BYLAWS OF
COVE ESTATES MOORAGE OWNERS ASSOCIATION

Article 1. DEFINITIONS

Articles shall mean the articles of incorporation of the Association defined below.

Association shall mean COVE ESTATES MOORAGE OWNERS ASSOCIATION, a non-profit corporation organized and existing under the laws of the State of Washington.

Board shall mean the board of directors of the Association.

Temporary Board of Directors and Temporary Board means the individuals appointed to act as the Board by the Declarant to manage and administer the property until such time as the unit owners elect a Board of Directors as provided in this Declaration.

Bylaws shall mean the bylaws of the Association, as they may from time to time be amended.

Developer shall mean Chelan Adventures, a Washington corporation, and its representatives, successors and assigns.

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

Unit Owner means the person or persons owning or possessing a unit in fee simple absolute or qualified, or as the purchaser under a real estate contract, of a condominium unit (apartment) in either Cove Condominiums, Cove Overlook Park Association or Phase II.

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

ARTICLE 2. PRINCIPAL OFFICE

The principal office of the Association shall be located at 11150 So. Lake Shore Road, Chelan, Washington.

ARTICLE 3. DESCRIPTION OF PROPERTY; DEVELOPMET IN PHASES

A. Description of Land. The land on which the buildings and improvements provided for in these by-Laws are located is described in Schedule A.

B. Description. There is one building associated with this property. That building consists of a Club House to be completed no later than December 31, 1990.

C. Description of Moorage Spaces. There are 76 moorage spaces associated with this development. 65 of these boat moorage units will be appurtenant to the three other operating entities (condominiums), in addition to the common areas covered by these By-Laws. Ownership of a boat moorage unit (a 1/65th interest in this association) also requires an ownership in a unit of either the Cove Condominiums Association, Cove Overlook Park Association or Phase II. The property upon which the boat docks are located is leased from the Department of Natural Resources. The lease is held by this association.

D. Phase II Ownership. Developer shall reserve ownership of the 24 moorage units associated with Phase II until such time as Phase II is completed and each unit is sold where upon each moorage unit (1/65th interest in the Association) shall be transferred to the owner of the living unit described in Phase II. During such interim period, however, the Developer, as owner of the moorage units to be associated with Phase II, shall be a member of this Association and shall be subject to all of the rules and regulations of the Association as contained herein or as it may hereinafter be amended.

Article 4. OWNERS ASSOCIATION/MEMBERSHIP

Form of Association. The Association will be a nonprofit corporation known as the COVE ESTATES OWNERS ASSOCIATION. It will be governed by the board of directors of five directors elected from the owners.

Qualification for Membership. Each unit owner in Cove Condominiums (6 units), Cove Overlook Park Associations (35 units) or Phase II (24 units) shall be a member of the Association and shall be entitled to one membership and one vote for each unit owned, provided, that if a unit has been sold on contract, the contract purchaser shall exercise the rights of the owner for purposes of the Association, and the Bylaws, except as hereinafter limited, and shall be the voting representative unless otherwise specified. Ownership of a unit shall be the sole qualification for membership in the Association.

Transfer of Membership. The Association membership of each owner shall be appurtenant to the unit giving rise to such membership and shall not be transferred in any way except upon the transfer of title to the unit and then only to the transferee of title to the unit. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a unit shall operate automatically to transfer the membership of this Association to the new owners.

Number of Votes. The total voting power of all unit owners shall be 65 votes and each unit owner shall have one vote. A person (including Developer) who owns more than one unit shall have the votes appertaining to each unit owned.

Voting Representative. An owner may, by written notice to the Board, designate a voting representative for the unit. The voting representative need not be an owner. The designation may be revoked at any time by written notice to the Board from a person having an ownership interest in a unit, or by actual notice to the Board of the death or judicially declared incompetence of any person with an ownership interest in the unit, except in cases in

Which the person designated is a mortgage of the unit. This power of designation and revocation may be exercised by the guardian of an owner, the attorney-in-fact for the owner under a durable power of attorney, and the administrators or executors of an owner's estate. If no designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each unit shall be the group composed of all of its owners. If a unit is owned by husband and wife and only one of them is at a meeting, the one who is present will represent the marital community.

