; or (iii) disapprove the application.

Until expiration of Declarant's rights under this Article, the ARC shall notify Declarant in writing within three business days after the ARC has approved any application within the scope of matters delegated to

the ARC by Declarant. A copy of the application and any additional information that Declarant may require shall accompany the notice. Declarant shall have 10 days after receipt of such notice to veto any such action, in its sole discretion, by written notice to the ARC.

The Reviewer shall notify the applicant in writing of the final determination on any application within five days thereafter. In the case of disapproval, the Reviewer may, but shall not be obligated to, specify the reasons for any objections and/or offer suggestions for curing any objections.

In the event that the Reviewer fails to respond in a timely manner, approval shall be deemed to have been given, subject to Declarant's right to veto pursuant to this Section. However, no approval, whether expressly granted or deemed granted, shall be inconsistent with the Architectural Guidelines unless a written variance has been granted pursuant to Section 4.5. Notice shall be deemed to have been given at the time the envelope containing the response is deposited with the U. S. Postal Service. Personal delivery of such written notice shall, however, be sufficient and will be deemed to have been given at the time of delivery to the applicant.

If construction does not commence on a project for which plans have been approved within six months after the date of approval, such approval shall be deemed withdrawn and it shall be necessary for the Owner to reapply for approval before commencing any activities. Once construction is commenced, it shall be diligently pursued to completion. All work shall be completed within six months of commencement unless otherwise specified in the notice of approval or unless the Reviewer grants an extension in writing, which it shall not be obligated to do. If approved work is not completed within the required time, it shall be considered nonconforming and shall be subject to enforcement action by the Association, Declarant or any aggrieved Owner.

The Reviewer may, by resolution; exempt certain activities from the application and approval requirements of this Article, provided such activities are undertaken in strict compliance with the requirements of such resolution.

Section 4.4. No Waiver of Future Approvals. Each Owner acknowledges that the persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Architectural Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features until work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or plans, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, plans, or other matters subsequently or additionally submitted for approval.

Section 4.5. Variances. The Reviewer may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. No variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) preclude the Reviewer from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

Section 4.6. Limitation of Liability. The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of Gas Lamp Terraces;

they do not create any duty to any Person. Review and approval of any application pursuant to this Article may be made on the basis of aesthetic considerations only, and the Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwellings are of comparable quality, value or size, of similar design, or aesthetically pleasing or otherwise acceptable to neighboring property owners.

Neither any Declarant, the Association, the Board, nor any committee or member of any of the foregoing shall be held liable for soil conditions, drainage or other general site work; any defects in plans revised or approved hereunder; any loss or damage arising out of the action, inaction, integrity, financial condition or quality of work of any contractor or its subcontractors, employees or agents; or any injury, damages, or loss arising out of the manner or quality or other circumstances of approved construction on or modifications to any Unit. **Each Owner, by accepting a deed to a Unit hereby forever waives any such claims arising now or in the future.** In all matters, the Board, the ARC and the members of each shall be defended and indemnified by the Association as provided in Section 7.6.

Section 4.7. Certificate of Compliance. Any Owner may request that the Reviewer issue a certificate of architectural compliance certifying that there are no known violations of this Article or the Architectural Guidelines. The Association shall either grant or deny such request within 30 days after receipt of a written request and may charge a reasonable administrative fee for issuing such certificates. Issuance of such a certificate shall preclude the Association from taking enforcement action with respect to any condition as to which the Association had notice as of the date of such certificate.

ARTICLE V MAINTENANCE AND REPAIR

Section 5.1. Maintenance of Areas of Common Responsibility. The Association shall maintain the Areas of Common Responsibility as described in Section 7.2.

Section 5.2. Maintenance of Units. Each Owner shall maintain his or her Unit and all improvements comprising the Unit, in a manner consistent with the Governing Documents, the Community-Wide Standard and all covenants or agreements applicable to the Unit, unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to this Declaration or any Supplemental Declaration

Section 5.3. Responsibility for Insurance, Repair and Replacement. Unless otherwise specifically provided in the Governing Documents or in other instruments creating and assigning maintenance responsibility, each Owner's responsibility for maintenance shall include responsibility for insurance, repair and replacement, as necessary to maintain the property to a level consistent with the Community-Wide Standard. Repair and replacement may include improvement if necessary to comply with applicable building codes or other regulations of if otherwise deemed appropriate, in the Board's reasonable discretion.

By virtue of taking title to a Unit, each Owner covenants and agrees with all other Owners and with the Association to (i) carry property and liability insurance as the Board deems advisable and (ii) provide the Association with proof of such insurance promptly upon request. The insurance must be obtained from insurance companies authorized to do business in the State of Washington. The insurance policy must provide that the insurer will not cancel or substantially modify the coverage without at least 30 days written notice to the Association. The property insurance must, at a minimum, provide special cause of

loss coverage in an amount equal to the full replacement cost of the Unit and all improvements thereon, subject to such reasonable deductibles and exclusions as may be set forth in the Restrictions and Rules. The liability insurance shall cover the liability of the insured for bodily injury, death or property damage to others, in amounts and on conditions as may be set forth in the Restrictions and Rules.

Each Owner further covenants and agrees that in the event of damage to or destruction of structures on or comprising his or her Unit, the Owner shall proceed promptly to repair or to reconstruct in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article IV. The Association may after a reasonable time undertake such repairs or reconstruction at the expense of the owner.

PART THREE: COMMUNITY GOVERNANCE AND ADMINISTRATION

This Declaration establishes the Association as a mechanism by which each Owner is able to participate in the governance and administration of Gas Lamp Terraces. While many powers and responsibilities are vested in the Association's board of directors in order to facilitate day-to-day management and operation, some decisions are considered of such importance that they are reserved for the Association's membership--the owners of property in Gas Lamp Terraces.

ARTICLE VI THE ASSOCIATION AND ITS MEMBERS

Section 6.1. Function of Association. The Association is the entity responsible for management, maintenance, operation and control of the Area of Common Responsibility. The Association also is the primary entity responsible for enforcement of the Governing Documents. The Association shall perform its functions in accordance with the Governing Documents and Washington law.

Section 6.2. Membership. Every Owner shall be a Member of the Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the Bylaws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner that is not a natural person may be exercised by any officer, director, partner or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Association.

Section 6.3. Voting. The Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A" Members. Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have a separate vote for each Unit in which they hold the interest required for membership under Section 6.2. Each Unit will have one vote. All Class "A" votes shall be cast as provided in Section 6.3(c) below.

(b) Class "B" Members. The sole Class "B" Member shall be the Declarant. The Class "B" Member may appoint Class "B" Directors during the Class "B" Control Period, as specified in the Bylaws.

Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents. After termination of the Class "B" Control Period, the Class "B" Member shall have a right to disapprove actions of the Board and committees as provided in the Bylaws.

