

Foster Pepper & Shefelman PLLC  
Attention: Gary N. Ackerman  
1111 Third Avenue, Suite 3400  
Seattle, Washington 98101-3299

CONDOMINIUM DECLARATION FOR QUEEN ANNE SQUARE, A CONDOMINIUM

*868517/868878*

Grantor/Declarant: QAS Residential L.L.C., a Washington limited liability company, and  
EPC Four LLC, a Washington limited liability company  
Additional names on pg. N/A

Grantee: QUEEN ANNE SQUARE, A CONDOMINIUM  
Additional names on pg. N/A

Legal Description: LOTS 1 THROUGH 14, BLOCK 17, SUPPLEMENTAL PLAT OF G.  
KINNEAR'S ADDITION TO THE CITY OF SEATTLE, PER PLAT  
RECORDED IN VOLUME 2 OF PLATS, PAGE 62, IN KING  
COUNTY, WASHINGTON  
Official legal description on Schedule A

Assessor's Tax Parcel ID#: 387990-1100-00  
387990-1151-08

Reference # (if applicable): N/A  
Additional numbers on pg. N/A

DEPARTMENT OF ASSESSMENTS  
Examined and approved this 30<sup>th</sup> day of

Sept 99  
sn  
Assessor

dm  
Deputy Assessor

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CONDOMINIUM

DECLARATION

FOR

QUEEN ANNE SQUARE, A CONDOMINIUM

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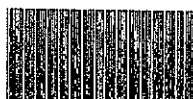
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Article 1. DEFINITIONS.

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

Allocated Interests means the allocation of Common Expense Liability, interest in Common Elements and voting for each of the Units in the Condominium, as specified in Schedule C.

Articles means the Articles of Incorporation for the Association.

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

Association means the owners association identified in Article 9.

Board means the board of directors of the Association, as described in Article 10.

Bylaws means the bylaws of the Association as they may from time to time be amended.

Common Elements means all portions of the Condominium other than Units.

Common Expenses means expenditures made by or financial liabilities of the Association including those expenses related to the maintenance, repair and replacement of the Common Elements.

Common Expense Liability means the liability for Common Expenses allocated to each Unit, as set forth in Schedule C.

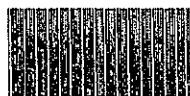
Condominium means Queen Anne Square, a condominium created under the Declaration and the Survey Map and Plans.

Condominium Act means the Washington Condominium Act, codified at RCW 64.34, as it may be from time to time amended.

Conveyance means any transfer of the ownership of a Unit, including a transfer by deed or by real estate contract.

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Declarant means QAS Residential L.L.C., a Washington limited liability company, and EPC Four LLC, a Washington limited liability company.

Declaration means this Condominium Declaration for Queen Anne Square, a condominium, as it may from time to time be amended.

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

Limited Common Element means a portion of the Common Elements allocated in Article 7 for the exclusive use of one of the units.

Managing Agent means the person, if any, designated by the Board under Section 10.3.

Mortgage means a mortgage or deed of trust.

Mortgagee means any holder of a Mortgage on a Unit, including the holder of a mortgage on a condominium unit in Queen Anne Square Residential or in a condominium created within the Office Unit.

Queen Anne Square Residential means the condominium that may be created within the Residential Unit, consisting of 75 residential condominium units and limited common elements, including the Limited Common Elements allocated to the Residential Unit in Article 7.

Office Unit means the Unit with that name, as listed in Schedule B and shown on the Survey Map and Plans.

Owner or Unit Owner means the Person who owns a Unit, but does not include any Person who has an interest in a unit solely as security for an obligation. With respect to a Unit that has been made a separate condominium by subjecting the Unit to a condominium declaration, the Association for that condominium, acting through its board and authorized representative, shall act for the owners of units therein.

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

Residential Unit means the Unit with that name, as listed in Schedule B and shown on the Survey Map and Plans.

Special Allocations means those costs which are allocated to the Units in accordance with usage or on some basis other than Common Expense Liability, as set forth in Section 11.5.

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Survey Map and Plans means the survey map and plans filed simultaneously with the recording of this Declaration and any amendments, corrections, and addenda thereto subsequently filed.

Unit means a physical portion of the condominium designated for separate ownership, the boundaries of which are described in Section 5.2 and shown on the Survey Map and Plans.

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

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

Article 2. CONSTRUCTION AND VALIDITY OF DECLARATION; EXECUTION BY DECLARANT; TERMINATION OF BINDING SITE PLAN.

Section 2.1 Construction and Validity of Declaration

The Declaration and the Condominium Act provide the framework by which the Condominium is created and operated. In the event of a conflict between the provisions of the Declaration and the Condominium Act, the Condominium Act shall prevail. In the event of a conflict between the provisions of this Declaration and the Bylaws, the Declaration shall prevail except to the extent the Declaration is inconsistent with the Condominium Act. The creation of the Condominium shall not be impaired and title to a Unit and its interest in the Common Elements shall not be rendered unmarketable or otherwise affected by reason of an insignificant failure of this Declaration or the Survey Map and Plans or any amendment thereto to comply with the Condominium Act.

Section 2.2 Execution by Declarant; Waiver of Warranties; Indemnity

The undersigned are executing this Declaration as tenants in common with the intention of immediately recording deeds to each other so that QAS Residential L.L.C. will be the Owner of the Residential Unit, and EPC Four LLC will be the Owner of the Office Unit. The undersigned acknowledge and agree that each Owner will acquire its Unit "AS IS, WHERE IS," without any warranties, whether express or implied or whether created by the Condominium Act or other law or existing at common law. No rights are reserved by and no obligations are imposed upon the Declarant under this Declaration. Each Owner hereby agrees to assume all obligations relating to its Unit from the moment the property included in the Condominium was acquired by the Unit Owners as tenants in common and to indemnify and hold harmless the other Owner from all

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claims or causes of action relating to its Unit, except as expressly provided otherwise in this Declaration.

**Section 2.3    Termination of Binding Site Plan**

The Queen Anne Square Condominium Binding Site Plan recorded under King County Recording No. 9312162054 is superceded by this Declaration and Survey Map and Plans and is hereby terminated.

**Article 3.    NAME OF CONDOMINIUM.**

The name of the Condominium created by this Declaration and the Survey Map and Plans is Queen Anne Square, a condominium.

**Article 4.    DESCRIPTION OF LAND.**

The real property included in the Condominium and subjected to the Condominium Act is described in Schedule A.