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

ARTICLE 5. MEETING/AUDITS

Annual and Special Meetings. There shall be an annual meeting of the members of the Association on the last Thursday in July in each year commencing on the last Thursday in July of the year 1990 at such reasonable place and time as may be designated by written notice from the Board delivered to the owners no less than 30 days before the meeting. The audited financial statement for the preceding year and the budget the Board has adopted for the current year shall be presented at the annual meeting for the information of the members. A copy of the budget shall be delivered before the annual meeting to each owner in the manner notices are delivered under Article 10. Special meetings of the members of the Association may be called at any time, in the manner provided in the Bylaws, for the purpose of considering matters which require the approval of all or some of the owners, or for any other reasonable purpose. No proposal requiring the consent or approval of the owners may be voted upon at any annual or special meeting of the owners unless a description of the proposal is contained in the notice of the meeting; provided, however, that this notice requirement shall not prevent the owners present in person or by proxy from considering and adopting amendments to the proposal.

Audits. As soon as is convenient after the close of each fiscal year the Board shall have an audited financial statement prepared for that year. The audit shall be made by a certified or licensed public accountant who is not a member of the board or an owner. The audit 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. An owner, at his or her expense, may at any reasonable time conduct an audit of the books of the Board and Association.

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

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

ARTICLE 6. COMMON AREAS AND LIMITED COMMON AREAS.

Description.

A. The common areas consist of the following:

The land described in Schedule A.

The pipes, wires, conduits, and other fixtures and equipment for utilities, including cable television system, if any.

The grounds, trees, gardens, landscaped areas, exterior fixtures, walkways, driveways and boat ramps.

The parking spaces.
The breakwater.
The beach area and service area.
The boat docks.
The clubhouse and manager's building
The domestic water system.

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

Limited Common Area

B. Each of the 65 owners shall be assigned one (1) designated boat moorage space (finger) for his/her exclusive use.

C. Every member shall have a right and easement of enjoyment and to the common properties and each such right shall pass with the title to or contract purchaser's interest in every lot or residential unit in Cove Condominiums, Cove Overlook Park Association and Phase II.

ARTICLE 7. PERMITTED USES.

Maintenance of Moorage Space. Each owner or tenant shall, at the owner's or tenant's sole expense, keep the moorage space designated to such person and its equipment, appliances, and appurtenances in a clean and sanitary condition, free of rodents and pests, and in good order, condition, and repair. The owner or tenant shall make all repairs to his or her moorage space resulting from that owner's or tenants negligence, misuse or neglect, other repairs to moorage space shall be done by the Association. The maximum length of any boat moored at any finger or moorage space shall be thirty-two (32) feet, provided, that there is at the end of one of the docks sufficient space to moor a larger boat. In the event a boat in excess of thirty-two (32) feet is moored in this space and the owner of such moorage space must own two units in either the Cove Condominium, Cove Overlook Park Association or Phase II.

Rented Dock Space. The Restrictive Covenants previously recorded which also affect Cove Estates Moorage Owners Association provided in Paragraphs 38, 47, 48 for the rental of a number of dock spaces. The relationship of Virgil McClosky, Carl McClosky, Dave Mehelich and Jerry Fleming with this Association shall be that of landlord and tenant. The restriction on the length of boats (32) feet) shall not apply to the 80 feet of breakwater (log boom) which the Developers (Mehelich and Fleming) have reserved for the moorage of a maximum of two boats as further defined in Paragraph 48 of the Restrictive Covenants. For each boat moored by a tenant as described in the Restrictive Covenants, each such tenant shall pay a membership due or assessment in the same amount and in the same manner as other members of the Association, all as further described in the Restrictive Covenants.

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

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

ARTICLE 8. ENTRY FOR REPAIRS OR MAINTENANCE

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

ARTICLE 9. SERVICE OF PROCESS.

The registered agent of the Association as filed with the Secretary of State shall be the person upon whom process may be served.

ARTICLE 10. NOTICES

All notices given under the provisions of 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 11. BOARD OF DIRECTORS OF COVE ESTATES MOORAGE OWNERS ASSOCIATION.

Composition. The Board of Directors of the Cove Estates Moorage Owners Association shall be composed of five (5) unit owners. Individual owners, general partners of partnerships, and officers of corporations with ownership interests may be elected to and serve on the Board. During the period of time Developer retains any unsold units Developer shall, as Developer's request, be a member of the Board.

