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MARY HENRIETY
JEFFERSON COUNTY AUDITOR

BY *NR* DEPUTY

SUPPLEMENTAL DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS, ASSESSMENTS,
CHARGES, SERVITUDES, LIENS, RESERVATIONS AND EASEMENTS
FOR BAYVIEW VILLAGE

THIS SUPPLEMENTAL DECLARATION of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements (hereafter referred to as "the Supplemental Declaration") is made this *25th* day of May, 1990, by POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP (hereafter referred to as "Declarant").

WITNESSETH:

WHEREAS, Declarant is the Developer and Owner of certain real property located in Jefferson County, Washington, commonly known as the subdivision of "Bayview Village". Bayview Village consists of several divisions. Declarant intends for one or more of these divisions to be subject to this Supplemental Declaration. Division 1 and 2 have previously been subjected to the terms and conditions of these covenants. Division 3, which is legally described in Exhibit A, attached hereto and incorporated herein by this reference, is hereby declared to be subject to the terms and conditions of this Supplemental Declaration. Declarant expressly reserves the right to include and subject additional divisions of Bayview Village to this Supplemental Declaration in the future; and

WHEREAS, Declarant desires to develop the aforesaid property into a planned residential community for the benefit of the residents therein; and

WHEREAS, Declarant desires to form a non-profit corporation for the management, maintenance, social, physical, aesthetic and recreational purposes of benefiting Bayview Village Owners, Residents and Occupants, which non-profit corporation shall be known as the "Bayview Village Association," and which may (1) acquire, operate, manage and maintain Bayview Association Land, and Limited Common Areas declared to be maintained by the Bayview Village Association in this Declaration; (2) establish, levy, collect and disburse any assessments and other charges imposed hereunder; and (3) as the agent and representative of the Members, administer and enforce all provisions hereof; and

WHEREAS, Declarant therefor wishes to subject some or all of the subdivision of Bayview Village as declared by Declarant to the covenants, conditions, restrictions, assessments,

charges, servitudes, liens, reservations and easements (hereinafter collectively referred to as "Covenants") hereinafter set forth; and

WHEREAS, in order to cause the Covenants to run with the Bayview Village property, and to be binding upon the Owners, Residents and Occupants thereof from and after the date of recordation of this Supplemental Declaration, Declarant hereby makes all conveyances of Bayview Village property described in Exhibit A, whether or not so provided therein, subject to the Covenants herein set forth; and by accepting deeds, easements or other grants or conveyances to any portion of Bayview Village, the Owners, Residents and other transferees for themselves and their heirs, executors and administrators, trustees, personal representatives, successors and assigns, agree that they shall be personally bound by all of the Covenants (including but not limited to the obligation to pay assessments) hereinafter set forth.

NOW, THEREFORE, DECLARANT hereby declares, covenants and agrees as follows:

ARTICLE 1

DEFINITIONS

The following words, phrases or terms used in this Declaration shall have the following meanings:

Section 1.1. "Annual Assessment" shall mean the charge levied and assessed each year against each Lot pursuant to Article 7 hereof.

Section 1.2. "Articles" shall mean the Articles of Incorporation of the Bayview Village Association as the same may from time to time be amended or supplemented.

Section 1.3. "Assessable Property" shall mean any Lot, except such part or parts thereof as may from time to time constitute Exempt Property.

Section 1.4. "Assessment" shall mean an Annual Assessment or Special Assessment as provided in Article 7.

Section 1.5. "Assessment Lien" shall mean the lien created and imposed by Article 7.

Section 1.6. "Bayview Village" shall mean the divisions of Bayview Village that the Declarant subjects to this Supplemental

Declaration, including Division 3, which is legally described in Exhibit A.

Section 1.7. "Bayview Village Association" shall mean the Bayview Village Association, a Washington non-profit corporation organized, or to be organized, by Declarant to administer and enforce this Supplemental Declaration and to exercise all rights, powers and duties set forth in this Supplemental Declaration, its successors and assigns.

Section 1.8. "Bayview Village Association Land" shall mean such part or parts of Bayview Village, together with the buildings, structures and improvements thereon, which the Bayview Village Association may at any time own in fee or in which the Bayview Village Association may at any time have an easement or leasehold interest, which property is designed for the use and enjoyment of the Members of the Bayview Village Association. Bayview Village Association Land shall be deemed to be Limited Common Area for purposes hereof.

Section 1.9. "Bayview Village Rules" shall mean the rules for Bayview Village adopted by the Board of the Bayview Village Association.

Section 1.10. "Board" shall mean the Board of Directors of the Bayview Village Association.

Section 1.11. "Bylaws" shall mean the Bylaws of the Bayview Village Association as the same may from time to time be amended or supplemented.

Section 1.12. "Common Area(s)" shall mean all Common Area as defined in the South Bay Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements.

Section 1.13. "Covenants" shall mean the covenants, conditions, restrictions, assessments, charges, servitudes, liens, reservations and easements set forth herein.

Section 1.14. "Declarant" shall mean Pope Resources, A Delaware Limited Partnership, organized under the laws of the State of Delaware, its successors and assigns, but only if such successors or assigns should acquire all or substantially all of the then-developed portions of Bayview Village from Declarant for the purpose of development. For purposes of this Supplemental Declaration, and except where all or substantially all of the then-developed portions of Bayview Village are involved, no individual, corporation, trust, partnership or other entity who

or which has purchased a Lot or Lots within Bayview Village from Declarant, or whose title to such Lot is derived from a person who has purchased such property from Declarant, shall be deemed a successor or assign of Declarant.

Section 1.15. "Developer" shall mean and refer to Pope Resources, A Delaware Limited Partnership, and its successors and assigns as set forth in subparagraph 1.14.

Section 1.16. "Development Period" shall mean that period commencing with the recording of this Supplemental Declaration and terminating upon the first to occur of (i) fifteen (15) years from such commencement date; (ii) the termination of Class B Membership; or (iii) written notice from Declarant to the Bayview Village Association of termination of the Development Period.

Section 1.17. "Dwelling Unit" shall mean any building or portion of a building situated upon a Lot designed and intended for use and occupancy as a residence by a single family.

Section 1.18. "Exempt Property" shall mean the following portions of Bayview Village:

- (a) All land and improvements owned by or dedicated to and accepted by the United States, the State of Washington or Jefferson County, or any political subdivision thereof, for as long as any such governmental entity is the owner thereof or for so long as said dedication remains effective;
- (b) All Bayview Village Association Land, Common Areas and Limited Common Areas; and
- (c) All land within Bayview Village which the Declarant, by this Supplemental Declaration or other recorded instrument, makes available for use by Members of the Master Association and/or Members of the Bayview Village Association and evidences its intent to convey to either of the two associations at a later date.

Section 1.19. "First Mortgage" shall mean and refer to any unpaid and outstanding mortgage, deed of trust, or other security instrument on Lots in Bayview Village recorded in the office of the Auditor of Jefferson County, Washington, having priority of record over all other recorded liens except those governmental liens made superior by statute. "First Mortgagee"

shall mean and refer to any person or entity named as a Mortgagee or Beneficiary under any First Mortgagee or any successor to the interest of any such First Mortgagee.

Section 1.20. "Governing Documents" shall mean the Articles and Bylaws of the Bayview Village Association; the Master Declaration; this Supplemental Declaration; and any applicable or Bayview Village Rules and regulations, as from time to time amended.

Section 1.21. "Government Mortgage Agency" shall mean the Federal Housing Administration, the Veterans Administration, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association or the Federal National Mortgage Association or any similar entity, public or private, authorized, approved or sponsored by any governmental agency to insure, guarantee, make or purchase mortgage loans.

Section 1.22. "Limited Common Area" shall mean that portion of the subdivision of Bayview Village designated on a recorded subdivision plat as Limited Common Area or Open Space and, with the exception of any trail or pathway system running therein, shall be reserved for the exclusive use of the Owners, Residents, Occupants and Members of the Bayview Village Association. It is expressly declared that Bayview Village Association Land shall be deemed Limited Common Area.

Section 1.23. "Lot" shall mean any area of real property within a Bayview Village division designated as a residential Lot on a recorded Bayview Village subdivision, specifically excluding the Bayview Village Association Land, Common Areas and Limited Common Areas, but together with all appurtenances, improvements, and Dwelling Units now or hereafter built or placed on the Lot.

Section 1.24. "Master Association" shall mean the Washington non-profit corporation to be organized by Declarant to administer and enforce the covenants and to exercise all rights, powers and duties set forth in the Master Declaration, its successors and assigns.