**Article 5.    DESCRIPTION OF UNITS: ALLOCATED INTERESTS.**

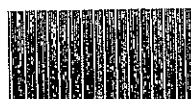
**Section 5.1    Number and Identification of Units.** The Condominium has two Units: the Residential Unit and the Office Unit. It is contemplated that the Owner of the Residential Unit will be creating a condominium within the Residential Unit to be known as Queen Anne Square Residential, a condominium (or such other name as the Owner of that Unit may designate), which will include the Limited Common Elements allocated to the Residential Unit under this Declaration. The Owner of the Office Unit shall also have the right to create a condominium within that Unit and its Limited Common Elements.

**Section 5.2    Unit Boundaries.** The vertical boundaries of the Units shall be the planes in space shown on the Survey Map and Plans. The upper horizontal boundaries of the Units shall be the legal limits of ownership. The lower horizontal boundaries of the Units shall be the upper surface of the concrete decking of the garage or the legal limits of ownership, as shown on the Survey Map and Plans.

**Section 5.3    Unit Data: Parking Spaces.** The approximate areas of the Units and numbers of bedrooms, bathrooms and fireplaces for the Residential Unit are stated in Schedule B. The Owner of the Residential Unit reserves the right to change the configuration of apartments within the Residential Unit and the number of bedrooms, bathrooms and fireplaces within that Unit. There are approximately 378 striped parking spaces in the garage, 81 of which are within the Residential Limited Common Elements and 297 of which are within the Office Limited Common Elements. The Owner of each Unit reserves the right to

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change the number of parking spaces within that Owner's Limited Common Elements by converting storage areas to parking spaces or parking spaces to storage areas or other uses or by restriping the parking areas.

Section 5.4 Allocated Interests. The interest of each Unit in the Common Elements is allocated based on relative value of the Units, as stated in Schedule C. The Common Expense Liability is allocated one-third to the Owner of the Residential Unit and two-thirds to the Owner of the Office Unit. Voting is allocated equally between the Units, with each Unit getting one vote.

#### Article 6. COMMON ELEMENTS.

The Common Elements are all portions of the Condominium other than the Units, including all portions of the walls, floors, or ceilings which are not a part of or within the Unit boundaries provided in Section 5.2. The Common Elements include, but are not necessarily limited to, the following: all structural walls, columns, floors, foundations and ceilings of the garage (the portions of the buildings below the finished surface of the upper deck of the garage), the electrical, lighting, ventilation, sprinkler, fire and life safety, and security systems (including card or other access system) for the garage, the exterior entrances and doors to the garage, the north entrance to the garage, and a portion of the driveway of the garage necessary for both Unit Owners for access to their respective Limited Common Element areas and any other areas shown as a Common Element (CE) on the Survey Map and Plans.

#### Article 7. LIMITED COMMON ELEMENTS.

Section 7.1 Residential Unit. The portions of the Condominium allocated as Limited Common Elements to the Residential Unit are shown as Residential Limited Common Elements (RLCE) on the Survey Map and Plans, including but not necessarily limited to, portions of the garage and the stairs and elevator from the garage to the Residential Unit, the elevator mechanical room, the mechanical and electrical pump system for the fountain, and the portions of utility or other building systems located in the garage that serve the Residential Unit. All parking spaces within the Residential Limited Common Elements shall be numbered and marked as reserved for residents of the Residential Unit. Any vehicle parked in such spaces without authorization for the Owner of the Residential Unit may be removed at the vehicle owner's expense.

Section 7.2 Office Unit. The portions of the Condominium allocated as Limited Common Elements to the Office Unit are shown as Office Limited Common Elements (OLCE) on the Survey Map and Plans, including but not necessarily limited to, portions of the garage and the stairs and elevator (and elevator mechanical room) from the garage to the Office Unit, the cashier or ticket booth and the portions of the utility or other building systems

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located in the garage that serve the Office Unit. The Owner of the Office Unit may operate a public garage within the Office Limited Common Elements, utilizing also the Common Element driveways and entrance, and may also reserve parking spaces for tenants and others. All income and expenses relating to the operation of the public garage will be for the benefit and burden of the Owner of the Office Unit. The parking spaces within the Office Limited Common Elements shall be marked as desired by the Owner of the Office Unit. Any vehicle parked in such spaces without authorization for the Owner of the Office Unit may be removed at the vehicle owner's expense. The Owner of the Office Unit may, at its sole expense, use the garage for storage and disposal of garbage.

Section 7.3 Reallocation. A Limited Common Element may be reallocated between Units or a Common Element reallocated as a Limited Common Element or a Limited Common Element incorporated into an existing Unit with the approval of all of the Owners. The reallocation or incorporation shall be reflected in an amendment to the Declaration and the Survey Map and Plans.

Section 7.4 Use. Except as specifically set forth herein, the Owner of the Unit to which a Limited Common Element is allocated shall have the right to the exclusive use of the Limited Common Element, which right shall extend to the Owner's tenants, family members, guests and invitees. The Owner of the Residential Unit, as declarant of Queen Anne Square Residential, shall have the right to allocate parking spaces and storage areas within the Limited Common Elements allocated to the Residential Unit to owners of condominium units in Queen Anne Square Residential as limited common elements of those condominium units. If the Owner of the Office Unit creates a condominium within its Office Unit and Limited Common Elements, it may allocate parking spaces and storage areas within the Office Limited Common Elements to owners of condominium units within that condominium.

#### Article 8. PERMITTED USES: MAINTENANCE: CONVEYANCES.

Section 8.1 Residential Unit. The Residential Unit is being used primarily for residential purposes but may be used for any lawful purpose permitted under applicable ordinances and regulations of the City of Seattle.

Section 8.2 Office Unit. The Office Unit is being used primarily for office purposes but may be used for any lawful nonresidential purpose permitted under applicable ordinances and regulations of the City of Seattle.

Section 8.3 Maintenance of Units. The Condominium has been structured so that all of the improvements within the Condominium above the garage is within a Unit. Except as provided below, each Owner is responsible for all costs of operation, insurance, maintenance, repair, replacement, improvement, demolition and reconstruction of all improvements within the Owner's Unit. Each Owner shall, at the Owner's sole expense, keep

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the Owner's Unit and its equipment, appliances, and appurtenances in good order, condition, and repair. In addition, each Owner shall be responsible for maintenance, repair and replacement of the exterior brick façade on the exterior of the garage wall abutting each Owner's Unit and that the Owner of the Residential Unit shall be responsible for the maintenance, repair and replacement of the brick façade of the wall separating the Residential Unit from the Office Unit.