The Class "B" membership shall terminate upon the earlier of:

- (i) one year after expiration of the Class "B" Control Period pursuant to Article III of the Bylaws; or
- (ii) when, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, the Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which it owns.

(c) **Exercise of Voting Rights.** Members may exercise voting rights as set forth in the Bylaws. If there is more than one Owner of a Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

ARTICLE VII ASSOCIATION POWERS AND RESPONSIBILITIES

Section 7.1. Acceptance and Control of Association Property. The Association, through action of its Board, may acquire, hold and dispose of tangible and intangible personal property. The Association shall maintain such property at its expense for the benefit of the Members. The Association shall be responsible for management, maintenance, repair, replacement and control of such property subject to any covenants and restrictions set forth in the plat of Gas Lamp Terraces, or the instrument transferring such property to the Association. The Board may adopt such reasonable rules regulating use of such property, as it deems appropriate.

Section 7.2. Maintenance and Control of Area of Common Responsibility. The Association shall maintain, repair and replace, in accordance with the Community-Wide Standard, the Area of Common Responsibility, which shall include, but need not be limited to:

- (a) The Common Area, if any;
- (b) sidewalks along public streets,
- (c) outdoor landscaping and irrigation, including street trees;
- (d) the driveways and pedestrian walkways within the Property;
- (e) the joint storm drainage facilities, if any;
- (f) gas lamps at entry walks of units 1-11;
- (g) such portions of any additional property included within the Area of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration; or any contract or agreement for maintenance thereof entered into by the Association;

The Association shall not be liable for any damage or injury occurring on or arising out of the condition of property that it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

The costs associated with operation, maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense; provided, the Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Area of Common Responsibility pursuant to this Declaration, other Recorded covenants, or agreements with the owner(s) thereof. The costs of maintenance, repair and replacement of Limited Common Facilities shall be assessed to the Units to which the Limited Common Facilities are assigned, notwithstanding that the Association may be responsible for such maintenance hereunder.

Section 7.3. **Insurance.**

(a) Coverages. The Association, acting through its Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available:

- (i) Commercial general liability insurance insuring the Association and its Members with limits (including primary and umbrella coverage) of at least \$1,000,000. per occurrence for bodily injury, personal injury or property damage.
- (ii) property insurance for the personal property of the Association.
- (iii) Directors and officers liability coverage;
- (iv) Commercial crime insurance, including fidelity insurance covering all Persons responsible for handling Association funds in an amount determined in the Board's business judgment. Fidelity insurance policies shall contain a waiver of all defenses based upon the exclusion of Persons serving without compensation; and
- (v) Such additional insurance as the Board, in the exercise of its business judgment, determines advisable.

Premiums for all insurance shall be Common Expenses unless the Board reasonably determines that other treatment of the premiums is more appropriate.

(b) Policy Requirements. The Association may arrange for the periodic review of the sufficiency of its insurance coverage by one or more qualified Persons, at least one of who must be familiar with insurable replacement costs in the metropolitan Tacoma area. All Association policies shall provide for a certificate of insurance to be furnished to the Association and, upon request, to each Member insured.

The policies may contain a reasonable deductible. In the event of an insured loss, the deductible shall be treated in the same manner as the premiums for the applicable insurance coverage. However, if the Board reasonably determines, after notice and an opportunity to be heard in accordance with the Bylaws, that the loss is the result of the negligence or willful misconduct of one or more Owners, their guests, invitees, or lessees, then the Board may assess the full amount of such deductible against such Owner(s) and their Units as a Specific Assessment.

All insurance coverage obtained by the Board shall:

- (i) be written in the name of the Association as trustee for the Members.
- (ii) not be brought into contribution with insurance purchased by Owners, occupants or their Mortgagees individually;
- (iii) contain an inflation guard endorsement;
- (iv) include an agreed amount endorsement, if the policy contains a co-insurance clause;
- (v) provide that each Owner is an insured person under the policy with respect to liability arising out of such Owner's interest as a Member in the Association;
- (vi) provide a waiver of subrogation under the policy against any Owner or household member of an Owner;
- (vii) include an endorsement precluding cancellation, invalidation, suspension, or non-renewal by the insurer on account of any one or more individual Owners, or on account of any curable defect or violation without prior written demand to the Association to cure the defect or violation and allowance of a reasonable time to cure; and
- (viii) include an endorsement precluding cancellation, invalidation, or condition to recovery under the policy on account of any act or omission of any one or more individual Owners, unless such Owner is acting within the scope of its authority on behalf of the Association.

In addition, the Board shall use reasonable efforts to secure insurance policies that list the Owners as additional insured and provide:

- (i) a waiver of subrogation as to any claims against the Association's Board, officers, employees, and its manager, the Owners and their tenants, servants, agents, and guests;
- (ii) an endorsement excluding Owners' individual policies from consideration under any "other insurance" clause;
- (iii) an endorsement requiring at least 30 days' prior written notice to the Association of any cancellation, substantial modification, or non-renewal; and
- (iv) a cross liability provision.

(c) **Restoring Damaged Property.** In the event of damage to or destruction of property that the Association insures, the Board or its duly authorized agent shall file and adjust all insurance claims and obtain reliable and detailed estimates of the cost of repairing or restoring the property to substantially the condition in which it existed prior to the damage. If insurance proceeds are insufficient to cover the costs of repair or reconstruction, the Board may, without a vote of the Members, levy Special Assessments to cover the shortfall against those Owners responsible for the premiums for the applicable insurance coverage under Section 7.3(a).

Section 7.4. Compliance and Enforcement.

(a) Every Owner and occupant of a Unit shall comply with the Governing Documents. The Board may impose sanctions for violation of the Governing Documents after notice and a hearing in accordance with the procedures set forth in Section 3.24 of the Bylaws. Such sanctions may include, without limitation:

- (i) imposing reasonable monetary fines (in accordance with a previously established schedule adopted by the Board and furnished to Owners) which shall constitute a lien upon the violator's Unit (In the event that any occupant, guest or invitee of a Unit violates the Governing of Documents and a fine is imposed, the fine shall first be assessed against the violator; provided, however, if the fine is not paid by the violator within the time period set by the Board, the Owner shall pay the fine upon notice from the Board);
- (ii) suspending an Owner's right to vote;
- (iii) suspending any services provided by the Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;
- (iv) exercising self-help or taking action to abate any violation of the Governing Documents in a non-emergency situation;
- (v) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of the Governing Documents and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;
- (vi) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV and the Architectural Guidelines from continuing or performing any further activities in Gas Lamp Terraces; and
- (vii) levying Specific Assessments to cover costs incurred by the Association to bring a Unit into compliance with the Governing Documents.