Section 1.25. "Master Declaration" shall mean the South Bay Master Declaration of Covenants, Conditions, Restrictions, Assessments, Charges, Servitudes, Liens, Reservations and Easements.

Section 1.26. "Member" shall mean any person holding a Membership in the Bayview Village Association pursuant to this Declaration and without exception shall mean and refer to each

Owner, including the Declarant, of a Lot in Bayview Village that is subject to assessment; Membership in the Bayview Village Association shall be appurtenant to, and may not be separated from ownership of a Lot within Bayview Village.

Section 1.27. "Membership" shall mean a Membership in the Bayview Village Association and the rights granted to the Owners and Declarant pursuant hereto to participate in the Bayview Village Association.

Section 1.28. "Occupant" shall mean any person, other than an Owner, in rightful possession of a Lot within Bayview Village.

Section 1.29. "Open Spaces" shall mean and refer to those areas designated on a recorded Bayview Village subdivision as Open Spaces and, when so designated, shall be deemed to be Limited Common Areas as defined herein.

Section 1.30. "Owner" shall mean the record owner of a fee simple interest in any Lot, but excluding others who hold such title merely as security. Purchasers and their assignees under recorded real estate contracts shall be deemed Owners as against their respective sellers or assignors. An Owner shall include any person who holds record title to a Lot in joint ownership with any other person or holds an undivided fee interest in any Lot.

Section 1.31. "Resident" shall mean:

- (a) An Owner actually residing on a Lot;
- (b) Each Purchaser under a real estate contract covering any Lot actually residing on the Lot;
- (c) Members of the immediate family of each Owner and of each Purchaser actually living in the same household in Bayview Village with such Owner or Purchaser; and
- (d) Tenants/Renters.

Section 1.32. "Single Family" shall mean a group of one or more persons each related to the other by blood, marriage or legal adoption, or a group of not more than four (4) persons not all so related, who maintain a common household in a Dwelling Unit.

Section 1.33. "Special Assessment" shall mean any assessment levied and assessed pursuant to the Special Assessment provisions of Article 7.

Section 1.34. "Subdivision Plat" shall mean a recorded plat of any division of Bayview Village.

Section 1.35. "Supplemental Declaration" shall mean this recorded Supplemental Declaration.

Section 1.36. "Visible From Neighboring Property" shall mean, with respect to any given object, that such object is or would be visible to a person six feet tall, standing at ground level on any part of a Lot, Common Area or Limited Common Area neighboring that on which such object exists.

ARTICLE 2

PROPERTY SUBJECT TO BAYVIEW VILLAGE SUPPLEMENTAL DECLARATION

Section 2.1. General Declaration Creating Bayview Village. Declarant intends to develop the divisions of Bayview Village into various Lots, build improvements and Dwelling Units thereon, then sell and convey such Lots and Dwelling Units to

Owners. All Lots within Bayview Village are hereby declared to be expressly subject to the Master Declaration recorded, or to be recorded, by Declarant, which Master Declaration is incorporated herein by this reference and made a part hereof as though fully set forth herein. Declarant hereby declares that all of the real property within Bayview Village is and shall be held, conveyed, encumbered, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to the Master Declaration and this Supplemental Declaration, as either are amended from time to time; provided, however, exempt properties shall only be subject to those portions of the Master Declaration and this Supplemental Declaration relating to easements and restrictions imposed concerning placement of utilities and the use and maintenance of such properties.

The Master Declaration and this Supplemental Declaration are declared to be in furtherance of a general plan for the overall improvement of the various development components of South Bay and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of South Bay and every portion thereof. The Master Declaration and this Supplemental Declaration, as either may be hereafter modified or amended, shall run with the Bayview Village property described in Exhibit A, and any other divisions subjected to this Supplemental Declaration by Declarant, and shall be binding upon

and inure to the benefit of Declarant, the Bayview Village Association, and all Owners, Residents and Occupants, their successors and assigns, in Bayview Village. Nothing in this Declaration shall be construed to prevent Declarant from dedicating or conveying portions of Bayview Village including, but not limited to, Common Areas, Limited Common Areas, streets, roadways and easements to any governmental entity or third party or for uses other than as a Lot, Bayview Village Association Land, Common Area or Limited Common Area.

Section 2.2. Bayview Village Association Bound. Upon issuance of a Certificate of Incorporation by the State of Washington, the Covenants contained in the Master Declaration and Supplemental Declaration, as may be hereafter modified or amended, shall be binding upon and shall benefit the Bayview Village Association.

Section 2.3. Superseded Declaration. With the exception of the Master Declaration, this Supplemental Declaration supersedes and is made in full substitution for any prior covenants, conditions or restrictions which may have been imposed on the real property described herein by Declarant or any of its predecessors in interest.

ARTICLE 3

EASEMENTS AND RIGHTS OF ENJOYMENT IN BAYVIEW VILLAGE ASSOCIATION LAND AND LIMITED COMMON AREAS

Section 3.1. Easements of Enjoyment. Every Owner, Resident, Occupant and Member of the Bayview Village Association shall have a non-exclusive right and easement of enjoyment in and to the Bayview Village Association Land and Limited Common Area, which easement shall be appurtenant to and shall pass with the title to every Lot subject to the following provisions:

3.1.1 The right of the Bayview Village Association to suspend the voting rights and right to use of the Bayview Village Association Land or Limited Common Areas by any Member (i) for any period during which any Assessment against such Owner's Lot remains delinquent; (ii) for a period not to exceed sixty (60) days for any infraction of this Supplemental Declaration or Bayview Village Rules; and (iii) for successive sixty (60) day periods if any such infraction is not corrected during any prior sixty (60) day suspension period;

3.1.2 The right of the Bayview Village Association to dedicate, grant or transfer such permits, licenses and easements for utilities, roads and/or other purposes consistent with the

intended uses of the Bayview Village Association Land or Common Areas or as otherwise provided in this Supplemental Declaration, and reasonably necessary or desirable for the proper use, maintenance or operation of any portion of Bayview Village, and which do not have any substantial adverse effect on the enjoyment of the Bayview Village Association Land or Limited Common Areas by the Members;

3.1.3 The right of the Bayview Village Association to regulate the use of the Bayview Village Association Land and Limited Common Areas through the Bayview Village Rules and to prohibit access to those areas, such as drainage areas, not intended for use by Members. The Bayview Village Rules are intended to enhance the preservation of the Bayview Village Association Land and Limited Common Areas for the safety and convenience of the users thereof and shall serve to promote the best interests of the Owners, Residents and Occupants of Bayview Village;

3.1.4 The right of the Bayview Village Association to prescribe which Members are permitted to use the Bayview Village Association Land and Limited Common Areas and to determine who may be classified as guests and to close or limit the use of the Bayview Village Association Land and Limited Common Areas, or portions thereof, while maintaining and repairing the same;

3.1.5 The right of the Declarant, reserved hereby, to non-exclusive use of all Bayview Village Association Land and Limited Common Areas for display, sales, promotional, and other purposes deemed useful by Declarant and its agents and representatives in advertising or promoting Bayview Village or South Bay. This right shall permit Declarant to allow unlimited use by guests and prospective customers of all Bayview Village Association Land and Limited Common Areas and shall terminate when the last Lot in Bayview Village has been sold by Declarant.

3.1.6 The right of the Bayview Village Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Bayview Village Association Land or Limited Common Areas, and with written consent of two-thirds (2/3) of the votes of each class of Membership in the Bayview Village Association, to mortgage said Bayview Village Association Land and Limited Common Areas as security for any such loan.

Section 3.2. Bayview Village Association Land and Limited Common Areas. The Bayview Village Association Land and Limited Common Areas within Bayview Village, with the exception of any trail or pathway system running through these areas, are hereby

declared to be for the exclusive use and enjoyment of the Owners, Residents and Occupants of Bayview Village, subject to this Supplemental Declaration, and the rights of the Bayview Village Association as set forth in Paragraph 3.1 hereof.

Section 3.3. Delegation of Use By Owners. Any Owner may delegate, in accordance with the Governing Documents, his right of enjoyment to the Bayview Village Association Land and Limited Common Areas to members of his family and his tenants, provided, however, that if any Owner delegates such right of enjoyment to tenants, neither the Owner nor his family shall be entitled to use such areas by reason of ownership of that Lot during the period of delegation. Guests of an Owner may use such facilities only in accordance with the Governing Documents, which may limit the number of guests who may use such areas. The Board may also promulgate rules and regulations limiting the use of the Bayview Village Association Land and Limited Common Areas by co-owners with respect to any Lot in co-ownership.