Section 8.4 Maintenance and Operation of Common Elements and Limited Common Elements. Except as provided below, the Association shall be responsible for all costs of operation, maintenance, repair, replacement, improvement, demolition and reconstruction of all improvements and equipment within the Common Elements, including the Limited Common Elements. The responsibilities of the Association shall include, without limitation: (a) all structural elements of the garage (including repair of leaks, seepage or other penetrations of surface or ground water into the garage); (b) the lighting, fire sprinkler and ventilation systems for the garage; (c) the entrance control mechanisms for the northerly entrance to the garage; (d) sweeping and cleaning the garage (except areas constructed as private storage areas), (e) striping of parking stalls and walkways within the garage and (f) the portion of the storm water collection and detention system located below the Units. Each Owner is responsible for all costs of operation, maintenance, reconstruction of any private storage areas located from time to time within its Limited Common Element and for any stairways, elevators and elevator related improvement and equipment providing access from the garage to the Owner's Unit and for any utility of other building systems in the garage that serve only the Owner's Unit. The Owner of the Office Unit is responsible for all of the costs associated with the entrance control mechanisms and cashier or ticket booth at the southerly entrance to the garage and all costs associated with the maintenance of any portion of the Office Limited Common Element which is used for storage or disposal of garbage from the Office Unit. The Association, as a Common Expense, shall pay or reimburse the Owner of the Office Unit for a reasonable share of a third party operator for the garage. That share, which shall initially be 25% of the costs for the third party operator for the garage, shall be subject to review and adjustment by the Board upon request by a Unit Owner.

Section 8.5 Exterior Appearance. The Owner of the Residential Unit shall maintain in good condition and repair the exterior of that Unit and the Owner of the Office Unit shall maintain in good condition and repair the exterior of that Unit. Alteration of improvements within Units and Limited Common Elements are governed by Article 20.

Section 8.6 Alteration of Common Elements. Except as provided in Article 20, a Unit Owner may not make any changes to the Common Elements without the prior approval of the Board.

Section 8.7 Offensive Activity. No noxious or offensive activity shall be carried on in any Unit, Limited Common Element or Common Element, nor shall anything be done therein that may be or become an annoyance or nuisance to other Owners.

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Article 9. OWNERS ASSOCIATION.

Section 9.1 Form of Association. The Owners of Units shall constitute an owners association to be known as Queen Anne Square Owners Association. The Association shall be a nonprofit corporation. It will be governed by a Board of two directors, as provided in Article 10. The rights and duties of the Board and of the Association shall be governed by the provisions of the Condominium Act, the Declaration and the Bylaws.

Section 9.2 Bylaws. The Board will adopt Bylaws to supplement the Declaration and to provide for the administration of the Association.

Section 9.3 Qualification and Transfer. Each Owner of a Unit (including the Declarant) shall be a member of the Association and shall be entitled to one membership for each Unit owned, which membership shall be considered appurtenant to that member's Unit. Ownership of a Unit shall be the sole qualification for membership in the Association. A membership shall not be transferred in any way except upon the transfer of title to the Unit and then only to the transferee of title to the Unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit shall operate automatically to transfer the membership in the Association to the new Owner. Notwithstanding the foregoing, if a condominium declaration is recorded on any Unit, the owners association for that Unit, acting through its board of directors, shall be considered to be the owner of that Unit for all purposes under this Declaration.

Section 9.4 Powers of the Association. In addition to those actions authorized elsewhere in the Declaration, the Association shall have those powers set forth in the Condominium Act in order to carry out its duties hereunder.

Section 9.5 Financial Statements and Records. The Association shall keep financial records in accordance with generally accepted accounting principles and in sufficient detail to enable the Association to comply with the resale certificate requirements set forth in RCW 64.34.425. All financial and other records shall be made reasonably available for examination by any Unit Owner and the Owner's authorized agents. At least annually, the Association shall prepare, or cause to be prepared, a financial statement of the Association in accordance with generally accepted accounting principles. The annual financial statement shall be audited at least annually by a certified public accountant who is not a member of the Board or an Owner unless each of the Unit Owners vote to waive the audit for that year. The financial statement shall be completed in time for the Association's annual meeting and in any event within 90 days following the end of the fiscal year.

Section 9.6 Inspection of Condominium Documents, Books and Records. The Association shall make available to Owners, Mortgagees, prospective purchasers and their

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prospective Mortgagees, and the agents or attorneys of any of them, current copies of this Declaration, the Articles, the Bylaws, the rules and regulations of the Association, and other books, records and financial statements of the Association. "Available" shall mean available for inspection upon request, during normal business hours or under other reasonable circumstances. The Association may require the requesting party to pay a reasonable charge to cover the cost of making the copies.

#### Article 10. THE BOARD.

Section 10.1 Selection of the Board and Officers. The Board shall consist of two members, one designated by the owner of each of Unit in the Condominium. The Board shall elect officers in accordance with the procedures provided in the Bylaws.

Section 10.2 Board Powers and Actions; Arbitration. Except as provided in this Declaration, the Bylaws or the Condominium Act, the Board shall at all times act on behalf of the Association. The Board may exercise all powers of the Association, except -as otherwise provided in the Condominium Act, the Declaration or the Bylaws. All actions of the Board shall require the approval of both Board members. Any deadlock on a matter requiring Board action or any dispute among Board members that cannot be resolved shall be determined by arbitration in Seattle under the procedures of the Commercial Arbitration Rules with Expedited Procedures of the American Arbitration Association (AAA) in effect on the date hereof, as modified by this Section. There shall be one arbitrator selected by the parties within seven days of the arbitration demand or, if one is not so selected, pursuant to the AAA Rules, who shall be an attorney with at least five years condominium law or real estate experience. Any issue about whether a claim must be arbitrated pursuant to this provision shall be determined by the arbitrator. At the request of either party made not later than 30 days after the arbitration demand, the parties agree to submit the dispute to nonbinding mediation which shall not delay the arbitration hearing date. There shall be no substantive motions or discovery, except the arbitrator shall authorize such discovery as may be necessary to ensure a fair hearing, which shall be held within 60 days of the demand and concluded within two days. These time limits are not jurisdictional. The arbitrator shall apply substantive law and may award injunctive relief or any other remedy available from a judge including attorney fees and costs to the prevailing party, but the arbitrator shall not have the power to award punitive damages.