In addition, the Board may take the following enforcement procedures to ensure compliance with the Governing Documents without the necessity of compliance with the procedures set forth in the Bylaws:

- (i) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking rules and regulations); or
- (ii) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance

responsibility, the Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as a Specific Assessment. Except in an emergency situation, the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Association prevails, it shall be entitled to recover all costs, including, without limitation, attorney's fees and court costs, reasonably incurred in such action.

(b) The decision to pursue enforcement action in any particular case shall be left to the Board's discretion, except that the Board shall not be arbitrary or capricious in taking enforcement action. Without limiting the generality of the foregoing sentence, the Board may determine that, under the circumstances of a particular case:

- (i) the Association's position is not strong enough to justify taking any further action; or
- (ii) the covenant, restriction or rule being enforced is, or is likely to be construed as, inconsistent with applicable law; or
- (iii) although a technical violation may exist or may have occurred, it is not of such a material nature as to be objectionable to a reasonable person or to justify expending the Association's resources; or
- (iv) that it is not in the Association's best interests, based upon hardship, expense, or other reasonable criteria, to pursue enforcement action.

Such a decision shall not be construed a waiver of the right of the Association to enforce such provision at a later time under other circumstances or preclude the Association from enforcing any other covenant, restriction or rule.

While conducting the Association's business affairs, the Board shall act within the scope of the Governing Documents and in good faith to further the legitimate interests of the Association and its Members. In fulfilling its governance responsibilities, the Board's actions shall be governed and tested by the rule of reasonableness. The Board shall exercise its powers in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

Section 7.5. Implied Rights; Board Authority. The Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. All rights and powers of the Association may be exercised by the Board without a vote of the membership except where applicable law or the Governing Documents specifically require a vote of the membership.

The Board may institute, defend, settle, or intervene on behalf of the Association in mediation, binding or non-binding arbitration, litigation, or administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Association or its Members.

In exercising the rights and powers of the Association, making decisions on behalf of the Association, and conducting the Association's affairs, Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in the Bylaws.

Section 7.6. Indemnification of Officers, Directors and Others. Subject to Washington law, the Association shall indemnify every officer, director, and committee member against all damages and expenses, including counsel fees, reasonably incurred in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member, except that such obligation to indemnify shall be limited to those actions for which liability is limited under the Articles of Incorporation and Washington law.

The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other committee made or action taken in good faith on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association).

The Association shall indemnify and forever hold each such officer, director and committee member harmless from any and all liability to others on account of any such contract, committee or action. This right to indemnification shall not be exclusive of any other rights to which any present or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 7.7. Safety and Security. **The Association may, but shall not be obligated to, maintain or support certain activities within Gas Lamp Terraces to make the properties safer than they might otherwise be. Neither the Association nor Declarant shall in any way be considered insurers or guarantors of safety or security within Gas Lamp Terraces, nor shall either be held liable for any loss or damage by reason of failure to provide adequate security nor ineffectiveness of security measures undertaken. No representation or warranty is made that any systems or measures will not be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands and shall be responsible for informing its tenants and all occupants of its Unit that the Association, its Board and committees, and Declarant are not insurers or guarantors of security or safety and that each Person within Gas Lamp Terraces assumes all risks of personal injury and loss or damage to property, including Units and the contents of Units, resulting from acts of third parties.**

Section 7.8. Provision of Services. The Association may provide, or provide for, services and facilities for the Members and their Units, and shall be authorized to enter into and terminate contracts or agreements with other entities, including Declarant, to provide such services and facilities. The Board may charge use or service fees for any such services and facilities provided at the option of an Owner, or may include the costs thereof in the Association's budget as a Common Expense and assess it as part of the Base Assessment if provided to all Units. By way of example, such services and facilities might include landscape maintenance, pest control service, cable television service, security, caretaker, and similar services and facilities. Nothing in this Section shall be construed as a representation by Declarant or the Association as to what, if any, services shall be provided. In addition, the Board shall be permitted to modify or cancel existing contracts for services in its discretion, unless the provision of such services is

otherwise required by the Governing Documents. No Owner shall be exempt from the obligation to pay for such services, if provided to all Owners as a Common Expense, based upon non-use or any other reason.

ARTICLE VIII ASSOCIATION FINANCES

Section 8.1. Budgeting and Allocating Common Expenses. At least 60 days before the beginning of each fiscal year, the Board shall prepare a budget of the estimated Common Expenses for the coming year, including any contributions to be made to a reserve fund pursuant to Section 8.3. The budget shall also reflect the sources and estimated amounts of funds to cover such expenses, which may include any surplus to be applied from prior years, any income expected from sources other than assessments levied against the Units, and the amount to be generated through the levy of Base Assessments and Special Assessments against the Units, as authorized in Section 8.6.

In order to fund the Common Expenses, the Association is authorized to levy Base Assessments against all Units that are subject to assessment under Section 8.6. The Base Assessment for each Unit shall be determined according to the following formula: each Unit shall be assessed equally.

Within 30 days after adoption of the final budget by the Board, the Board shall send each Owner a copy of the final budget, notice of the amount of the Base Assessment to be levied pursuant to such budget, and notice of a meeting to consider ratification of the budget. The meeting shall be held not less than 14 nor more than 60 days from the mailing of such materials. The budget and assessment shall be ratified unless disapproved at a meeting by Members representing at least 67% of the total Class "A" votes in the Association and by the Class "B" Member, if such exists. Such ratification shall be effective whether or not a quorum is present.

If any proposed budget is disapproved or the Board fails for any reason to determine the budget for any year, then the budget most recently in effect shall continue in effect until a new budget is determined.

The Board may revise the budget and adjust the Base Assessment from time to time during the year, subject to the notice requirements and the right of the Members to disapprove the revised budget as set forth above.

Section 8.2. Budgeting for Reserves. The Board shall prepare and review at least annually a reserve budget for the Area of Common Responsibility. The budget shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall include in the Common Expense budget adopted pursuant to Section 8.1, a capital contribution to fund reserves in an amount sufficient to meet the projected need with respect to both amount and timing by annual contributions over the budget period.

Section 8.3. Special Assessments. In addition to other authorized assessments, the Association may levy Special Assessments to cover unbudgeted expenses or expenses in excess of those budgeted. Any such special Assessment shall be levied against the entire Membership. Except as otherwise specifically provided in this Declaration, any Special Assessment shall require the affirmative vote or written consent of Members representing more than 50% of the total votes allocated to Units which will be subject to such Special Assessment, and the affirmative vote or written consent of the Class "B" Member, if such exists. Special Assessments shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which

the Special Assessment is approved.