ARTICLE 4

SINGLE FAMILY RESIDENTIAL USE IN BAYVIEW VILLAGE

Section 4.1. Single Family Residences. Bayview Village is hereby declared to be Single Family Land Use. All Lots within Bayview Village shall be used only for the construction and occupancy of single family dwellings and typical residential activities incidental thereto. No professional, commercial or industrial operations, of any kind, shall be conducted in or upon any Lot except (1) as permitted by the Board; or (2) such temporary uses as shall be permitted by Declarant while the development is being constructed and Lots are being sold by Declarant. Use of all Lots shall be in accordance with, and subject to, the limitations and rules as established by the Board directly, or through the Managing Agent.

Section 4.2. Tenants. The entire Dwelling Unit on a Lot may be let to a single family tenant from time-to-time by the Owner, providing such tenancy shall not be less than six (6) consecutive months to the same tenant. All leases and rental agreements for individual Dwelling Units shall be in writing and specifically shall be subject to each and every requirement, covenant, condition and restriction of the Master Declaration, Supplemental Declaration and Governing Documents.

Section 4.3. Age Restrictions. Each Dwelling Unit in Bayview Village shall be occupied by at least one (1) person fifty-five (55) years of age or older; provided that if an occupant who is fifty-five (55) years of age or older dies, the remaining occupants of the Dwelling Unit may continue to occupy

the Dwelling Unit even though none of such persons are fifty-five (55) years of age or older, providing, however, that no person eighteen (18) years of age or under shall reside in any Dwelling Unit. Visitation by persons under the age of eighteen (18) years of age is permitted, but no such person shall be entitled to visit, occupy or reside in any Dwelling Unit for more than one hundred eighty (180) days during any consecutive twelve (12) month period. The provisions set forth in this Section are for the purpose of establishing the policies and procedures necessary for the property to qualify for the fifty-five (55) or over housing exemption under the Fair Housing Amendments Act of 1988. The Board is authorized to adopt such other policies and procedures which may be necessary from time to time in order for the property to meet all of the requirements of the fifty-five (55) or over housing exemption, as amended from time to time. Notwithstanding anything to the contrary herein, in the event that any provision of this Paragraph is determined to require amendment to comply with the fifty-five (55) or over housing exemption, then the Declarant and/or Board reserves the right, without the approval of any Owner, Member, Mortgagee or other person or entity, to amend all or any part of this Supplemental Declaration as required to achieve compliance.

Section 4.4. Master Declaration Land Use Covenants. Notwithstanding anything to the contrary herein, all Lots are subject to all provisions of the Master Declaration, including those provisions relating to Land Use set forth in Article 4 thereof.

Section 4.5. Right of Entry. During reasonable hours and upon reasonable notice to the Owner, Resident or Occupant of a Lot, any Member of the Board of the Bayview Village Association or Declarant, or any authorized representative of either of them, shall have the right to enter upon and inspect any Lot, and the improvements thereon, except for the interior portions of any Dwelling Unit, for the purpose of ascertaining compliance with the Master Declaration or this Supplemental Declaration.

Section 4.6. Prefabricated Buildings. With the exception of any erected or placed by Declarant, no prefabricated building or structure of any nature whatsoever, permanent or temporary, shall be moved or placed or assembled or otherwise maintained on any Lot.

Section 4.7. Removal of Weeds and Debris. Each Lot Owner irrevocably grants to Declarant, the Bayview Village Association, and their successors and assigns, the right at the option of said entities to remove any weeds or debris from Lots in the subdivision.

Section 4.8. Unnatural Drainage. Under no circumstances shall any Owner, Resident or Occupant of any Lot be permitted to deliberately alter the topographic conditions of the Lot in any way that would adversely affect the approved and constructed storm drainage system.

Section 4.9. Animals. In addition to the provisions contained within Paragraph 4.2.2 of the Master Declaration, no pets (as defined in Paragraph 4.2.2) shall be housed or confined outdoors. No structure for the care, housing or confinement of any Pet shall be erected or maintained on any Lot within Bayview Village.

Section 4.10. Declarant's Exemption. Nothing contained in this Supplemental Declaration shall be construed to prevent the erection or maintenance by Declarant, or its duly authorized agents, of any buildings, utilities, structures, improvements or signs necessary or convenient to the development or sale of property within Bayview Village.

Section 4.11. Disputes. The Bayview Village Association shall have jurisdiction over activities permitted on Bayview Village Association Land and Limited Common Areas. All disputes, complaints or matters of change in existing or future use restriction shall be submitted to the Board for determination, unless otherwise provided in the Master Declaration to be within the authority of the Architectural Review Committee. The decision of the Board or Architectural Review Committee shall be final.

ARTICLE 5

ORGANIZATION OF THE BAYVIEW VILLAGE ASSOCIATION

Section 5.1. Formation of the Bayview Village Association. The Bayview Village Association shall be charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents. Neither the Articles nor Bylaws of the Bayview Village Association shall, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with the Master Declaration or this Supplemental Declaration.

Section 5.2. Board of Directors and Officers. The affairs of the Bayview Village Association shall be conducted by the Board and such Officers as the Board may elect or appoint in accordance with the Bayview Village Association's Articles of Incorporation and Bylaws as the same may be amended from time to time. The Board shall be composed of at least three (3) and no more than nine (9) members. The initial Board shall be composed of five (5) members. The Bayview Village Association, through

the Board, unless specifically provided otherwise, shall have the right and duty to enforce this Supplemental Declaration, and shall have the right and be responsible for maintenance of Lots as provided herein and the proper and efficient management, maintenance and operation of the Bayview Village Association Land and Limited Common Areas, including:

5.2.1 Maintaining and landscaping, if applicable, the Bayview Village Association Land and Limited Common Areas and any other properties controlled by the Bayview Village Association, including roads or streets, if any;

5.2.2 Maintaining the landscaping and lawn maintenance of each Lot and the exterior appearance of all Dwelling Units within Bayview Village, which maintenance shall be limited to (1) painting, (2) roof repair and replacement, (3) siding repair and replacement, (4) court yards and private driveways, and (5) storm water and sewer systems on Lots;

5.2.3 Maintaining the storm water and drainage control systems, including, but not limited to, catch basins, piping, conveyance facilities, retainage and detainage ponds and oil separators, on Bayview Village Association Land and Limited Common Areas;

5.2.4 Operating, maintaining (including insuring, at the discretion of the Board) and rebuilding, if necessary, signs, monuments, walls, fences, and other improvements originally constructed by Declarant or the Bayview Village Association on Bayview Village Association Land and/or Limited Common Areas and/or easements granted to the Bayview Village Association, if any;

5.2.5 Paying real estate taxes, assessments and other charges on Bayview Village Association Land and Limited Common Areas;

5.2.6 Insuring all improvements which the Bayview Village Association is obligated to maintain against damage by casualty as the Board deems appropriate;

5.2.7 Hiring, firing, supervising and paying employees and independent contractors to carry out the obligations of the Bayview Village Association as set forth herein;

5.2.8 Maintaining liability insurance to protect the Bayview Village Association and the Board from any liability caused by occurrences or happenings on or about the Bayview

Village Association Land and/or Limited Common Areas and/or Lots (including, but not limited to, errors and omissions insurance for the Board);

5.2.9 Maintaining workmen's compensation insurance for the employees of the Bayview Village Association;

5.2.10 Purchasing all goods, supplies, labor and services reasonably necessary for the performance of the obligations set forth herein;

5.2.11 Establishing and maintaining such cash reserves, if any, as the Bayview Village Association may, in its sole and absolute discretion, deem reasonably necessary for the maintenance and repair of the Bayview Village Association Land and Limited Common Areas including, but not limited to, establishment and maintenance of an asset replacement fund;

5.2.12 Payment for all utility services of the Bayview Village Association;

5.2.13 Entering into such agreements and taking such actions as are reasonably necessary and convenient for the accomplishment of the obligations set forth in this Supplemental Declaration and the Articles of Incorporation and Bylaws of the Bayview Village Association, including, but not limited to, the maintenance of Lots and the operation and maintenance of the Bayview Village Association Land and Limited Common Areas; and

5.2.14 Such other matters and powers as are provided under (1) the Articles of Incorporation and Bylaws; and (2) Washington State law, as may be amended from time to time, for a non-profit corporation.