Section 10.3 Managing Agent. The Board may contract with an experienced professional Managing Agent to assist the Board in the management and operation of the Condominium and may delegate such of its powers and duties to the Managing Agent as it deems to be appropriate, except as limited herein.

Section 10.4 Limitations on Board Authority. The Board shall not act on behalf of the Association to amend the Declaration in any manner that requires the vote or approval of



the Unit Owners, to terminate the Condominium, or to elect members of the Board or determine the qualifications, powers, and duties, or terms of office of members of the Board.

#### Article 11. BUDGET AND ASSESSMENTS.

Section 11.1 Fiscal Year. The Board may adopt such fiscal year for the Association as it deems to be convenient. Unless another year is adopted, the fiscal year will be the calendar year.

Section 11.2 Preparation of Budget Not less than 30 days before the end of the fiscal year the Board shall prepare a budget for the Association for the coming year. In preparing its budget the Board shall estimate the Common Expenses and Special Allocations of the Association to be paid during the year, taking into account any surplus or deficit carried over from the preceding year and any expected income to the Association.

Section 11.3 Supplemental Budget. If during the year the budget proves to be inadequate for any reason, including nonpayment of any Owner's Assessments, the Board may prepare a supplemental budget for the remainder of the year.

Section 11.4 Assessments for Common Expenses and Special Allocations. The sums required by the Association for Common Expenses and Special Allocations, as reflected by the annual budget and any supplemental budgets, shall be divided into installments to be paid each month over the period of time covered by the budget or supplemental budget. Assessments for Common Expense for each Unit shall be determined by multiplying the Common Expense Liability allocated to each Unit in Schedule C times the total monthly installment for Common Expenses for all Units. Assessments for Special Allocations for any shared utility services, including but not limited to, electricity, water, sewer and gas shall be allocated to the Units based on actual usage and expense, as determined by separate contracting, metering or any other reasonable method determined by the Board. The foregoing Special Allocations shall be reviewed quarterly by the Board and adjusted if necessary to reflect actual usage and expense. Costs incurred primarily for the benefit of one Unit shall be specially allocated to the Owner of that Unit. In the event the Board is unable to agree on a Special Allocation and the issue is submitted to arbitration pursuant to Section 10.2, the prior method or formula for allocating expenses shall continue until a new method or formula is established by arbitration or agreement of the Board. Any assessments imposed by a governmental authority on the Association or paid by the Association, such as business improvement area assessments, shall be a Special Allocation allocated to the Units on the same basis as the assessments are levied by the governmental authority. Monthly Assessments begin accruing for all Units when the Units are owned by different Persons. To the extent that any Common Expense is caused by the negligence or misconduct of an Owner or tenant of any Unit, the Association shall assess that expense against that Unit.



Section 11.5 Special Assessments. For those Common Expenses or Special Allocations which cannot reasonably be calculated and paid on a monthly basis, the Board may levy special Assessments for such expenses against the Units.

Section 11.6 Creation of Reserves; Assessments. The Board may create reserve accounts for anticipated expenses for repairs, replacement and improvements which will occur in the future when the Board determines that such reserve accounts will facilitate the accumulation of funds to pay such expenses when they occur. The operation of reserve accounts and Assessments for reserve accounts shall be further governed by the Bylaws.

Section 11.7 Notice of Assessments. The Board shall notify each owner in writing of the amount of the monthly general and special Assessments to be paid for the Owner's Unit and shall furnish copies of all budgets and the Common Expense Liability allocations which apply to the Unit, on which the general and special Assessments are based. The Board shall furnish the same information to an Owner's Mortgagee if so requested.

Section 11.8 Payment of Monthly Assessments. On or before the first business day of each calendar month each Owner shall pay or cause to be paid to the treasurer or designated agent of the Association all Assessments against the Unit for that month. Any Assessment not paid by the first day of the calendar month for which it is due shall be delinquent and subject to late charges, interest charges and collection procedures as provided in Article 12.

Section 11.9 Proceeds Belong to Association. Assessments and other receipts received by the Association on behalf of the Condominium shall belong to the Association.

Section 11.10 Failure to Assess. Any failure by the Board or the Association to make the budgets and Assessments hereunder before the expiration of any year for the ensuing year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owners from the obligation to pay Assessments during that or any subsequent year, and the monthly Assessments amounts established for the preceding year shall continue until new Assessments are established.

Section 11.11 Certificate of Unpaid Assessments. Upon the request of any Owner or Mortgagee of a Unit, the Board will furnish a certificate stating the amount, if any, of unpaid Assessments charged to the Unit. The certificate shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the certificate in favor of all purchasers and Mortgagees of the Unit who rely on the certificate in good faith. The Board may establish a reasonable fee to be charged 'to reimburse it for the cost of preparing the certificate.



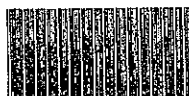
Section 11.12 Recalculation of Assessments. If Common Expense Liabilities are reallocated, Common Expense Assessments, special Assessments, and any installment thereof not yet due shall be recalculated in accordance with the reallocated liabilities.

## Article 12. LIEN AND COLLECTION OF ASSESSMENTS

Section 12.1 Assessments Are a Lien; Priority. The Association has a lien on a Unit for any unpaid Assessment levied against a Unit from the time the Assessment is due. A lien under this Article shall be prior to 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 the Condominium is located.

Section 12.2 Lien May be Foreclosed; Judicial Foreclosure. The lien arising under this Article may be enforced judicially by the Association or its authorized representative in the manner set forth in RCW 61.12. 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. The holder of a Mortgage or other purchaser of a Unit who obtains the right of possession of a Unit through foreclosure shall not be liable for any Assessments or installments thereof that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the 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 12.3 Assessments Are Personal Obligations. In addition to constituting a lien on the Unit, all sums assessed by the Association chargeable to any Unit, including all charges provided in this Article, shall be the personal obligation of the Owner of the Unit when the Assessments are made; provided that it shall be the personal obligation of the owners association for Queen Anne Square Residential (or for the Office Unit if that becomes a condominium) and not a personal obligation of the owners of condominium units within such condominium. Suit to recover personal judgment for any delinquent Assessments shall be maintainable without foreclosing or waiving the liens securing them.



Section 12.4 Joint and Several Liability. If an Assessment is the personal obligation of more than one Owner, the Assessment shall be their joint and several obligation. 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 up to the time of the grantor's conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. Suit to recover a personal judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waving the lien securing such sums.