Election. At each annual meeting the owners shall elect directors to replace those whose terms have expired; provided, however, that the first Board elected hereunder may be elected at a special meeting duly called by Developer, said Board to serve until the first annual meeting held thereafter. Nomination of a slate of candidates for the first Board may be made by Developer. Nominations for subsequent Boards may be made by any unit owner.

Term. Members of the Board shall serve for a term of two (2) years; provided that two (2) of the five (5) members of the first full term Board elected shall serve for a one-year term. Other three (3) shall serve for a two-year term. The members of the Board shall serve until their respective successors are elected, or until their death, resignation or removal; provided that if any member ceases to be an owner, his membership on the Board shall thereupon terminate. In the event of a vacancy occasioned by any cause other than removal, the remaining Board members may elect a replacement Board member who shall serve until the next annual meeting or until any special meeting is called to elect a new Board member.

Removal. Any Board member may be removed from membership on the Board and a successor may be elected for the unexpired term by a vote of the owners at a special meeting called for such a purpose; provided that unless the entire Board is removed, an individual member shall not be removed if the number of votes cast against his removal exceeds twenty-five percent (25%) of the total voting power.

Proceedings. Three (3) members of the Board shall constitute a quorum and, if a quorum is present, the decision of a majority of those present shall be the act of the Board. From its membership the Board shall elect a president of the Board and the Association who shall preside over both its meetings and those of the owners. The Board shall additionally elect a vice president, secretary, and a treasurer. The manager may, under the direction of the secretary or treasurer, perform the functions of these offices under the direction of the officer if the Board so directs. Meetings of the Board may be called, held and conducted in accordance with this Declaration and such bylaws and regulations as the Board may adopt. The Board may also act without a meeting by unanimous written consent of its members as evidenced by their signature upon any minutes or resolutions of the Board.

ARTICLE 12. <u>OFFICERS</u>

<u>Offices</u>. The officers and Association shall be a President, Executive Vice President, one or more Vice Presidents, Secretary, one or more Assistant Secretaries and a Treasurer. The President and one of the vice Presidents shall be members of the Board of Directors.

<u>Election by Board of Directors</u>. All officers shall be elected at the Annual Meeting of the Board, and each officer shall hold office until the next Annual Meeting of the Board and until his successor shall have been duly elected and qualified or until his earlier death, resignation, or removal in accordance with the By-Laws. The officers shall be chosen by a majority vote of the Directors.

<u>President: Duties</u>. The President shall be the chief executive officer of the Association and as such shall have general supervision of the affairs and property of the Association and over its several officers, subject to the direction of the Board of Directors. The President shall, if present, preside over all meetings of the Board of Directors and shall generally do and perform all acts incident to the office of President. He may sign in the name and on behalf of the Association all notes, leases, mortgages, deeds and all other written instruments authorized by the Board, except where the Board shall delegate the execution thereof to some other officer or agent of the Association.

<u>Secretary: Duties</u>. The Secretary shall act as Secretary of the Board of Directors and shall record the votes and keep the minutes of all proceedings in a book to be kept for the purpose. He shall sign all certificates of membership. He shall keep the records of the Association. He shall record the names and addresses of all Members of the Association, shall see that all

notices are duly given as required by the By-Laws or applicable law, and shall be the custodian of the corporate seal.

Treasurer: Duties. The Treasurer shall receive and deposit in bank accounts approved by the Board all monies of the Association and shall disburse such funds as directed by a resolution of the Board of Directors; provided, however, that a resolution of the Board of Directors shall not be necessary for the disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board. The Treasurer shall sign all checks and notices of the Association.

Books and Accounting. The treasurer shall keep proper books of account and cause an annual audit of the Association's books to be made by a certified public accountant at the completion of each fiscal year. He shall prepare an annual budget and an annual balance sheet statement and the budget and balance sheet statement shall be presented to the membership at its Annual Meeting..

ARTICLE 13. TRANSITION.

The "Transition Date" shall be the date upon which the authority and responsibility to administer and manage the Association subject to the Bylaws, passes to the Association. The Transition Date will be not later than 120 days after recording these By-Laws.