Section 5.3. The Bayview Village Rules. The Board shall be empowered to adopt, amend, or repeal such Bayview Village Rules as it deems reasonable and appropriate, which shall be binding upon all persons and entities subject to this Supplemental Declaration, whether Members of the Bayview Village Association or not; provided, however, that the Bayview Village Rules shall not discriminate among Members and shall not be inconsistent with the other Governing Documents. The Bayview Village Rules may also include the establishment of a system of fines and penalties for enforcement of such Rules. The Bayview Village Rules may be established, modified or amended at any special or regular meeting of the Board.

The Bayview Village Rules are deemed incorporated herein by this reference and shall have the same force and effect as if they were set forth in and were part of this Supplemental

Declaration and shall be binding on all persons or entities having any interest in, or making any use of, any part of the Bayview Village Association Land or Limited Common Areas, whether or not Members of the Bayview Village Association and whether or not copies of the Bayview Village Rules are actually received by such persons or entities. The Bayview Village Rules, as adopted, amended, modified or repealed shall be available for review at the principal office of the Bayview Village Association, or such other location within South Bay as designated by the Board, to each person or entity reasonably entitled thereto. In the event of any conflict between any provisions of the Bayview Village Rules and any provisions of the Master Declaration or this Supplemental Declaration, the provisions of the Bayview Village Rules shall be deemed to be superseded by the provisions of the Master Declaration and this Supplemental Declaration to the extent of any such conflict. Any monetary penalties or fines imposed by the Bayview Village Rules shall be treated as an assessment which may become a lien against the Members' Lot and enforceable by a sale thereof.

Section 5.4. Non-Liability of Officials and Indemnification. To the fullest extent permitted by Washington State law, Declarant, and every Director, Officer, Committee Member, Manager(s), or other employees of the Bayview Village Association and of the Declarant, shall not be personally liable hereunder to any Member, or to any other person or entity, including the Bayview Village Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error, or negligence and shall be indemnified and defended by the Bayview Village Association; provided, however, the provisions set forth in this Section 5.4 shall not apply to any person who has failed to act in good faith or has engaged in willful or intentional misconduct.

Section 5.5. Managing Agent. The Bayview Village Association, through the Board, is authorized to employ a managing agent or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Bayview Village Association. The Bayview Village Association, through its Board, is also expressly authorized to enter into one or more management agreements with third parties in order to facilitate efficient operations and to carry out its obligations. It shall be the primary purpose of such management agreement(s) to provide for the administration, management, repair and maintenance of the Bayview Village Association Land, Limited Common Areas and Lots to the extent provided herein, and to assess, collect and apply the Assessments, and to enforce this Supplemental Declaration.

The terms of the management agreement shall be as determined by the Board to be in the best interest of the Bayview Village Association, and shall be subject to the Governing Documents. Any management agreement shall not exceed a term of one (1) year unless the terms thereof have been approved by a majority vote of the Bayview Village Association, but may be renewed by agreement of the parties for successive one (1) year periods and shall provide for termination by either party with or without cause and without payment of a termination fee upon ninety (90) days' written notice; provided, however, that the Bayview Village Association may terminate the agreement for cause immediately upon thirty (30) days' written notice, and provided further, that in the event of misconduct, the Bayview Village Association may terminate the agreement immediately with no notice whatsoever.

The Bayview Village Association is expressly authorized to contract with Declarant, or an affiliate, representative or company involving some or all of the same individuals as Declarant, in order to provide management and/or maintenance services or to perform any other duties of the Bayview Village Association or the Board. Each Owner, Resident and Occupant shall be bound by the terms and conditions of all management agreements entered into. A copy of all management agreements shall be available to each Owner upon request at the Bayview Village Association Office, or such other location within South Bay as designated by the Board.

Section 5.6. Records and Accounting. The Bayview Village Association shall keep, or cause to be kept, true and correct books and records in accordance with generally accepted accounting principles. Financial statements for the Bayview Village Association shall be regularly prepared and available at the Bayview Village Association Office, or such other location within South Bay as designated by the Board, to all members as follows:

5.6.1 A pro forma operating statement (budget for each fiscal year shall be available for distribution not less than sixty (60) days before the beginning of the fiscal year);

5.6.2 An annual report shall be available for distribution within one hundred twenty (120) days after the close of the fiscal year consisting of a balance sheet as of the end of the fiscal year, an operating (income) statement for the fiscal year, and a statement of changes in financial position for the fiscal year.

5.6.3 The annual report need not be prepared by an independent accountant, but it shall be accompanied by the

certificate of an authorized Officer of the Bayview Village Association that the statements were prepared without audit from the books and records of the Bayview Village Association.

Section 5.7. Inspection of Books and Records. The Membership register, books of account and minutes of meetings of the Members, of the Board, and of Committees of the Board, shall be made available for inspection and copying by any Member at any reasonable time, at the office of the Bayview Village Association, or at such other place within South Bay as the Board shall prescribe. The Board may establish reasonable rules with respect to: (1) Notice to be given to the custodian of the records by the Member desiring to make the inspection; (2) hours and days of the week when such an inspection may be made; and (3) payment of the cost of reproducing copies of documents requested by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Bayview Village Association and the physical properties owned or controlled by the Bayview Village Association.

ARTICLE 6

MEMBERSHIPS AND VOTING

Section 6.1. Lot Owners. Every Owner of a Lot, including Declarant, shall be a Member of the Bayview Village Association. Membership shall be appurtenant to and may not be separated from ownership of the Lot to which the Membership is attributable. There shall be only one Membership for each Lot, which Membership shall be shared by all Owners of an interest therein.

Section 6.2. Declarant. Declarant shall be a Member of the Bayview Village Association for so long as it holds a Class B Membership pursuant hereto or owns any property in Bayview Village.

Section 6.3. Voting. The Bayview Village Association shall have two (2) classes of voting memberships:

Class A. Class A Memberships shall be all Memberships, except the Class B Membership held by Declarant, and each Owner shall be entitled to one vote for each Lot owned, subject to the authority of the Board to suspend the voting rights of the Owner for violations of this Declaration in accordance with the provisions hereof.

Class B. Class B Memberships shall be held by the Declarant and the Class B Membership shall be entitled to three (3) votes for each Lot owned by Declarant. The Class B

Membership shall cease and be converted to Class A Memberships on the happening of the first of the following events:

(a) When the total votes outstanding in Class A Membership equal the total votes outstanding in the Class B Membership;

(b) When the Declarant voluntarily terminates the Class B Membership by written notice to the Bayview Village Association, at which time Declarant will receive Class A Membership for each Lot owned within Bayview Village; or

(c) At the end of the Development Period.

Section 6.4. Right to Vote. The right to vote in Bayview Village Association matters shall be subject to the following conditions:

6.4.1 No change in a Membership shall be effective for voting purposes unless and until the Board is given actual written notice of such change. The vote for each Membership must be cast as a unit; fractional votes shall not be allowed. If a Membership is owned by more than one person or entity and such Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any Member casts a vote representing a certain Membership, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all Owners of the Membership unless objection thereto is made at the time the vote is cast.

6.4.2 Any mortgagee who acquires title to a Lot pursuant to a judgment or foreclosure or a trustee sale shall automatically become entitled to exercise all voting rights which the Owner of said Lot would otherwise have had.

6.4.3 If any lender to whom Declarant has assigned, or hereafter assigns, as security, all or substantially all of its rights under this Supplemental Declaration succeeds to the interests of the Declarant by virtue of said assignment, the absolute voting rights of the Declarant as provided herein shall not be terminated thereby, and such lender shall hold the Declarant's Memberships and voting rights on the same terms as they were held by Declarant.

Section 6.5. Transfer of Membership. The rights and obligations of Membership in the Bayview Village Association shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon conveyance of an Owner's Lot by deed, intestate succession, testamentary disposition, fore-

closure of a Mortgage or Deed of Trust, or other legal process pursuant to the laws of the State of Washington or the United States.