Section 8.4. Specific Assessments. The Association shall have the power to levy Specific Assessments against a particular Unit as follows:

- (a) to cover the costs, including overhead and administrative costs, of providing services to Units upon request of an Owner pursuant to any menu of special services which may be offered by the Association (which might include the items identified in Section 7.8). Specific Assessments for special services may be levied in advance of the provision of the requested service; and
- (b) to cover costs incurred in bringing the Unit into compliance with the Governing Documents, or costs incurred as a consequence of the conduct of the Owner or occupants of the Unit, their agents, contractors, employees, licensees, invitees, or guests; provided, the Board shall give the Unit Owner prior written notice and an opportunity for a hearing, in accordance with the Bylaws, before levying any Specific Assessment under this subsection.

Section 8.5. Authority to Assess Owners; Time of Payment. Declarant hereby establishes and the Association is hereby authorized to levy assessments as provided for in this Article and elsewhere in the Governing Documents. The obligation to pay assessments shall commence as to each Unit on the first day of the month following the closing of the first sale of the Unit to a person other than Declarant. The first annual Base Assessment levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year at the time assessments commence on the Unit.

Assessments shall be paid in such a manner and on such dates as the Board may establish. The Board may require advance payment of assessments at closing of the transfer of title to a Unit and impose special requirements for Owners with a history of delinquent payment. If the Board so elects, assessments may be paid in two or more installments. Unless the Board otherwise provides, the Base Assessment shall be due and payable in equal monthly installments in advance on the first day of each month during the fiscal year. If any Owner is delinquent in paying any assessments or other charges levied on his or her Unit, the Board may require the outstanding balance on all assessments to be paid in full immediately.

Failure of the Board to fix assessment amounts or rates or to deliver or mail to each Owner an assessment notice shall not be deemed a waiver, modification, or a release of any Owner from the obligation to pay assessments. In such event, each Owner shall continue to pay Base Assessments on the same basis as during the last year for which an assessment was made, if any, until a new assessment is levied, at which time the Association may retroactively assess any shortfalls in collections.

No Owner may exempt himself or herself from liability for assessments by abandonment of his or her Unit, or any other means. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessments or set-off shall be claimed or allowed for any alleged failure of the Association or Board to take some action or perform some function required of it, or for inconvenience or discomfort arising from the making of repairs or improvements, or from any other action it takes. Upon written request, the Association shall furnish to any Owner liable for any type of assessment a certificate in writing signed by an Association officer setting forth whether such assessment has been paid. Such certificate shall be conclusive evidence of payment. The Association may require the advance payment of a reasonable processing fee for the issuance of such certificate.

During the Class "B" Control Period, Declarant may satisfy its obligation for assessments on Units which

it owns either by paying such assessments in the same manner as any other Owner or by paying the difference between the amount of assessments levied on all other Units subject to assessment and the amount of actual expenditures by the Association during the fiscal year. Unless Declarant otherwise notifies the Board in writing at least 60 days before the beginning of each fiscal year, Declarant shall be deemed to have elected to continue paying on the same basis as during the immediately preceding fiscal year. Regardless of Declarant's election, Declarant's obligations hereunder may be satisfied in the form of cash or by "in kind" contributions of services or materials, or by a combination of these. After termination of the Class "B" Control Period, Declarant shall pay assessments on its unsold Units in the same manner as any other Owner.

Section 8.6. Lien For Assessments; Priority. The Association has a lien on a Unit for any unpaid assessments levied against a Unit (including interest, late charges, costs of collection and attorneys fees) from the time the assessment is due. A lien under this Article shall have priority over all other liens and encumbrances on a Unit except: (a) liens and encumbrances recorded before the recording of this Declaration; (b) a Mortgage on the Unit Recorded before the date on which the assessment sought to be enforced became delinquent; and (c) liens for real property taxes and other governmental assessments or charges against the Unit. Recording of this Declaration constitutes record notice and perfection of the lien for assessments; however, the Association may record a notice of claim of lien for assessments in the real property records of the county in which Gas Lamp Terraces is located.

The holder of a first Mortgage who obtains the right of possession of a Unit through foreclosure of the first Mortgagee shall not be liable for any assessments or installments thereof that became due prior to such right of possession. The lien for such assessments shall be extinguished. Such unpaid assessments shall be deemed to be Common Expenses collectible from all the Owners, including such mortgagee or other purchaser of the Unit. Foreclosure of a mortgage does not relieve the prior Owner of personal liability for assessments accruing against the Unit prior to the date of such sale.

Section 8.7. Lien May be Foreclosed. Judicial Foreclosure. The Association or its authorized representative in the manner set forth in RCW 61.12 may enforce the lien arising under this article judicially. The Association or its authorized representative shall have the power to purchase the Unit at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be eight months. Nothing in this Section shall prohibit the Association from taking a deed in lieu of foreclosure. While a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association. The Association may sue for unpaid assessments and other charges authorized hereunder without foreclosing or waiving the lien securing the same.

Section 8.8. Assessments Are Personal Obligations. Each Owner, by accepting a deed or entering into a Recorded contract of sale for any portion of Gas Lamp Terraces is deemed to covenant and agree to pay all assessments authorized in or by the Governing Documents. In addition to constituting a lien on a Unit, all sums assessed by the Association chargeable to any Unit, including all charges in this Article, shall be the personal obligation of the Owner of the Unit when the assessments are made. Suit to recover personal judgment for any delinquent assessments may be maintained without foreclosing or waiving the liens securing them.

Section 8.9. Extinguishment of Lien and Personal Liability. A lien for unpaid assessments

and the personal liability for payment of assessments is extinguished unless proceedings to enforce the lien or collect the debt are instituted within three years after the amount of the assessments sought to be recovered becomes due.

Section 8.10. Joint and Several Liabilities. In addition to constituting a lien on the Unit, each assessment shall be the joint and several obligations of the Owner or Owners of the Unit to which the same are assessed, as the time the assessment is due. In a voluntary conveyance, the grantee of a Unit shall be jointly and severally liable with the grantor for all unpaid assessments against the grantor due at the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore. Suit to recover a personal judgment for any delinquent assessment may be maintained in any court of competent jurisdiction without foreclosing or waving the lien securing such sums.

Section 8.11. Late Charges and Interest on Delinquent Assessments. The Association may from time to time establish reasonable late charges and a rate of interest to be charged on all subsequent delinquent assessments or installments thereof. In the absence of another established nonusurious rate, delinquent assessments shall bear interest from the date of delinquency at the maximum rate permitted under RCW 19.52.020 on the date on which the assessments became delinquent.

Section 8.12. Recovery of Attorneys' Fees and Costs. The Association shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent assessments, whether or not such collection activities result in suit being commenced or prosecuted to judgment. In addition, the Association shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal and in the enforcement of a judgment.

Section 8.13. Remedies Cumulative. The remedies provided herein are cumulative and the Board may pursue them, and any other remedies that may be available under law although not expressed herein, either concurrently or in any order. If any remedy granted to the Association herein is deemed unavailable to the Association, the availability of other remedies shall not be thereby adversely affected. It is the intent of this Declaration to provide a full range of remedies to the Association in governing and operating the Association for the overall benefit of the community.