Section 12.5 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 12.6 Late Charges and Interest in Delinquent Assessments. The Association may levy a reasonable late charge and interest on delinquent Assessments. In the absence of another established late charge or nonusurious rate of interest, delinquent Assessments shall be subject to a five percent late charge and bear interest from the date of delinquency at the rate specified in RCW 19.52.010 on the date on which the Assessments became delinquent.

Section 12.7 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 12.8 Remedies Cumulative. The remedies provided herein are cumulative and the Board may pursue them, and any other remedies which may be available under law although not expressed herein, either concurrently or in any order.

### Article 13. FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE NO WAIVER.

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

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#### Article 14. TORT AND CONTRACT LIABILITY

Section 14.1 Actions. An action alleging a wrong done by the Association must be brought against the Association and not against any owner or any officer or director of the Association. An Owner is not precluded from bringing an action contemplated by this Section because she is a Unit Owner or a member or officer of the Association.

Section 14.2 Limitation of Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Board, neither the Association, the Board, the Managing Agent, nor the Declarant shall be liable for: the failure of any utility or other service to be obtained and paid for by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust, or sand which may leak or flow from outside or from any parts of the building, or from any of their pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or orders of a governmental authority. No diminution or abatement of Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

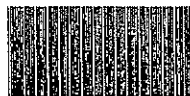
Section 14.3 No Personal Liability. So long as a Board member, or Association committee member, or Association officer, or the Declarant or the Managing Agent has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such person, no such person shall be personally liable to any owner, or to any other person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of such person; provided, that this Section shall not apply where the consequences of such act, omission, error, or negligence is covered by insurance obtained by the Board.

#### Article 15. INDEMNIFICATION.

Each Board member, Association committee member, Association officer, the Declarant and the Managing Agent shall be indemnified by the Association against all expenses and liabilities, including attorneys fees, reasonably incurred by or imposed in connection with any proceeding to which such person may be a party, or in which such person may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not such person holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by any type of insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of such person's duties; provided, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being for the best interests of the Association.

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## Article 16. INSURANCE.

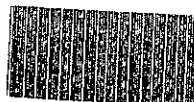
Section 16.1 General Requirements. Commencing not later than the time of the first conveyance of a Unit to a person other than the Declarant, the Association shall maintain, to the extent reasonably available, a policy or policies and bonds necessary to provide (a) property insurance, (b) commercial general liability insurance, (c) fidelity insurance, (d) worker's compensation insurance to the extent required by applicable laws, (e) directors and officers liability insurance, and (f) such other insurance as the Board deems advisable. The Board shall review at least annually the adequacy of the Association's insurance coverage. All insurance shall be obtained from insurance carriers that are generally acceptable for similar projects, authorized to do business in the state of Washington. All such insurance policies shall provide that coverage may not be canceled or substantially reduced (including cancellation for nonpayment of premium) without at least 10 days' prior written notice to any and all insureds named therein, including Owners, Mortgagees, and designated servicers of Mortgagees.

Section 16.2 Property Insurance. The property insurance shall, at the minimum and subject to such reasonable deductible as the Board may determine, provide all risk or special cause of loss coverage in an amount equal to the full replacement cost of the Common Elements and the personal property of the Association with an "Agreed Amount Endorsement" and, if reasonably available, construction code endorsements, such as a "Demolition Cost Endorsement," a "Contingent Liability from Operation of Building Laws Endorsement," an "Increased Cost of Construction Endorsement." The policy shall provide a separate loss payable endorsement in favor of the Mortgagee of each Unit. The policy shall provide coverage for loss in the event of earthquake unless the Owners of both Units agree otherwise. The Association or insurance trustee, if any, shall hold insurance proceeds in trust for the Owners and their Mortgagees, as their interests may appear. Each Owner and the Owner's Mortgagee, if any, shall be beneficiaries of the policy in accordance with the interest in the Common Elements appertaining to the Owner's Unit. Certificates of insurance shall be issued to each Owner and Mortgagee upon request.

Section 16.3 Commercial General Liability Insurance. The liability insurance coverage shall insure the Board, the Association, the Owners, the Declarant, and the Managing Agent, and cover all of the Common Elements in the Condominium with a "Severability of Interest Endorsement" or equivalent coverage which would preclude the insurer from denying the claim of an Owner because of the negligent acts of the Association or of another Owner, and shall cover liability of the insureds for property damage, bodily injury, and death of persons arising out of the operation, maintenance, and use of the Common Elements, host liquor liability, employers' liability insurance, automobile liability insurance, and such other risks as are customarily covered with respect to residential condominium projects of similar construction, location, and use. The limits of liability shall

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be in amounts generally required by Mortgagees for projects of similar construction, location and use but shall be at least \$2,000,000 combined single limit for bodily injury and property damage per occurrence and \$4,000,000 general aggregate.

Section 16.4 Insurance Trustee; Power of Attorney. The named insured under the policies referred to in Section 16.2 and Section 16.3 shall be the Association, as trustee for each of the Owners in accordance with their respective interests in the Common Elements. The insurance proceeds may be made payable to any trustee with which the Association enters into an insurance trust agreement, or any successor trustee, who shall have exclusive authority to negotiate losses under the policies. Subject to the provisions of Section 16.8, the proceeds must be disbursed first for the repair or restoration of the damaged property, and Unit Owners and lienholders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the property has been completely repaired or restored or the Condominium is terminated. Each Owner appoints the Association, or any insurance trustee or successor trustee designated by the Association, as attorney-in-fact for the purpose of purchasing and maintaining such insurance, including the collection and appropriate disposition of the proceeds thereof, the negotiation of losses and execution of releases of liability, the execution of all documents, and the performance of all other acts necessary to accomplish such purposes.

Section 16.5 Additional Policy Provisions. The insurance obtained pursuant to Section 16.2 and Section 16.3 shall contain the following provisions and limitations:

16.5.1 Each Unit Owner is an insured person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.

16.5.2 Such policies shall not provide for contribution by or assessment against Mortgagees or become a lien on the property superior to the lien of a first Mortgage.

16.5.3 If, at the time of the loss under the policy, there is other insurance in the name of the Unit Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

16.5.4 Coverage shall not be prejudiced by (a) any act, omission, or neglect of the Owners of Units when such act or neglect is not within the scope of the Owner's authority on behalf of the Association, or (b) failure of the Association to comply with any warranty or condition with regard to any portion of the premises over which the Association has no control.

16.5.5 A waiver of subrogation by the insurer as to any and all claims against the Association, the Owner of any Unit, and/or their respective agents, members of the



Owner's household, employees, or lessees, and of any defenses based upon co-insurance or upon invalidity arising from the acts of the insured.