Developer's Powers Until Transition Date. Until the Transition Date, Developer shall have the full power and authority to exercise all of the rights, duties and functions of the Board of Directors and the Officers of the Association, including but not limited to the adoption of rules and regulations, contracting for the purchase of goods and services, buy insurance and collecting and expending all assessments and other Association funds. Developer shall have the power to contract with an experienced professional managing agent and delegate to the managing agent all of the powers and duties of the Board that the Board is authorized to delegate under Section 14. All such management contracts made by Developer shall be subject to the same requirements as are set forth in Section 14 for management contracts made by the Board. Developer may at such times as it deems appropriate select and from time to time replace an interim board of three to five directors, who need not be owners or purchasers, who shall have all the powers, duties and functions of the Board of Directors. In selecting directors for the interim board, Developer will have in mind the desirability of early participation in the management of the condominium by able purchasers of units. Any contract made by Developer, its managing agent, or the interim board (including management contracts) that would otherwise extend beyond the Transition Date shall be terminable by the Board after the Transition Date upon 30 days' written notice.

ARTICLE 14. AUTHORITY OF THE BOARD.

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

Enforcement of By-Laws, etc. The Board shall have the power and the duty to enforce the provisions of the Articles, the Bylaws and the rules and regulations of the Association, as the same may be lawfully amended from time to time, for the benefit of the Association. If a legal action is brought to interpret or enforce compliance with the provisions of the Articles, the Bylaws or the rules or regulations of the Association, the prevailing party shall be entitled to judgment against the other party for its reasonable expenses, court costs and attorney's fees in the amount awarded by the Court.

Goods and Services. The Board shall acquire and pay for as common expenses of the Association all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the Association. The goods and services shall include (by way of illustration and not limitation) utility services for the common areas and facilities; utility services not separately metered to the units; garbage collection services; policies of insurance and fidelity bonds; legal and accounting services, maintenance, repair, landscaping, gardening, and general upkeep of the common and limited common areas and facilities; and all supplies, materials, fixtures and equipment that are in the Board's judgment necessary or desirable for the operation of the Association and enjoyment of it by the owners. The Board may hire such full-time or part-time employees as it considers necessary.

Additions and Improvements. The Board shall have the authority to arrange for and supervise any addition, improvement or repair to the Association, subject to the following limitations:

If the estimated cost of any separate addition, improvement, or repair exceeds $10,000, the approval of the owners holding a majority of the votes in the Association shall be required; and if such estimated cost exceeds $25,000, the approval of the owners holding 67% of the votes in the Association shall be required.

No structural changes shall be made to the buildings without the approval of owners holding at least 75% of the votes in the Association.

Managing Agent. The Board may contract with a professional managing agent to assist the Board in the management and operation of the Association and may delegate such of its powers and duties to the managing agent as it deems to be appropriate, except as limited herein. Only the Board can approve an annual budget or a supplemental budget, and only the Board can impose a special assessment on a unit or authorize foreclosure of an assessment lien.

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

ARTICLE 15. BUDGET AND ASSESSMENT FOR COMMON EXPENSES.

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 shall begin on March 1.

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 and present it for the information and comment of the owners at the annual meeting for that year. A copy of the budget shall be delivered to each owner in the manner notices are delivered under Article 14 (Article 4) before the annual meeting at which it is to be presented. In preparing its budget the Board shall estimate the common expenses of the Association to be paid during the year, make suitable provision for accumulation of reserves, including amounts reasonably anticipated to be required for maintenance, repair and replacement of the common area and facilities and shall take into account any surplus or deficit carried over from the preceding year and any expected income to the Association. If during the year the budget proves to be inadequate for any reason, including nonpayment of any owner's assessment, the Board may prepare a supplemental budget for the remainder of the year.

Monthly Assessments for Common Expenses. The sums required by the Association for common expenses as reflected by the annual budget and any supplemental budgets shall be divided into equal installments to be paid each month over the period of time covered by the budget or supplemental budget. Each owner shall pay a 1/65th share of such annual budget, provided that the Board shall assess a like amount to the dock spaces and moorage units rented to Virgil McClosky, Steve McClosky, Dave Mehelich and Jerry Fleming as further defined in the Protective Covenants of the Cove Estates Moorage Owners Association.