Section 8.14. Capitalization of Association. Upon acquisition of record title to a Unit by the first Owner thereof other than Declarant, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-fourth of the annual Base Assessment per Unit for that year (three months of assessments). This amount shall be in addition to, not in lieu of, the annual Base Assessment and shall not be considered an advance payment of such assessment. This amount shall be deposited into the purchase and sales escrow and disbursed there from to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to this Declaration and the Bylaws.

Section 8.15. Waiver of Homestead. Each Owner, by accepting a deed to a Unit, hereby waives, to the extent of any liens created pursuant to this Article, and as to the Association, the benefit of any homestead or other exemption law that may be in effect at the time that any assessment or installment thereof becomes delinquent or that any lien attaches pursuant to the terms of this Article.

PART FOUR: COMMUNITY DEVELOPMENT

The Declaration reserves various rights to the developer in order to facilitate the smooth and orderly development of Gas Lamp Terraces.

ARTICLE IX SUPPLEMENTAL DECLARATIONS

Section 9.1. Additional Covenants and Easements. Declarant may subject any portion of Gas Lamp Terraces to additional covenants and easements, including covenants obligating the Association to maintain and insure such property and authorizing the Association to recover its costs through Neighborhood Assessments. Such additional covenants and easements may be set forth either in a Supplemental Declaration subjecting such property to this Declaration or in a separate Supplemental Declaration referencing property previously subjected to this Declaration. If a Person other than Declarant owns the property, then the consent of the Owner(s) shall be necessary and shall be evidenced by their execution of the Supplemental Declaration. Any such Supplemental Declaration may supplement, create exceptions to, or otherwise modify the terms of this Declaration as it applies to the subject property in order to reflect the different character and intended use of such property.

Section 9.2. Effect of Filing Supplemental Declaration. A Supplemental Declaration shall be effective upon Recording unless otherwise specified in such Supplemental Declaration. On the effective date of the Supplemental Declaration, any additional property subjected to this Declaration shall be assigned voting rights in the Association and assessment liability in accordance with the provisions of this Declaration.

ARTICLE X ADDITIONAL RIGHTS RESERVED TO DECLARANT

Section 10.1. Marketing and Sales Activities. Declarant may construct and maintain upon portions of the Property such facilities and activities as, in Declarant's sole opinion, may be reasonably required, convenient, or incidental to the construction or sale of Units, including, but not limited to, business offices, signs, model units, and sales offices. Declarant shall have easements for access to and use of such facilities at no charge.

Section 10.2. Right to Develop. Declarant and its employees, agents, and designees shall have a right of access and use and an easement over and upon all of the Property for the purpose of making, constructing and installing such improvements to the Property as it deems appropriate in its sole discretion.

Section 10.3. Right to Approve Additional Covenants. No Person shall Record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of Gas Lamp Terraces without Declarant's review and written consent. Any attempted Recordation without such consent shall result in such instrument being void and of no force and effect unless subsequently approved by written consent signed and Recorded by Declarant.

Section 10.4. Right to Approve Changes in Community Standards. No amendment to or modification of any Restrictions and Rules or Architectural Guidelines shall be effective without prior notice to and the written approval of the Declarants so long as Declarant owns any Unit in Gas Lamp Terraces.

Section 10.5. Right to Transfer or Assign Declarant Rights. Any or all of Declarant's special

rights and obligations set forth in this Declaration or the Bylaws may be transferred in whole or in part to other Persons; provided, the transfer shall not reduce an obligation nor enlarge a right beyond that which Declarant has under this Declaration or the Bylaws. No such transfer or assignment shall be effective unless it is in a written instrument signed and Recorded by Declarant. The foregoing sentence shall not preclude Declarant from permitting other Persons to exercise, on a one time or limited basis, any right reserved to Declarant in this Declaration where Declarant does not intend to transfer such right in its entirety, and in such case it shall not be necessary to Record any written assignment unless necessary to evidence Declarant's consent to such exercise.

Section 10.6. Easement to Inspect and Right to Correct. Declarant reserves for itself and such other Persons it may designate a perpetual non-exclusive easement throughout the Property to the extent reasonably necessary to access, inspect, monitor, test, redesign, or correct any structure, improvement or condition which may exist on any portion of Gas Lamp Terraces. Entry into a structure on a Unit shall be only after notice to the Owner and agreement on a reasonable time to enter and perform such activities. The person exercising this easement shall promptly repair; at such person's own expense, any damage resulting from such exercise.

Section 10.7. Right to Notice of Design or Construction Claims. No Person shall retain an expert for the purpose of inspecting the design or construction of any structures or improvements within Gas Lamp Terraces in connection with or in anticipation of any potential or pending claim, demand or litigation involving such design or construction unless Declarant and any builder involved in the design or construction have been first notified in writing and given an opportunity to meet with the owner of the property to discuss the owner's concerns and conduct their own inspection.

Section 10.8. Termination of Rights. The rights contained in this Article shall not terminate until the earlier of (a) three years from the date this Declaration is Recorded; or (b) Recording by Declarant of a written statement that all sales activity has ceased.

PART FIVE: PROPERTY RIGHTS WITHIN THE COMMUNITY

The nature of living in this community, with its ongoing development activity, requires the creation of special property rights and provisions to address the needs and responsibilities of the Owners, Declarant, the Association, and others within or adjacent to the community.

ARTICLE XI EASEMENTS

Section 11.1. Easements For Common Use. Declarant reserves and grants the following rights and easements to the Owners, subject to: (i) the Governing Documents, (ii) restrictions or limitations on the face of the Plat, (iii) and the Board's right to adopt rules concerning the use of the Area of Common Responsibility.

(a) Interior Driveway Easements. Lots 1-21 shall have perpetual, reciprocal easements for vehicular and pedestrian ingress and egress to and from the public streets over TRACT A, a private road. No Owner may park or leave any vehicle in the easement area, except for short-term activities such as washing the car. No such activity may interfere with the other Owner's use of the easement. No overnight parking is permitted. No Owner may keep or store any thing in the easement area unless approved by Declarant or

the ARC.

- (b) TRACT A contains a thirty-foot wide public utility easement.
- (c) The westerly two feet of lots 1-11 is reserved as an easement to the developer and the association for maintenance and repair of lighting of the front walks of lots 1-11.

Any Owner may extend his or her right of use and enjoyment to the members of his or her family, lessees, and social invitees, as applicable, subject to reasonable Board regulation. An Owner who leases his or her Unit shall be deemed to have assigned all such rights to the lessee of such Unit for the period of the lease.