ARTICLE 7

COVENANT FOR ASSESSMENTS AND CREATION OF LIEN

Section 7.1. Creation of Lien and Personal Obligation of Assessments. The Declarant, for each Lot hereinafter established within Bayview Village, hereby covenants and agrees, and each Owner by acceptance of a deed therefor (whether or not it shall be so expressed in such deed) is deemed to covenant and agree to pay to the Bayview Village Association the following Assessments established hereunder: (i) Annual Assessments; and (ii) Special Assessments for capital improvements or other extraordinary expenses or costs. The Annual and Special Assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the Lot and shall constitute a continuing servitude and lien with power of sale upon the Lot against which such Assessment is made. The lien may be enforced by foreclosure of the lien on the defaulting Owner's Lot by the Bayview Village Association in like manner as a mortgage or Deed of Trust on real property. The lien for each unpaid Assessment attaches to each Lot at the beginning of each Assessment Period and shall continue to be a lien against such Lot until paid. The costs and expenses for filing any notice of lien shall be added to the Assessment for the Lot against which it is filed and collected as part and parcel thereof. Each such Annual and Special Assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Owner of the Lot at the time when the Assessment fell due. The personal obligation for delinquent Assessments shall not pass to the successors in title of the Owner unless expressly assumed by them.

Section 7.2. Annual Assessments. In order to provide for the uses and purposes specified in Article 9 hereof, including the establishment of replacement and maintenance reserves, the Board in each year, commencing in 1989, shall assess an Annual Assessment against each Lot where there has been issued an Occupancy Permit for a dwelling thereon for sixty (60) days or more. Each Lot shall be responsible for paying the Annual Assessment, or a pro rata share thereof, from the sixtieth (60th) day following the issuance of said Occupancy Permit. The amount of the Annual Assessment shall be established by the Board but shall be determined with the objective of fulfilling the Bayview Village Association's obligations under this Supplemental Declaration.

Section 7.3. Uniform Rate of Assessment. The amount of any Annual or Special Assessment shall be fixed at a uniform rate per Lot within Bayview Village. Annual Assessments shall be collected in advance on a monthly, quarterly or annual basis and Special Assessments may be collected as specified by the Board unless otherwise determined by the resolution of the Members of the Bayview Village Association approving the Special Assessment.

Section 7.4. Superiority of Assessment Lien. The Bayview Village Association's lien on each Lot for Assessments shall be superior to any homestead exemption now or hereafter provided by the laws of the State of Washington or any exemption now or hereafter provided by the laws of the United States. Since the Owner will receive a copy of this Supplemental Declaration prior to Closing and/or the Supplemental Declaration is recorded of public record, the acceptance of a deed subject to this Supplemental Declaration shall constitute a voluntary and informed waiver of the homestead right by the Owner and an acknowledgement that the lien should be paid prior to any homestead claim. The Assessment Liens of the Bayview Village Association shall be subordinate in all cases to any Assessment Liens of the Master Association established by the Master Declaration.

Section 7.5. Maximum Annual Assessment. The initial Annual Assessment period shall commence on the sixtieth (60th) day following the issuance of the first Occupancy Permit for a Dwelling Unit within Bayview Village, and each subsequent Annual Assessment period shall correspond with the fiscal year of the Bayview Village Association. The Annual Assessment to be established by the Board may not exceed a certain amount (the "Maximum Annual Assessment") determined in accordance with the following provisions:

7.5.1 During the initial Annual Assessment period, the Maximum Annual Assessment against each Owner shall be \$1,020 per year (\$85/month) for each Lot subject to Assessment.

7.5.2 Effective with commencement of the first full fiscal year (the second Annual Assessment Period) and continuing through the fifth (5th) full fiscal year, the Maximum Annual Assessment may be increased by the Board without a vote of the Membership by a maximum of twenty percent (20%) over the previous year's Annual Assessment. Any such increase shall be effective at the beginning of each fiscal year. Beginning with the sixth (6th) full fiscal year, and each subsequent fiscal year thereafter, the Maximum Annual Assessment may be increased by the Board without a vote of the Membership by a maximum amount equal to the greater of either (1) five percent (5%) over

the previous year's Annual Assessment, or (2) the percentage increase in the Consumer Price Index, Seattle/Everett Metropolitan Area (or such other closest geographic area available), published by the Department of Labor, Washington, D.C., or successor governmental agency, between the first day of the previous full fiscal year and the first day of the current full fiscal year. Any such increase shall be effective at the beginning of each fiscal year.

7.5.3 The Maximum Annual Assessment may be increased above the amount set forth in Subsection 7.5.2 above, provided that any such increase shall have the assent of a majority of the votes of the Class A Membership and a majority of the votes of the Class B Membership who are voting in person or by proxy at a meeting duly called for this purpose, as provided in Section 7.7 below.

Section 7.6. Special Assessments for Capital Improvements and Extraordinary Expenses. The Bayview Village Association may, in any Assessment Period, levy a Special Assessment applicable to that period only, for the purpose of defraying, in whole or in part, the cost of any acquisition, construction, reconstruction, repair or replacement of a capital improvement upon Bayview Village Association Land or Limited Common Areas, including buildings, structures, fixtures and personal property related thereto, or for the purpose of defraying other extraordinary expenses, including increased maintenance expenses on Lots; provided, that in any fiscal year, the Board may not, without the vote or written assent of a majority of each class of Membership, levy Special Assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Bayview Village Association for that fiscal year. The provisions of this Section are not intended to preclude or limit the assessment, collection or use of Annual Assessments for the aforestated purposes.

Section 7.7. Notice and Quorum. Written notice of any meeting called for the purpose of taking any action under Sections 7.5 or 7.6 of this Article shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days in advance of the meeting. At any such meeting called, the presence of Members or of proxies entitled to cast sixty percent (60%) of all the votes (exclusive of suspended voting rights) of each class of Membership shall constitute a quorum.

Section 7.8. Establishment of Annual Assessment Period. The Annual Assessment Period for collection of Assessments shall be designated by the Board and shall be billed and collected on an annual, quarterly or monthly basis.

Section 7.9. Billing and Collection Procedures. The Board shall have the right to adopt procedures consistent herewith for the purpose of levying and collecting Annual and Special Assessments. The failure of the Bayview Village Association to send a bill to a Member shall not relieve any Member of his liability for any Assessment under this Declaration, but the Assessment Lien therefor shall not be foreclosed or otherwise enforced until the Member has been given not less than thirty (30) days' written notice, at the address of the Member on the records of the Bayview Village Association. Such notice may be given at any time prior to or after delinquency of such payment. The Bayview Village Association shall be under no duty to refund any payments received by it even though a Lot is sold during an Assessment Period; successor Owners shall be given credit for prepayments, on a prorated basis, made by prior Owners. The Bayview Village Association may charge new Members who become such during an Assessment Period an administrative fee related to the issuance or reissuance of new Membership cards, if applicable, and updating Membership records.

Section 7.10. Collection Costs and Interest on Delinquent Assessments. Any delinquent installment of Annual or Special Assessment shall bear interest from thirty (30) days after the due date until paid at a uniform rate established by the Board which rate shall not exceed the maximum interest rate legally allowed by Washington State. The Member shall be liable for all collection costs, including attorneys' fees, incurred by the Bayview Village Association. The Board may also record a Notice of Delinquent Assessment against any Lot as to which an Annual or Special Assessment is delinquent and constitutes a lien, and may further establish a fixed fee to reimburse the Bayview Village Association for its costs associated with recording such Notice of Lien, processing the delinquency and recording a Notice of Payment, which fixed fee shall be treated as a collection cost of the Bayview Village Association secured by the Assessment Lien.

Section 7.11. Evidence of Payment of Annual and Special Assessments. Upon receipt of a written request by a Member or any other person, the Bayview Village Association within ten (10) days shall issue a written certificate stating (a) that all Annual and Special Assessments (including interest, costs and attorneys' fees) have been paid with respect to any specified Lot, as of the date of such certificate, or (b) if all Annual and Special Assessments have not been paid, the amount of such Annual and Special Assessments (including interest, costs and attorneys' fees, if any) due and payable as of such date. The Bayview Village Association may make a reasonable charge for the issuance of such certificates. Any such certificate, when duly issued as herein provided, shall be conclusive and binding with

respect to any matter therein stated as against any bona fide purchaser of, or lender on, the Lot in question.

Section 7.12. Property Exempted From the Annual and Special Assessments. Exempt Property shall be exempted from the Assessment of Annual and Special Assessments; provided, however, that in the event any change of ownership of Exempt Property results in all or any part thereof becoming Assessable Property in any year, the same thereupon shall be subject to the Assessment of the Annual and Special Assessments (prorated as of the date it became Assessable Property) and the Assessment Lien.