16.5.6 A standard mortgagee clause which shall:

(a) Provide that any reference to a mortgagee in the policy shall mean and include all Mortgagees of any Unit or Unit lease or sublease in their respective order of preference, whether or not named therein;

(b) Provide that such insurance as to the interest of any Mortgagee shall not be invalidated by any act or neglect of the Board or Owners or any persons under any of them;

(c) Waive any provision invalidating such mortgage clause by reason of the failure of any Mortgagee to notify the insurer of any hazardous use or vacancy, any requirement that the Mortgagee pay any premium thereon, and any contribution clause; and

(d) Provide that, without affecting any protection afforded by such mortgagee clause, any proceeds payable under such policy shall be payable to the Association or the insurance trustee.

Section 16.6 Fidelity Insurance. The required fidelity insurance shall afford coverage to protect against dishonest acts on the part of officers, directors, trustees, and employees of the Association and all other persons who handle or are responsible for handling funds of or administered by, the Association. The Managing Agent shall maintain fidelity insurance for its officers, employees, and agents who handle or who are responsible for handling funds of, or funds administered by the Association. All such fidelity insurance shall name the Association as an obligee and shall be not less than the estimated maximum of funds, including reserve funds, in custody of the Association at any time during the term of each policy, but, in no event, shall the aggregate amount of insurance be less than three months' aggregate Assessments. The policy shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

Section 16.7 Owners' Individual Insurance. The Unit Owners shall be responsible for obtaining insurance for the improvements within their respective Units and, to the extent possible, their interests in the portions of the Limited Common Elements for which they have maintenance responsibility under Section 8.4; provided that the Association may, with the consent of the Owners of both Units, obtain insurance on any other portion of the Condominium that the Board determines to be in the best interests of the Unit Owners and the Association; in which event the cost of insurance for portions of the Condominium other than the Common Elements shall be allocated between the Units in accordance with risk.



Section 16.8 Use of Insurance Proceeds. Any portion of the Condominium for which insurance is required under this Article which is damaged or destroyed shall be repaired or replaced promptly by the Association pursuant to Article 17 unless: (a) the Condominium is terminated; (b) repair or replacement would be illegal under any state or local health or safety statute or ordinance; or (c) Owners of both Units agree not to rebuild. The cost of repair or replacement in excess of insurance proceeds and available reserves is a Common Expense. If all of the damaged or destroyed portions of the Condominium are not repaired or replaced: (i) The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Condominium; (ii) any insurance proceeds attributable to Units and Limited Common Elements which are not rebuilt shall be distributed to the Owners of those Units and the Owners of the Units to which those Limited Common Elements were allocated, or to lienholders, as their interests may appear; and (iii) the remainder of the proceeds shall be distributed to all the Unit Owners or lienholders, as their interests may appear, in proportion to the interest in Common Elements of each Unit. Notwithstanding the provisions of this Section, Article 22 governs the distribution of insurance proceeds if the Condominium is terminated.

Article 17. DAMAGE AND REPAIR OR DAMAGE TO PROPERTY.

Section 17.1 Initial Board Determination. In the event of damage to any Common Element or to portion of the Condominium covered by the Association's insurance policy, the Board shall promptly, and in all events within 30 days after the date of damage, make the following determinations with respect thereto, employing such advice as the Board deems advisable:

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

17.1.2 A reasonably reliable estimate of the cost to repair the damage.

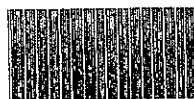
17.1.3 The expected insurance proceeds, if any, to be available from insurance covering the loss based on the amount paid or initially offered by the insurer.

17.1.4 The amount, if any, by which the estimated cost of repair exceeds the expected insurance proceeds, and the amount of the Assessments that would have to be made against each Unit if the excess cost were to be paid as a Common Expense and assessed against all the Units in proportion to their Common Expense Liabilities.

Section 17.2 Notice of Damage. The Board shall promptly, and in all events within 30 days after the date of damage, shall file a proof of loss statement with the insurance company if the loss is covered by insurance and abide by all terms and conditions of its

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insurance policies, unless the Board determines it would not be in the best interest of the Association to file a proof of loss. If the damage is substantial, the Board shall then provide each Owner with a written notice describing the damage and summarizing the initial Board determinations made under Section 17.1.

Section 17.3 Definitions: Damage, Substantial Damage, Repair, Emergency Work.  
As used in this Article:

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

17.3.2 Substantial Damage shall mean that in the judgment of a majority of the Board the estimated Assessment determined under Subsection 17.1.4 for any one Unit exceed \$25,000.

17.3.3 Repair shall mean restoring the improvements to substantially the condition they were in before they were damaged, with each Unit and the Common Elements and having substantially the same boundaries as before. Modifications to conform to applicable governmental rules and regulations or available means of construction may be made.

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

Section 17.4 Execution of Repairs.

17.4.1 The Board shall promptly repair the damage and use the available insurance proceeds therefor as provided in Section 16.8. If the cost of repair exceeds the available insurance proceeds the Board shall impose Assessments against all units in proportion to their Common Expense Liabilities in an aggregate amount sufficient to pay the excess costs.

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

Section 17.5 Damage Not Substantial. If the damage as determined under Subsection 17.3.2 is not substantial and the Board determines the damage should be repaired,

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the Board shall have the damage repaired, If the Board determines that the repair should not be made or if the damage is substantial, it shall call a special Owners' meeting within 30 days after the damage to decide whether to repair the damage and the following provisions shall apply:

17.5.1 If the Board fails to call the meeting within 30 days, then any Owner may call and conduct the meeting.

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

17.5.3 At the special meeting, the following consent requirements will apply:

(a) The Owners shall be deemed to have elected to repair the damage in accordance with the original plan unless all of the Owners have given their written consent not to repair the damage.

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

Section 17.6 Effect of Decision Not to Repair. In the event of a decision not to repair the damage, the Board may nevertheless expend so much of the insurance proceeds and common funds as the Board deems reasonably necessary for emergency work (which emergency work may include but is not necessarily limited to removal of the damaged improvements and clearing, filling, and grading the land), and the remaining funds, if any, and the property shall thereafter be held and distributed to the Unit Owners and the Mortgagees of the Units, as their interests may appear.

## Article 18. CONDEMNATION

Section 18.1 Consequences of Condemnation; Notices. If any Unit or portion thereof or the Common Elements or Limited Common Elements or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, notice of the proceeding or proposed acquisition shall promptly be given to each owner and Mortgagee and the provisions of this Article shall apply.