Section 11.2. Easements of Encroachment. Declarant reserves and grants reciprocal appurtenant easements of encroachment, and for maintenance and use of any permitted encroachment, between adjacent Units due to the unintentional placement or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three feet, as measured from any point on the common boundary along a line perpendicular to such boundary. However, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing conduct on the part of, or with the knowledge and consent of, the Person claiming the benefit of such easement.

Section 11.3. Easements for Utilities. Declarant reserves easements over the Property as provided on the face of the Plat and by applicable laws, ordinances or other governmental rules, for installation, maintenance, replacement and improvement of utilities serving the Property, including but not limited to underground electric power, telephone, cable television, water, storm and sanitary sewer, and gas, together the right of entry for said purposes.

Section 11.4. Easements for Association Maintenance, Emergency and Enforcement. Declarant grants to the Association easements over Gas Lamp Terraces as necessary to enable the Association to fulfill its maintenance responsibilities under Section 7.2. The Association shall also have the right, but not the obligation, to enter upon any Unit for emergency, security, and safety reasons, to perform maintenance and to inspect for the purpose of ensuring compliance with and enforce the Governing Documents. Any member of the Board and its duly authorized agents and assignees, and all emergency personnel in the performance of their duties may exercise such right. Except in an emergency situation, entry shall only be during reasonable hours and after notice to the Owner.

ARTICLE XII PARTY WALLS AND OTHER SHARED STRUCTURES

Section 12.1. Common Walls. Each Unit contains a town home. The walls between the town homes are double walls that are designed to be structurally independent. No Owner may do anything to adversely affect the structure, fire resistance, insulating capability or function of a wall of an adjoining Unit. Each Owner shall have easements for maintenance, and replacement to the Boundary Wall as set forth in Section 11.2.

Section 12.2. Maintenance. Each owner of a Unit shall be responsible for maintaining that portion of the wall to the center of the wall, whether the wall is located exactly on the Unit boundary or not, and to the same extent as the owner is responsible for maintaining the improvements located in his or

her Unit. An Owner who causes damage to the wall of an adjacent Unit shall be responsible for the costs or repair or replacement, in addition to any liability for negligence or willful conduct at common law.

PART SIX: RELATIONSHIPS WITHIN AND OUTSIDE THE COMMUNITY

The growth and success of Gas Lamp Terraces as a community in which people enjoy living, working, and playing requires good faith efforts to resolve disputes amicably, attention to and understanding of relationships within the community and with our neighbors, and protection of the rights of others who have an interest in the community.

ARTICLE XIII DISPUTE RESOLUTION AND LIMITATION ON LITIGATION

Section 13.1. Agreement to Encourage Resolution of Disputes Without Litigation.

(a) Declarant, the Association and its officers, directors, and committee members, all Persons subject to this Declaration, and any Person not otherwise subject to this Declaration who agrees to submit to this Article (collectively, "Bound Parties"), agree that it is in the best interest of all concerned to encourage the amicable resolution of disputes involving the Community without the emotional and financial costs of litigation. Accordingly, each Bound Party agrees those claims, grievances or disputes described in subsection (b) ("Claims") to the procedures set forth in subsection 14.2, in a good faith effort to resolve such Claim, prior to filing suit.

(b) Unless specifically exempted below, all Claims arising out of or relating to the interpretation, application or enforcement of the Governing Documents, or the rights, obligations and duties of any Bound Party under the Governing Documents or relating to the design or construction of improvements on the Property shall be subject to the provisions of Section 14.2.

Nevertheless, unless all parties thereto agree otherwise, the following shall not be Claims:

- (i) any suit by the Association against a Bound Party to enforce the provisions of Article 8;
- (ii) any suit by the Association to obtain equitable relief (including temporary restraining orders, injunctions and specific performance) and such ancillary relief as the court may deem necessary in order to maintain the status quo and preserve the Association's ability to enforce the provisions of Part Two of this Declaration.
- (iii) any suit by a Bound Party for declaratory or injunctive relief, which seeks a determination of the applicability, enforcement, clarification or interpretation of any provisions of this Declaration;
- (iv) any suit between Owners, which does not include Declarant or the Association as a party, if such suit asserts a Claim which would constitute a cause of action independent of the Governing Documents;
- (v) any suit in which any indispensable party is not a Bound Party; and
- (vi) any suit as to which any applicable statute of limitations would expire within 180 days of giving the Notice required by Section 14.2(a), unless the party or parties against whom the Claim is made agree to toll the statute of limitations as to such Claim for such period

as may reasonably be necessary to comply with this Article.

Section 14.2. Dispute Resolution Procedures.

(a) Notice. The Bound Party asserting a Claim (“Claimant”) against another Bound Party (“Respondent”) shall give written notice to each Respondent and to the Board stating plainly and concisely:

- (i) the nature of the Claim, including the Persons involved and the Respondent’s role in the Claim;
- (ii) the legal basis of the Claim (i.e., the specific authority out of which the Claim arises);
- (iii) the Claimant’s proposed resolution or remedy; and
- (iv) the Claimant will meet with the Respondent to discuss in good faith ways to resolve the Claim.

(b) Negotiation. The Claimant and Respondent shall make every reasonable effort to meet in person and confer for the purpose of resolving the Claim by good faith negotiation. If requested in writing, accompanied by a copy of the Notice, the Board may appoint a representative to assist the parties in negotiating a resolution of the Claim.

(c) Mediation. If the parties have not resolved the Claim within 30 days of the date of the notice described in Section 14.2(a) (or within such other period as the parties may agree upon), the Claimant shall have 30 additional days to submit the Claim to mediation with an independent agency providing dispute resolution services in Pierce County.

If the Claimant does not submit the Claim to mediation within such time, or does not appear for the mediation when scheduled, the Claimant shall be deemed to have waived the Claim, and the Respondent shall be relieved of any and all liability to the Claimant on account of such Claim; provided, nothing herein shall release or discharge Respondent from any liability to any Person other than the Claimant.

If the Parties do not settle the Claim within 30 days after submission of the matter to mediation, or within such time as determined reasonable by the mediator, the mediator shall issue a notice of termination of the mediation proceedings indicating that the parties are at an impasse and the date that mediation was terminated. The Claimant shall thereafter be entitled to file suit or to initiate administrative proceedings on the Claim, as appropriate.

Each Party shall bear its own costs of the mediation, including attorney’s fees, and each Party shall share equally all fees charged by the mediator.

(d) Settlement. Any settlement of the Claim through negotiation or mediation shall be documented in writing and signed by the parties. If any party thereafter fails to abide by the terms of such agreement, then any other party may file suit or initiate administrative proceedings to enforce such agreement without the need to again comply with the procedures set forth in this Section. In such event, the party taking action to enforce the agreement or award shall, upon prevailing, be entitled to recover from the non-complying party (or if more than one non-complying party, from all such parties in equal proportions) all costs incurred in enforcing such agreement or award, including, without limitation, attorneys’ fees and

court costs.