Section 7.13. Declarant Subsidy. So long as the Class B Membership exists, Declarant shall subsidize the financial operations of the Bayview Village Association in the event all Assessments and every other revenue source (income) received by the Bayview Village Association fails to equal or exceed the actual expenses incurred during the fiscal year. The terms and conditions of the subsidy shall be established by written agreement between Declarant and the Bayview Village Association. Declarant shall have no obligation for any such short fall resulting from the levying of any Assessment in an amount less than the maximum authorized for that Annual Assessment Period, or by expenditures for capital improvements, unless the same has been previously approved in writing by Declarant. The subsidy contemplated herein shall terminate at the close of the fiscal year in which the Class B Membership of Declarant is converted to Class A Membership unless earlier terminated by virtue of the self-sufficient financial condition of the Bayview Village Association.

ARTICLE 8

ENFORCEMENT OF PAYMENT OF ANNUAL AND SPECIAL ASSESSMENTS AND OF ASSESSMENT LIEN

Section 8.1. Bayview Village Association As Enforcing Body. The Bayview Village Association shall have the right to enforce the provisions of this Supplemental Declaration. However, if the Bayview Village Association shall fail or refuse to enforce this Supplemental Declaration or any provision hereof for any unreasonable period of time, after written request to do so, then any Member may enforce them on behalf of the Bayview Village Association, but not at the expense of the Bayview Village Association, by any appropriate actions, whether in law or in equity.

Section 8.2. Bayview Village Association's Remedies to Enforce Payment of Annual and Special Assessments. The Bayview

Village Association may enforce payment of any delinquent Annual or Special Assessments, together with all collection costs and attorneys' fees, by taking either or both of the following actions, concurrently or separately:

8.2.1 Bring an action at law and recover judgment against the Member personally obligated to pay the Annual or Special Assessments; and

8.2.2 Foreclose the Assessment Lien against the Lot in accordance with the then prevailing Washington law relating to the foreclosure of real estate mortgages (including the right to recover any deficiency).

Section 8.3. Subordination of Assessment Lien to First Mortgage; Priority Lien. The Assessment Lien provided for herein shall be subordinate to any First Mortgage lien and any liens for taxes and other public charges which by applicable law are expressly made superior. Except as above provided, the Assessment Lien shall be superior to any and all charges, liens or encumbrances which hereafter in any manner may arise or be imposed upon each Lot, except for any lien arising from the Master Declaration in favor of the Master Association. Sale or transfer of any Lot shall not affect the Assessment Lien; provided, however, that if the sale or transfer is pursuant to foreclosure of a First Mortgage or pursuant to any judicial sale or proceeding, the purchaser at the mortgage foreclosure, deed of trust or judicial sale, shall take the Lot free of the Assessment Lien. However, such purchaser shall take subject to all Annual and Special Assessments, and the Assessment Lien thereof, accruing subsequent to the date of issuance of the sheriff's or trustee's deed.

Section 8.4. Suspension of Membership. In addition to the remedies set forth herein, and not to the exclusion or prejudice thereof, the Board may also suspend a member from the Bayview Village Association and the privileges of Membership, including use of Bayview Village Association Land and Limited Common Areas for non-payment of Annual and/or Special Assessments.

ARTICLE 9

USE OF FUNDS; BORROWING POWER

Section 9.1. Purposes for Which Bayview Village Association's Funds May be Used. The Bayview Village Association shall apply all funds collected and received by it for the common good and benefit of the Members by devoting said funds, among other things, to the construction, alteration, maintenance, provision and operation of Bayview Village Association Land, Limited

Common Areas and Lots, which may be necessary, desirable or beneficial. The following are some, but not all, of the areas in which the Bayview Village Association may seek to provide for such common benefit: Social interaction among Members, maintenance, operation, repair and improvement of Bayview Village Association Land and Limited Common Areas, maintenance of Lots as required herein, liability insurance, communications, transportation, health, utilities, public services, safety, security and indemnification of Directors, Officers, employees and representatives of the Bayview Village Association as provided for herein.

Section 9.2. Borrowing Power. The Bayview Village Association may borrow money in such amounts, at such rates, upon such terms and security, and for such period of time as it determines is necessary or appropriate.

Section 9.3. Bayview Village Association's Rights in Spending Funds From Year to Year. The Bayview Village Association shall not be obligated to spend in any year all the sums received by it in such year (whether by way of Annual or Special Assessments, fees or otherwise), and may carry forward as surplus any balances remaining. The Bayview Village Association shall not be obligated to reduce the amount of the Annual Assessment in the succeeding year if a surplus exists from a prior year and the Bayview Village Association may carry forward from year to year such surplus as the Board in its discretion may determine to be desirable.

ARTICLE 10

MAINTENANCE

Section 10.1. Lots, Bayview Village Association Land, Limited Common Areas and Portions of Public Rights-Of-Way. The Bayview Village Association shall maintain or provide for the maintenance of the Bayview Village Association Land, Limited Common Areas and all landscaping located within Public Rights-Of-Way within the Bayview Village including, but not limited to, landscaping and trees adjacent to streets and within cul-de-sacs. In addition, the Bayview Village Association shall maintain the landscaping and lawn maintenance of each Lot and the exterior appearance of each Dwelling Unit within Bayview Village, which maintenance shall be limited to (1) painting, (2) roof repair and replacement, (3) siding repair and replacement, (4) court yards and private driveways, and (5) storm water and sewer systems on Lots. Notwithstanding anything to the contrary herein, each Owner shall be responsible for maintaining and keeping in good order and repair the interior of his residence,

exterior glass, and interior court yard and/or patio, if applicable.

Section 10.2 Assessment Of Certain Costs Of Repair Of Bayview Village Association Land, Limited Common Areas And Lots. In the event that the need for maintenance or repair is caused through the willful or negligent act or omission of the Owner, Resident or Occupant, their guests or invitees, of a Lot, the cost of such maintenance or repair may, in the discretion of the Board, be charged directly to the Owner of the Lot and shall be payable in accordance with the time period established by the Board. A lien shall secure repayment and be enforceable in the same manner as other Assessments provided herein. In addition, damage caused by fire, storm, flood, earthquake, riot, vandalism or other abnormal wear from use and the elements shall be the responsibility of each Owner and not included in the maintenance provided by the Bayview Village Association.

Section 10.3. Improper Maintenance And Use of Lots. In the event any portion of any Lot is used or maintained so as to present a public or private nuisance, or as to substantially detract from the appearance or quality of the surrounding Lots, or in the event any portion of a Lot is being used in a manner which violates the Master Declaration or this Supplemental Declaration applicable thereto, or in the event the Owner of any Lot is failing to perform any of its obligations under the Master Declaration or this Supplemental Declaration, the Board may by resolution make a finding to such effect, specifying the particular conditions which exist, and giving notice to the offending Owner that unless corrective action is taken within fourteen (14) days, the Board may take such action at said Owner's cost, which costs and expenses shall be immediately charged to the Owner and shall be payable in accordance with the time period set by the Board. A lien shall secure repayment and be enforceable in the same manner as other Assessments provided for herein.

ARTICLE 11

RIGHTS AND POWERS OF THE BAYVIEW VILLAGE ASSOCIATION

Section 11.1. Bayview Village Association's Rights and Powers as Set Forth in Articles and Bylaws. In addition to the rights and powers of the Bayview Village Association set forth in this Supplemental Declaration, it shall have such rights and powers as are set forth in its Articles of Incorporation and Bylaws. Upon incorporation of the Bayview Village Association, a copy of the Articles and Bylaws shall be available for inspection and copying at the office of the Bayview Village

Association, or such other location as designated by the Board within South Bay, during reasonable business hours.

Section 11.2. Contracts with Others for Performance of Bayview Village Association's Duties. Subject to the restrictions and limitations contained herein, the Bayview Village Association may enter into contracts and transactions with others, including Declarant and its affiliated companies, and such contracts or transactions shall not be invalidated or in any way affected by the fact that one or more Directors or Officers of the Bayview Village Association or Members of any Committee is employed by or otherwise connected with Declarant or its affiliates, provided that the fact of such interest shall be disclosed or known to the other Directors acting upon such contract or transaction, and provided further that the transaction or contract is fair and reasonable.

ARTICLE 12

INSURANCE

Section 12.1. Insurance on Bayview Village Association Land And Limited Common Areas. The Bayview Village Association shall maintain insurance covering all insurable improvements located or constructed upon Bayview Village Association Land and Limited Common Areas. The Bayview Village Association shall maintain the following types of insurance, to the extent that such insurance is reasonably available, considering the cost and risk coverage provided by such insurance:

12.1.1 Property Insurance. A policy of property insurance covering all insurable improvements located on Bayview Village Association Land and Limited Common Areas with a "Replacement Cost Endorsement." Such insurance shall afford protection against loss or damage by fire and other perils normally covered by the standard extended coverage endorsement and such other risks customarily covered with respect to projects similar in construction, location, and use, including all perils normally covered by the standard all risk endorsement, where such is available.