Section 18.2 Power of Attorney. Each Owner appoints the Association as attorney-in-fact for the purpose of representing the owners in condemnation proceedings and negotiations, settlements and agreements with the condemning authority for acquisition of Common Elements or any part thereof, from the condemning authority. The Board may

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appoint a trustee to act on behalf of the Owners in carrying out the foregoing functions in lieu of the Association. Should the Association not act, based on their right to act pursuant to this Section, the affected owners may individually or jointly act on their own behalf.

**Section 18.3 Condemnation of a Unit.** If a Unit is acquired by condemnation, or if part of a Unit is acquired by condemnation leaving the Unit Owner with a remnant of a Unit which may not practically or lawfully be used for any purpose permitted by this Declaration, the award must compensate the Owner for the Owner's Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. The proceeds from the condemnation of a Unit shall be paid to the Owner or lienholder of the Unit, as their interests may appear. Upon acquisition, unless the decree otherwise provides, that Units Allocated Interests are automatically reallocated to the remaining Units in proportion to the respective Allocated Interests of those Units before the taking, and the Association shall promptly prepare, execute, and record an amendment to this Declaration reflecting the reallocations. Any remnant of a Unit remaining after part of a Unit is taken under this Section is thereafter a Common Element.

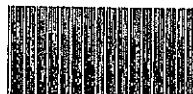
**Section 18.4 Condemnation of Part of a Unit.** Except as provided in Section 18.3, if part of a Unit is acquired by condemnation, the award must compensate the Unit Owner for the reduction in value of the Unit and its appurtenant interest in the Common Elements, whether or not any Common Elements are acquired. The proceeds from the condemnation awarded to the Unit Owner shall be paid to the Owner or lienholders of the Unit, as their interests may appear. Upon acquisition, unless the decree otherwise provides: (a) That Unit's Allocated Interests are reduced in proportion to the reduction in the size of the Unit; and (b) the portion of the Allocated Interests divested from the partially acquired Unit are automatically reallocated to that Unit and the remaining Units in proportion to the respective Allocated Interests of those Units before the taking, with the partially acquired unit participating in the reallocation on the basis of its reduced Allocated Interests.

**Section 18.5 Condemnation of Common Element or Limited Common Element.** If part of the Common Elements is acquired by condemnation the portion of the award attributable to the Common Elements taken shall be paid to the Owners based on their respective interests in the Common Elements, or to lienholders, as their interests may appear. Any portion of the award attributable to the acquisition of a Limited Common Element must be equally divided among the Owners of the Units to which that Limited Common Element was allocated at the time of the acquisition, or to lienholders, as their interests may appear. If the Board determines that a particular Owner's interest in the Common Elements diminished with respect to other owners, by the acquisition of a Common Element, the Declaration may be amended to adjust that Owner's Common Expense Liability allocation, or to remove the allocation of a Limited Common Element to that Owner's Unit, as the case may be.

**Section 18.6 Reconstruction and Repair.** Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 17.

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Article 19. EASEMENTS AND ENCROACHMENTS.

Section 19.1 Easements. Each Unit has an easement in and through each other Unit and the Common and Limited Common Elements for all support elements and existing utility, wiring, heat, and service elements, and for reasonable access thereto, as required to effectuate and continue proper operation and maintenance, repair and replacement of the Common Elements and each Unit in the Condominium. The Owner of the Residential Unit, including the owners and occupants of condominium units in Queen Anne Square Residential and their family members and guests, shall have nonexclusive easements for (a) ingress and egress over the exterior sidewalk of the Office Unit for the purpose of access to the public streets, subject to the right of the Owner of the Office Unit to relocate the sidewalk or other access and (b) access through the Office Limited Common Element garage to the Residential Limited Common Elements located on Parking Level 3 (the residential elevator and stairwell).

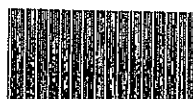
Section 19.2 Encroachments. To the extent not provided by the definition of "Unit" in the Declaration and in the Condominium Act, each Unit and all Common and Limited Common Elements are hereby declared to have an easement over all adjoining Units and Common and Limited Common Elements for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or movement of any portion of the property, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of the encroaching Units and Common and Limited Common Elements so long as the encroachments shall exist, and the rights and obligations of Owners shall not be altered in any way by the encroachment; provided, however, that in no event shall a valid easement for encroachment be created in favor of a Unit if the encroachment was caused by the willful act with full knowledge of the owner. The encroachments described in this Section shall not be construed to be encumbrances affecting the marketability of title to any Unit.

Article 20. PROCEDURES FOR SUBDIVIDING OR ALTERING UNITS.

Section 20.1 Submission of Proposal to Subdivide Unit. No Unit or Units shall be subdivided either by agreement or legal proceedings, except as provided in this Article. It is contemplated that the Owner of the Residential Unit will be creating condominium units within the Residential Unit under a separate condominium declaration and survey map and plans. The creation of condominium units within any of the Units created by this Declaration by recording a condominium declaration and filing a survey map and plans with respect to that Unit shall not be deemed a subdivision within the meaning of this Article and shall be permitted. An Owner may propose subdividing a Unit or Units by submitting the proposal in writing to the Board and to all other owners and Mortgagees of the Unit to be subdivided or combined. Such proposal to subdivide must also be given to every first Mortgagee of any

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Unit in the Condominium. The proposal must include complete plans and specifications for accomplishing the subdivision and proposed amendments of this Declaration and the Survey Map and Plans which amendments shall be executed by the Owner of the Unit to be subdivided upon approval pursuant to Section 20.2, and which amendments assign a designation to each Unit created, and reallocate the allocated interests and liabilities formerly allocated to the subdivided Unit to the new Units in any reasonable manner prescribed by the Owner of the subdivided Unit. The Owner of the Unit to be subdivided shall bear all costs of the subdivision.

Section 20.2 Approval Required for Subdivision. A proposal that contemplates subdivision of a Unit will be accepted only if approved in writing by all Owners and Mortgagees of the Unit or Units to be subdivided and the Board.

Section 20.3 Alterations. An Owner may make any improvements or alterations to the Owner's Unit and Limited Common Elements that do not affect the structural integrity of the other Unit or the Common Elements or the mechanical or electrical systems serving the other Unit or the Common Elements. An Owner may not change the Common Elements that are not Limited Common Elements without consent of the Board.