Section 14.3. **Initiation of Litigation by Association.** Except as provided in this Section, the Association shall not initiate any judicial or administrative proceeding unless first approved by a vote of Members entitled to cast 67% of the total Class "A" votes in the Association, except that no such approval shall be required for actions or proceedings:

- (a) actions initiated during the Class "B" Control Period;
- (b) actions by the Association to enforce the provisions of this Declaration, including the foreclosure of liens;
- (c) the collection of assessments;
- (c) actions to challenge ad valorem taxation or condemnation proceedings;
- (d) actions by the Association against any contractor, vendor, or supplier of goods or services arising out of a contract for services or supplies between the Association and such party; or
- (e) counterclaims by the Association in proceedings brought against it.

This Section shall not be amended unless such amendment is approved by the same percentage of votes, pursuant to the same procedures, necessary to institute proceedings.

ARTICLE XV MORTGAGEE PROTECTIONS

The following provisions are for the benefit of holders, insurers and guarantors of first Mortgages on Units in the Property. The provisions of this Article apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

Section 15.1. **Notices.** An institutional holder, insurer, or guarantor of a first Mortgage who provides a written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the street address of the Unit to which its Mortgage relates, thereby becoming an "Eligible Holder"), will be entitled to timely written notice of:

- (a) Any delinquency in the payment of assessments or charges owed by a Unit subject to the Mortgage of such Eligible Holder, where such delinquency has continued for a period of 60 days, or any other violation of the Governing Documents relating to such Unit or the Owner or occupant which is not cured within 60 days;
- (b) Any meeting of the Association.

Section 15.2. **Rights of Lien Holders.** Any breach of the provisions of this Declaration shall not affect or impair the lien of any bona fide mortgage made in good faith for value on any Lot. Any subsequent Owner of a Lot acquired by foreclosure, trustee's sale or otherwise, shall however, be bound by the provisions hereof.

ARTICLE XVI OMITTED

PART SEVEN: CHANGES IN THE COMMUNITY

Communities such as Gas Lamp Terraces evolve as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. Gas Lamp Terraces and its Governing Documents must be able to adapt to these changes while protecting the things that make Gas Lamp Terraces unique.

ARTICLE XVII CHANGES IN OWNERSHIP OF UNITS

Any Owner desiring to sell or otherwise transfer title to his or her Unit shall give the Board at least seven days' prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board may reasonably require. The transferor shall continue to be jointly and severally responsible with the transferee for all obligations of the Unit Owner, including assessment obligations, until the date upon which the Board, notwithstanding the transfer of title, receives such notice.

ARTICLE XVIII AMENDMENT OF DECLARATION

Section 18.1. By Declarant. In addition to specific amendment rights granted elsewhere in this Declaration, until conveyance of the first Unit to a Person other than a Builder, the Declarants may unilaterally amend this Declaration for any purpose. Thereafter, Declarants may unilaterally amend this Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer, or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure, or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state, or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

Section 18.2. By Members. Except as otherwise specifically provided above and elsewhere in this Declaration, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the total Class "A" votes in the Association, including 67% of the Class "A" votes held by Members other than Declarant, and Declarant's consent, so long as Declarant owns any Unit in Gas Lamp Terraces.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Section 19.3. Validity and Effective Date. No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without the written consent of Declarant or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or

contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Declaration.

Section 19.4. Exhibits. Exhibit "A" attached to this Declaration is incorporated by this reference and amendment of such exhibits shall be governed by this Article. All other exhibits are attached for informational purposes and may be amended as provided therein or in the provisions of this Declaration, which refer to such exhibits.

(Signatures on Following Page)

[Signature Page for Declaration of Covenants For Gas Lamp Terraces]

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration the date and year first written above.

O'CONNOR AND ASSOCIATES, LLC
a Washington limited liability company
By: Thomas C. O'Connor
Its Manager

By: Thomas C. O'Connor

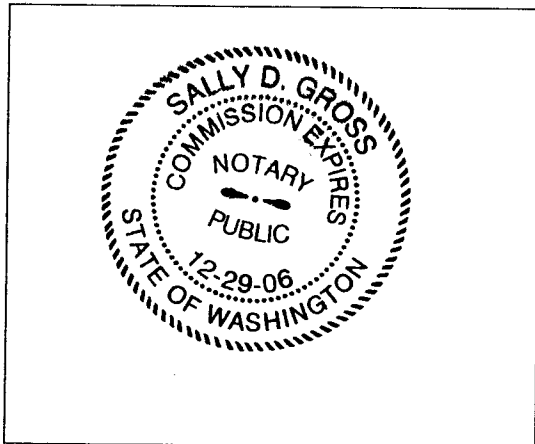
STATE OF WASHINGTON)

) ss.

COUNTY OF PIERCE)

On this 2nd day of September, 2004, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared Thomas O'Connor, to me known to be the manager of O'Connor and Associates, LLC the Washington limited liability company that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said entity for the uses and purposes therein mentioned, and on oath stated that he was authorized to execute the said instrument.

Witness my hand and official seal on the date first written above.



Sally D. Gross
(Print Name) Sally D. Gross
Residing at King Co
My appointment expires: 12-29-06

EXHIBIT "A"

LAND SUBMITTED

Plat of Gas Lamp Terraces, according to the plat thereof recorded under recording number _____ in Volume ____ of Plats, Pages ____ through ____, inclusive, in Pierce County, Washington.

EXHIBIT "B"

INITIAL RESTRICTIONS AND RULES

The following restrictions shall apply to all of Gas Lamp Terraces until such time as they are amended, modified, repealed, or limited pursuant to Article III of the Declaration.

1. Residential Use.

(a) Residential Use. Gas Lamp Terraces shall be used only for residential, recreational, and related purposes consistent with this Declaration and any Supplemental Declaration.

(b) Business Use. No business of any kind shall be conducted on any Lot with the exception of (i) the business of the Declarant in developing and selling Lots, and (ii) home occupations approved by the Board which do not involve employees, regular visits by customers or clients, create excess traffic, parking problems, noise, conflict with the residential character of Gas Lamp Terraces, or otherwise violate this Declaration. Owners shall also comply with all of the requirements of the appropriate local government concerning the operation of such home occupations. No business materials, supplies or equipment shall be stored on any Lot within the view of another Lot, except for items relating to an improvement which is under construction in conformance with this Declaration.

The terms "business" and "trade," as used in this provision, shall be construed to have their ordinary, generally accepted meanings and shall include, without limitation, any occupation, work, or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required. Leasing of a Unit shall not be considered a business or trade within the meaning of this subsection.

2. Leasing of Units.

(a) Definition. "Leasing," for purposes of this Paragraph, is defined as regular, exclusive occupancy of a Unit by any person, other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to, a fee, service, gratuity, or emolument.