12.1.2 Liability Insurance. A comprehensive policy of public liability insurance covering all of the Bayview Village Association Land and Limited Common Areas in an amount not less than One Million Dollars (\$1,000,000.00) covering bodily injury, including death of persons, personal injury, and property damage liability arising out of a single occurrence, and such other risks as shall customarily be covered with respect to projects similar in construction, location and use.

12.1.3 Cancellation. The insurance provided for in Sections 12.1.1 and 12.1.2 may not be cancelled or substantially diminished or reduced in coverage without at least thirty (30) days' prior written notice to the Bayview Village Association and Declarant during the Development Period.

Section 12.2. Damage to Bayview Village Association Land or Limited Common Areas. In the event of damage to or destruction of all or a portion of the Bayview Village Association Land or Limited Common Areas due to fire or other adversity or disaster, the insurance proceeds, if sufficient to reconstruct or repair the damage, shall be paid by the Bayview Village Association for such reconstruction and repair. If the insurance proceeds with respect to such damage or destruction are insufficient to repair and reconstruct the damage or destruction, the Bayview Village Association shall present to the Members a notice of Special Assessment for approval by the Membership in accordance with the Special Assessment provisions herein. If such Special Assessment is not approved, the insurance proceeds may, after first being used to clean and landscape damaged areas, be applied in accordance with the wishes of the Membership upon the approval of Members and Eligible First Mortgagees as set forth in Article 14 hereof, except that the proceeds shall not be distributed to the Owners, unless made jointly payable to Owners and the First Mortgagees, if any, of their respective Lots.

Section 12.3. Other Insurance to be Maintained by Owners. Insurance coverage on the furnishings and other items of personal property belonging to an Owner, public liability insurance coverage upon each Lot, and hazard insurance coverage on the improvements constructed on Lots shall be the responsibility of the Owner thereof.

Section 12.4. Annual Review of Insurance Policies. All insurance policies carried by the Bayview Village Association shall be reviewed annually by the Board to ascertain that the coverage provided by such policies is reasonably adequate in view of expected and likely risks insured by the Bayview Village Association.

ARTICLE 13

EASEMENTS

Section 13.1. Maintenance Easement. An easement is reserved and granted to the Bayview Village Association, its Officers, Directors, agents, employees, and assigns, upon, across, over, in, and under Bayview Village Association Land, Limited Common Areas and Lots to enable the Bayview Village

Association to perform the duties and functions which it is obligated or permitted to perform pursuant to this Supplemental Declaration.

Section 13.2. Future Utility Easements. Commencing at the termination of the Development Period, the Bayview Village Association shall have the right to grant easements, licenses and permits upon, across, over and under the Bayview Village Association Land and Limited Common Areas for drainage and for the installation, replacement, repair and maintenance of utilities, including, but not limited to, water, sewer, gas, telephone, electricity and cable television systems; providing said easements, licenses and permits shall be (1) consistent with the intended use of said properties; (2) reasonably necessary or desirable for the proper use, maintenance and operation of said properties; and (3) substantially without adverse effect on the enjoyment of said properties by the Members.

Section 13.3. Rights of Declarant Incident to Construction. An easement is reserved by and granted to Declarant, its successors and assigns, for access, ingress, and egress over, in, upon, under, and across the Bayview Village Association Land and Limited Common Areas, including, but not limited to, the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to Declarant's construction in Bayview Village; provided, however, that no such rights or easements shall be exercised by Declarant in such a manner as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner to that Owner's Lot. The easement created pursuant to this Section shall automatically cease upon the sale of the last lot in Bayview Village by Declarant.

Section 13.4. Maintenance of Walls, Improvements And Easements. An easement is reserved and granted in favor of Declarant, the Bayview Village Association, their successors, assigns, employees and agents, upon, over and across each Lot adjacent to any boundaries of the Bayview Village Association Land or Limited Common Areas for reasonable ingress, egress, installation, replacement, maintenance, and repair of any improvement which Declarant may construct or cause to be constructed on or near any such property.

Section 13.5. Easements Deemed Created. All conveyances of Lots hereafter made, whether by the Declarant or otherwise, shall be construed to grant and reserve the easements contained in this Article 13, even though no specific reference to such easements or to this Article 13 appears in the instrument of such conveyance.

ARTICLE 14

FIRST MORTGAGEES

Section 14.1. Member and First Mortgagee Approval. Subject to all provisions of this Supplemental Declaration, the Bayview Village Association shall not, unless it has obtained the prior written consent of at least sixty-seven percent (67%) of the votes of each class of Membership, and fifty-one percent (51%) of the votes of the Eligible First Mortgagees (based upon one vote for each First Mortgage owned), amend any material provisions of this Supplemental Declaration which govern any of the following: (a) voting; (b) Assessments, Assessment Liens, or subordination of such liens; (c) reserves for maintenance or repair of Bayview Village Association Land or Limited Common Areas; (d) insurance; (e) rights to use of the Bayview Village Association Land or Limited Common Areas; (f) responsibility for maintenance and repair of any portion of Bayview Village; (g) boundaries of any Lot; (i) interests in the Bayview Village Association Land or Limited Common Areas; (j) any provisions which are for the express benefit of First Mortgagees or Governmental Mortgage Agencies; (k) effectuate any decision to terminate professional management and assume self-management of the Bayview Village Association when professional management has previously been required by any First Mortgagee; and (l) repair or restoration of the Bayview Village Association Land or Limited Common Areas after a hazard or partial condemnation, in a manner other than that specified in this Supplemental Declaration.

14.1.1 An amendment to this Supplemental Declaration shall not be considered material if it is for the purpose of correcting technical errors or for clarification.

14.1.2 "Eligible First Mortgagees" as set forth in this Section are those First Mortgagees who have requested the Bayview Village Association to notify them of any proposed action that requires the consent of a specified percentage of eligible mortgage holders.

Section 14.2. Notice of Action. Upon written request to the Bayview Village Association, identifying the name and address of the First Mortgagee and the address of the property which is subject to such first Mortgage, each such First Mortgagee shall be entitled to timely written notice of:

14.2.1 Any condemnation loss or casualty loss which affects a material portion of Bayview Village;

14.2.2 Any delinquency in the payment of Assessments or charges owed to the Bayview Village Association by the Owner of the Lot subject to a First Mortgage held by such First Mortgagee, or any default by such Owner in any obligation under this Supplemental Declaration, and the Board has actual knowledge of such default, when such delinquency and/or default remains uncured for a period of sixty (60) days; and

14.2.3 Any proposed action which would require the consent of a specified percentage of First Mortgagees as provided in this Article 14.

ARTICLE 15

CONDEMNATION

Section 15.1. Actions and Awards. In the event proceedings are initiated by any governmental entity seeking to take eminent domain of the Bayview Village Association Land or Limited Common Areas, or any part thereof, or any interest therein, with a value as reasonably determined by the Bayview Village Association in excess of Ten Thousand and No/100 Dollars (\$10,000.00), the Bayview Village Association shall give prompt notice thereof to all Members. The Bayview Village Association shall have full power and authority to defend in said proceedings, and to represent the Owners in any negotiations, settlements and agreements with a condemning authority for acquisition of the Bayview Village Association Land or Limited Common Areas, or any part thereof, but the Bayview Village Association shall not enter into any such proceedings, settlements or agreements pursuant to which all or any portion or interest in said properties, or improvements located thereon, are relinquished, without giving all Members at least fifteen (15) days prior written notice thereof. In the event following such proceedings, there is such a taking in condemnation or by eminent domain of a part or all of said properties, the award made for such taking shall be applied by the Bayview Village Association to such repair and restoration of the Bayview Village Association Land or Limited Common Areas remaining, or improvements thereon, as the Board, in its discretion, shall determine. If the full amount of such award is not so expended, the Bayview Village Association shall disburse the net proceeds of such award to the Lot Owners. Each Lot will receive one (1) equal share, provided that the Bayview Village Association shall first pay out of the share of each Owner the amount of any unpaid assessment liens or charges on his Lot. No provision of this Supplemental Declaration shall be deemed to give an Owner or any other party priority over the rights of a First Mortgagee in the case of a distribution to an Owner of insurance proceeds

or condemnation awards for losses to or taking of Lots, Bayview Village Association Land, Limited Common Areas, or any combination thereof.