#### Article 21. AMENDMENT OF DECLARATION SURVEY MAP AND PLANS, ARTICLES OR BYLAWS.

The Declaration, the Survey Map and Plans, the Articles and the Bylaws may be amended only by vote or agreement of all Owners, as specified in this Article, and with the consent of the owners and mortgagees of condominium units in Queen Anne Square Residential pursuant the condominium declaration for Queen Anne Square Residential. An Owner may propose amendments to this Declaration or the Survey Map and Plans, the Articles or the Bylaws to the Board, majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. Amendments may be adopted at a meeting of the Association or by written consent of all owners and with the requisite consent of the owners and mortgagees of condominium units in Queen Anne Square Residential as provided in the condominium declaration for Queen Anne Square Residential. The notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. The Association may rely on the certificate of the president or other authorized officer of Queen Anne Square Residential that the requisite owner and mortgagee consents have been obtained. Upon the adoption of an amendment to the Declaration or the Survey Map and Plans, it shall become effective when it is recorded or filed in the real property records in the county in which the Condominium is located. The amendment shall be indexed in the name of the Condominium and shall contain a cross-reference by recording number to the Declaration and each previously recorded amendment thereto. Such amendments shall be prepared, executed, recorded and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

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No action to challenge the validity of an amendment adopted by the Association pursuant to this Article may be brought more than one year after the amendment is recorded. An amendment to the Articles shall be effective upon filing the amendment with the Secretary of State. An amendment to the Bylaws shall be effective upon adoption. Notwithstanding the foregoing, the Owner of the Residential Unit shall have the right to amend Schedule B to reflect changes in the data for that Unit.

Article 22. TERMINATION OF CONDOMINIUM.

Except as provided in Article 17 and Article 18, the Condominium may be terminated only by agreement of the Owners of both Units and with the requisite consent of the owners and mortgagees of units in Queen Anne Square Residential pursuant to the condominium declaration for Queen Anne Square Residential. The Association may rely on the certificate of the president or other authorized officer of Queen Anne Square Residential that the requisite owner and mortgagee consents have been obtained.

Article 23. NOTICES.

Unless provided otherwise in this Declaration, all notices given under the provisions of this Declaration or the Bylaws or rules or regulations of the Association shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, the notice shall be deemed to have been delivered upon being deposited in the United States mail, first class, postage prepaid, addressed to the person entitled to such notice at the most recent address known to the Board. Notice to the Owner of any Unit shall be sufficient if mailed to the Unit if no other mailing address has been given to the Board. Mailing addresses may be changed by notice in writing to the Board. Notices to the Board shall be given to the president or secretary of the Association.

Article 24. SEVERABILITY.

The provisions of this Declaration shall be independent and severable, and the unenforceability of any one provision shall not affect the enforceability of any other provision, if the remaining provision or provisions comply with the Condominium Act.

Article 25. EFFECTIVE DATE.

This Declaration shall take effect upon recording.

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Article 26. REFERENCE TO SURVEY MAP AND PLANS.

The Survey Map and Plans were filed with the Record of King County, Washington, simultaneously with the recording of this Declaration under File No. \_\_\_\_\_, in Volume 59 of Condominiums, pages 37 through 44. 19990930002330

DATED: 9-30 -, 1999

QAS Residential L.L.C., a Washington limited liability company

By SP-QAS Manager, Inc., a Washington corporation  
Its Manager

By Michael J. Fulbright  
Its Executive Vice President

EPC Four LLC, a Washington limited liability company

By Exchange Structures, Inc. a Nevada corporation,  
its sole member

By Mary B Foster  
Its Exec. Vice-President

STATE OF WASHINGTON

SS.

COUNTY OF KING

I certify that I know or have satisfactory evidence that Michael G. Fulbright is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and

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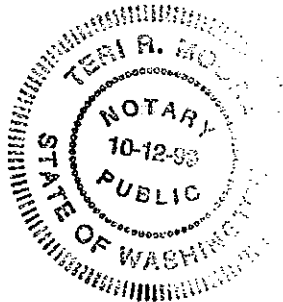
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acknowledged it as the Executive Vice President of SP-QAS Manager, Inc., a Washington corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 30<sup>th</sup> day of September 1999.



(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,  
residing at Federal Way

My appointment expires 10/12/99

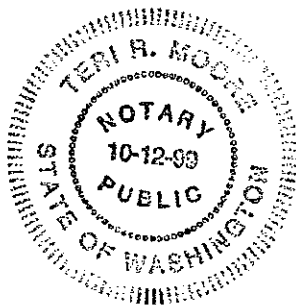
STATE OF WASHINGTON

SS.

COUNTY OF KING

I certify that I know or have satisfactory evidence that Mary B. Foster is the person who appeared before me, and said person acknowledged that said person signed this instrument, on oath stated that said person was authorized to execute the instrument and acknowledged it as the Exec. Vice President of Exchange Structures, Inc., a Nevada corporation, to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 30<sup>th</sup> day of September 1999.

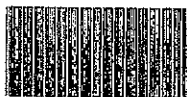


(Signature of Notary)

(Legibly Print or Stamp Name of Notary)

Notary public in and for the state of Washington,  
residing at Federal Way

My appointment expires 10/12/99



SCHEDULE A

QUEEN ANNE SQUARE, A CONDOMINIUM

Description of Land

LOTS 1 THROUGH 14 IN BLOCK 17, OF THE SUPPLEMENTAL PLAT OF G. KINNEAR'S ADDITION TO THE CITY OF SEATTLE, PER PLAT RECORDED IN VOLUME 2 OF PLATS, PAGE 62, RECORDS OF KING COUNTY.  
SITUATE IN THE CITY OF SEATTLE, COUNTY OF KING, STATE OF WASHINGTON.

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SCHEDULE B

QUEEN ANNE SQUARE, A CONDOMINIUM

Unit Data

Residential Unit

1. Approximate area: 39,096 square feet
2. 95 bedrooms, 76 bathrooms and 19 fireplaces

Office Unit

1. Approximate area: 48,008 square feet
2. Bedrooms, bathrooms and fireplaces: Not applicable

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SCHEDULE C  
QUEEN ANNE SQUARE, A CONDOMINIUM

Interest in Common Elements

	Declared Value	Interest in Common Elements
Residential Unit	\$8,023,213	27.1491%
Office Unit	<u>\$21,529,207</u>	<u>72.8509%</u>
<b>TOTAL:</b>	<b>\$29,552,420</b>	<b>100.0000%</b>

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