(b) Lease Requirements. All leases shall be in writing and (except for a lender in possession of a Lot and improvements located thereon following a default in a first Mortgage, a foreclosure proceeding, or any deed of trust sale or other arrangement in lieu of a foreclosure) shall have a minimum term of 30 days. Notice of any lease of a single family dwelling, together with such additional information as may be required by the Board, shall be given to the Board by the Unit Owner within 10 days of execution of the lease. The Owner must make available to the lessee copies of the Declaration, Bylaws, and the Restrictions and Rules.

(c) Collection of Rent. If a Home is rented by its Owner, the Board may collect, and the tenant or lessee shall pay over to the Board, so much of the rent for such Home as is required to pay any amounts due the Association hereunder, plus interest and costs, if such amounts are in default over 30 days. The renter or lessee shall not have the right to contest payment over to the Board, and such payment will

discharge the lessee's or renter's duty of payment to the Owner for rent to the extent such rent is paid to the Association, but will not discharge the liability of the Owner (and the Home under this Declaration for assessments and charges) or operate as an approval of the lease. The Board shall not exercise this power where a receiver has been appointed with respect to the Home or its Owner, or in derogation of any rights which a Mortgagee of such Home may have with respect to such rents..

3. Restricted Activities. The following activities are prohibited within Gas Lamp Terraces unless expressly authorized by, and then subject to such conditions as may be imposed by, the Board of Directors:

(a) **Parking.** Parking of commercial vehicles or equipment, mobile homes, recreational vehicles, boats and other watercraft, trailers, stored vehicles, or inoperable vehicles in places other than enclosed garages; provided, construction, service and delivery vehicles shall be exempt from this provision during daylight hours for such period of time as is reasonably necessary to provide service, or to make a delivery, to a Unit;

(b) **Animals.** Raising, breeding, or keeping animals, reptiles, insects, livestock, or poultry of any kind, except that a reasonable number of domesticated dogs, cats, or other usual and common household pets may be permitted in a Unit. The Board may require the removal from the Property of any pets that are permitted to roam free, or, in the sole discretion of the Board, make objectionable noise, leave waste, endanger the health or safety of, or constitute an annoyance or inconvenience to the occupants of other Unit. The Board may exercise this authority for specific pets even though other pets are permitted to remain. If the pet owner fails to honor such request, the Board may have the pet removed. Pets shall be registered, licensed and inoculated as required by law.

(c) Any activity, which emits foul or obnoxious odors outside the Unit or creates noise or other conditions that tend to disturb the peace or threaten the safety of the occupants of other Units;

(d) Any activity which violates local, state, or federal laws or regulations; however, the Board shall have no obligation to take enforcement action in the event of a violation;

(e) Pursuit of hobbies or other activities that tend to cause an unclean, unhealthy, or untidy condition to exist outside of enclosed structures on the Unit;

(f) Any noxious or offensive activity which in the reasonable determination of the Board tends to cause embarrassment, discomfort or annoyance to persons using the Common Area or to the occupants of other Units;

(g) Outside burning of trash, leaves, debris, or other materials;

(h) Use or discharge of any radio, loudspeaker, horn, whistle, bell, or other sound device so as to be audible to occupants of other Units, except alarm devices used exclusively for security purposes; security alarms must reset after 15 minutes automatically

(i) Use and discharge of firecrackers and other fireworks;

(j) Dumping grass clippings, leaves or other debris, petroleum products, fertilizers, or other potentially hazardous or toxic substances in any storm or sanitary sewer, drainage ditch, or elsewhere

within Gas Lamp Terraces, except that fertilizers may be applied to landscaping on Units provided care is taken to minimize runoff;

(k) Accumulation of rubbish, trash, or garbage except between regular garbage pick ups, and then only in approved containers. All garbage, trash and yard waste shall be placed in appropriate sanitary containers for regular disposal or recycling. Each Owner shall be responsible for the prompt and regular disposal of all of garbage, trash, junk and yard waste from the Owner's Lot. All containers for garbage, trash and yard waste may be placed in public view only on the designated collection day.

(n) Discharge of firearms;

Use of any Unit for operation of a timesharing, fraction-sharing, or similar program whereby the right to exclusive use of the Unit rotates among participants in the program on a fixed or floating time schedule over a period of years.

(p) Any activities or structures or fixtures that result in an annoying level of sound or light pollution;

(q) Conversion of any garage to finished space for use as an apartment or other integral part of the living area on any Unit without prior approval pursuant to Article IV;

(v) Antennae. Any construction, erection, placement, or modification of any thing, permanently or temporarily, on the outside portions of the Unit, whether such portion is improved or unimproved, except in strict compliance with the provisions of Article IV of the Declaration. This shall include, without limitation, signs, basketball hoops, swing sets and similar sports and play equipment; clotheslines; garbage cans; woodpiles; above-ground swimming pools; hedges, walls, dog runs, animal pens, fences of any kind; and satellite dishes and antennas, except that:

(collectively, "Permitted Antennas") shall be permitted on Units, subject to such reasonable requirements as to location and screening as may be set forth in the Architectural Guidelines, consistent with applicable law, in order to minimize obtrusiveness as viewed from streets and adjacent property.

Signs. No signs shall be displayed to public view on any Lot except (i) one professionally created sign of not more than one square foot displaying the resident's name; (ii) one sign of not more than five square feet advertising the Lot for sale or rent, (iii) signs used by Declarant or other home builders to advertise Lots or Homes for sale.

4. Prohibited Conditions. The following shall be prohibited at Gas Lamp Terraces:

(a) Plants, animals, equipment, devices, or other things of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of Gas Lamp Terraces;

(c) Parking. The parking of any trailers, boats, motor homes, recreational vehicles, motorcycles, or trucks over two tons (except those used by Declarant in connection with the development of the Property or construction of the Homes) or any disabled or inoperable motor vehicle on the Property unless any such vehicle is completely enclosed and hidden from view within a garage or within such other enclosure as may be approved in advance by the ACC. In

addition to any enforcement power available to the Association, the Association may have vehicles or trailers parked or stored in violation of this rule towed at the expense of the owner of the vehicle or trailer

(d) Dog Houses. No dog houses, kennels, dog runs or the like may be kept or maintained on any Lot on the outside of any home

(e) Hazardous Substances. The Owner of each Lot shall comply with all state, federal and local laws and regulations governing or in any way relating to the handling, storage, use, dumping, discharge or disposal of any hazardous substance or material. The owner of each Lot may not dispose of or discharge any hazardous substance or materials on any Lot, public street or other area located within the Property.

Exhibit A. Lots 1-21 plus tracts and easements, include AFN

Exhibit B. Preliminary plat conditions, plans and specifications, color palate, landscape plan, limitation on "investment ownership"