ARTICLE 16

TERM; AMENDMENTS; TERMINATION

Section 16.1. Term; Method of Termination. This Supplemental Declaration shall be effective upon the date of recordation hereof and, as amended from time to time, shall continue in full force and effect for a term of twenty-five (25) years from the date this Supplemental Declaration is recorded. From and after said date, this Supplemental Declaration, as amended, shall be automatically extended for successive periods of ten (10) years each, unless there is an affirmative vote to terminate this Supplemental Declaration by the then Members casting ninety percent (90%) of the total votes at an election held for such purpose. No vote to terminate this Supplemental Declaration shall be effective unless and until the written consent to such termination has been obtained, within a period from six (6) months prior to such vote to six (6) months after such vote, from all First Mortgagees. If the necessary votes and consents are obtained, the Board shall record a Certificate of Termination in the Jefferson County records. Thereupon this Declaration shall have no further force and effect.

Section 16.2. Amendments.

16.2.1. As long as there is a Class B Membership, this Declaration may be amended by obtaining approval of fifty-one percent (51%) or more of each class of Membership, provided that there shall also be full compliance with all other provisions herein. However, notwithstanding anything to the contrary in this Supplemental Declaration, as long as there is a Class B Membership, the following actions will require the prior approval of the Federal Housing Administration ("FHA") if there is an FHA insured mortgage on any Lot and Veterans Administration ("VA") if there is a VA guaranteed mortgage on any Lot; Dedication of Bayview Village Association Land or Limited Common Areas and amendment of this Supplemental Declaration.

16.2.2 When there is no longer a Class B Membership, this Supplemental Declaration may be amended by obtaining approval of seventy-five percent (75%) of the total voting power of the Bayview Village Association, provided that there shall also be full compliance with all other provisions hereof.

16.2.3 Any amendment to this Supplemental Declaration shall be recorded with the Jefferson County Auditor as a

Certificate of Amendment, duly signed and acknowledged by the President of the Bayview Village Association. The Certificate of Amendment shall set forth in full the amendment adopted, and except as provided in Section 16.3 below, shall certify that at an election duly called and held pursuant to the provisions of the Articles and Bylaws, the Members casting the required percentages of the total voting power of the Bayview Village Association voted affirmatively for the adoption of the amendment. Notwithstanding the foregoing provisions, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

Section 16.3. Right of Amendment If Requested by Governmental Mortgage Agency or Federally Chartered Lending Institutions. Anything in this Article to the contrary notwithstanding, Declarant reserves the right to amend all or any part of this Declaration to such an extent and with such language as may be requested by Governmental Mortgage Agencies and to further amend to the extent requested by any other federal, state or local governmental agency which requests such an amendment as a condition precedent to such agency's approval of this Declaration, or by any federally chartered lending institution as a condition precedent to lending funds on the security of any Lot(s). Any such amendment shall be effected by the recordation, by Declarant, of a Certificate of Amendment duly signed by the authorized agents, officers of Declarant, as applicable, with their signatures acknowledged, specifying the Governmental Mortgage Agency, the federal, state or local governmental agency or the federally chartered lending institution requesting the amendment and setting forth the amendatory language requested by such agency or institution.

ARTICLE 17

MISCELLANEOUS

Section 17.1. Interpretation of the Covenants. Except for judicial construction, the Bayview Village Association, by its Board, shall have the exclusive right to construe and interpret the provisions of this Supplemental Declaration. In the absence of any adjudication to the contrary, the Bayview Village Association's construction or interpretation of the provisions hereof shall be final, conclusive and binding as to all persons and property benefited or bound by the covenants and provisions hereof.

Section 17.2. Severability. Any determination by any court of competent jurisdiction that any provision of this

Supplemental Declaration is invalid or unenforceable shall not affect the validity or enforceability of any of the other provisions hereof.

Section 17.3. Rule Against Perpetuities. If any interest purported to be created by this Supplemental Declaration is challenged under the Rule Against Perpetuities or any related rule, the interest shall be construed as becoming void and of no effect as of the end of the applicable period of perpetuities computed from the date when the period of perpetuities starts to run on the challenged interest.

Section 17.4. References to the Covenants in Deeds. Deeds to and instruments affecting any Lot in Bayview Village may contain the covenants herein set forth by reference to this Supplemental Declaration; but regardless of whether any such reference is made in any deed or instrument, each and all of the covenants shall be binding upon the grantee-owner or other person claiming through any instrument and his heirs, executors, administrators, successors and assigns.

Section 17.5. Successors and Assigns of Declarant. Any reference in this Supplemental Declaration to Declarant shall include any successors or assignees of Declarant's rights and powers hereunder.

Section 17.6. Gender and Number. Wherever the context of this Supplemental Declaration so requires, words used in the masculine gender shall include the feminine and neuter genders; words used in the neuter gender shall include the masculine and feminine genders; words in the singular shall include the plural; and words in the plural shall include the singular.

Section 17.7. Captions and Titles. All captions, titles or headings of the Articles and Sections in this Supplemental Declaration are for the purpose of reference and convenience only and are not to be deemed to limit, modify or otherwise affect any of the provisions hereof or to be used in determining the intent or context thereof.

Section 17.8. Notices. Unless otherwise required by the Governing Documents, notice of any meeting, action or proposed action by the Bayview Village Association, Board or any Committee to be given to any Owner shall be deemed satisfied if notice of such action or meeting is given in person or by regular mail, postage paid, not less than three (3) days prior to the date such notice is effective. Each Owner shall register his mailing address with the Bayview Village Association for the purposes of such notice. All notices, demands, or other notices

EXHIBIT "A"
LEGAL DESCRIPTION FOR BAYVIEW VILLAGE 3

That portion of the south half of Section 16, and that portion of the northeast quarter of Section 21; All in Township 28 North, Range 1 East, W.M., Jefferson County, Washington described as follows:

Beginning at the southwest corner of said Section 16, the south line of the southwest quarter of said Section having a bearing of N89deg46'12"W; thence N49deg43'47"E 697.73 feet to road centerline Station 0+00 as shown on Sheet 2 of 4 Sheets, County Road Project No. 307, "Port Ludlow to Paradise Road", Swanson Road to Tala Shores Section, County Road No. 6, Jefferson County, Washington dated February 3, 1969; thence S89deg04'57"E along said road centerline 4.50 feet to a point of curve; thence easterly along a curve to the right having a radius of 1909.90 feet through a central angle of 11deg46'30", an arc length of 392.51 feet; thence S77deg18'27"E 847.60 feet to centerline Station 12+44.6; thence S81deg36'57"E 875.19 feet to centerline Station 21+19.79 and the TRUE POINT OF BEGINNING; thence continuing S81deg36'57"E 830.21 feet to centerline Station 29+50.00; thence N08deg23'03"E 80.00 feet; thence N11deg16'20"E 465.93 feet; thence N83deg01'15"W 263.44 feet to the most southerly corner of Lot 40, Bayview Village Div. 1, according to the plat thereof recorded in Volume 6 of Plats, Pages 111 thru 113, records of said Jefferson County; thence westerly and southerly along the southerly and easterly line of said plat of Bayview Village Div. 1 the following courses, distances and curves: N75deg01'33"W 192.96 feet to a point on a curve, the center which bears N45deg45'30"W 45.00 feet, thence westerly along said curve to the right, thru a central angle of 98deg44'47", an arc distance of 77.56 feet to a point of reverse a curve, the center which bears S52deg59'18"W 25.00 feet, thence westerly along said curve to the left, thru a central angle of 44deg24'55", an arc distance of 19.38 feet; thence N81deg25'37"W 43.01 feet to a point of curve; thence southwesterly along said curve to the left, having a radius of 125.00 feet, thru a central angle of 78deg09'44", an arc distance of 170.52 feet; thence S20deg24'39"W 73.96 feet to a point of curve; thence southerly along said curve to the right, having a radius of 475.00 feet, thru a central angle of 27deg28'21", an arc distance of 227.75 feet to a point of reverse curve, the center which bears S42deg07'01"E 25.00 feet, thence southerly along said curve to the left, thru a central angle of 84deg15'39", an arc distance of 36.77 feet; thence S53deg37'20"W 50.00 feet; thence S08deg23'03"W 119.52 feet to the southerly corner of said plat of Bayview Village Div. No. 1 and the TRUE POINT OF BEGINNING.

EXCEPT that portion lying within Paradise Bay Road.