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

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

Payment of Monthly Assessments. On or before the first day of each calendar month each owner shall pay or cause to be paid to the treasurer of the Association the assessment 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 16.

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

Failure to Assess. Any failure by the Board or the Association to make the budget 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 assessment amount established for the preceding year shall continue until a new assessment is established.

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

ARTICLE 16. LIEN AND COLLECTION OF ASSESSMENTS.

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

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

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

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

Additional Remedies. No owner or contract purchaser shall be relieved of any liability for the assessments provided herein by non-use of the common properties or limited common properties described in these By-Laws. In addition, any owner who fails to make any of the assessments specified in these By-Laws will forfeit any voting rights until such time as the assessments are brought current and further the Board may prohibit the use of any of the common areas and facilities and the assigned moorage space by any such owner who is delinquent in payment of monthly assessments. Provided, however, that said assessments must be at least thirty (30) days in arrears prior to such time as invoking this remedy.

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.

Security Deposit. An owner who has been delinquent in paying his monthly assessments for three of the five preceding months may be required by the Board, from time to time, to make and maintain a security deposit not in excess of three months' estimated monthly assessments, which shall be collected and shall be subject to penalties for nonpayment as are other assessments. The deposit shall be held in a separate fund, credited to such owner, and may be resorted to at any time when such owner is ten days or more delinquent in paying his assessments.

ARTICLE 17. INDEMNIFICATION.

The Developer, each Board member, Association committee member, Association officer and the managing agent shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may be a part or in which he or she may become involved, by reason holding or having held such position, or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent such expense and liabilities are covered by any type of 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, licensed to do business in the State of Washington.

Property Insurance. The casualty insurance shall, at the minimum, consist of a "master" type policy of property insurance with extended coverage endorsement in an amount equal to full replacement value (i.e., 100% of current replacement cost exclusive of land, foundation, excavation and other items normally excluded from coverage) of the common and limited common areas and facilities, units, all fixtures and personal property belonging to the Association, and any fixtures, equipment or other property within the unit as originally constructed. The policy shall provide protection against loss or damage by fire, other hazards covered by the standard extended coverage endorsement, and such other risks as are customarily covered with respect to residential condominium projects of similar construction by the standard "all risk" endorsement, if available in the local area. A "master" type policy of property insurance shall mean single entity condominium insurance coverage. The policy shall provide for separate protection for each unit to the full insurable replacement value thereof. The Association or insurance trustee, if any, shall hold insurance proceeds in trust for owners and their mortgagees, as their interests may appear. Each owner and the owner's mortgagee, if any, shall be beneficiary of the policy in the percentage of undivided interest appertaining to the owner's unit. Certificates of insurance shall be issued to each owner and mortgagee upon request.

Comprehensive Public Liability Insurance. The comprehensive policy of public liability insurance shall insure the board, the Association, the owners and the managing agent, and cover all of the common areas and facilities 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 and bodily injury and death of persons arising out of the operation, maintenance, and use of the common areas and facilities, liability in connection with employment contracts of the Association, host liquor liability, employer's liability insurance, contractual and all-written contract insurance, comprehensive 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 be at least $5,000,000 covering all claims for personal injury and/or property damage arising out of a single occurrence.

Insurance Trustee; Power of Attorney. The named insured under the policies referred to in Section 19 shall be the Association, as trustee for each of the owners in accordance with their respective 1/65th in the common areas and facilities. 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. 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.

Additional Policy Provisions. The insurance obtained pursuant to Section 16 shall contain the following provisions and limitations:

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

In no event shall the insurance coverage be brought into contribution with insurance purchased by the owners of the units or their mortgagees.

Coverage shall not be prejudiced by (a) any act of neglect of the owners of units when such act or neglect is not within the control of the Association or the owners collectively, 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.

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, employees, or tenants, and of any defenses based upon co-insurance or upon invalidity arising from the acts of the insured.

Fidelity Bonds. The required fidelity bonds shall afford coverage to protect against dishonest acts on the part of officers, directors, trustees, and employees of the Association or the managing agent and all other persons who or are responsible for handling funds of or administered by the Association. The managing agent shall maintain fidelity bonds 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 bonds shall name the Association as the obligee and shall be not less than the estimated maximum of funds, including reserve funds, in custody of the Association or the managing agent, as the case may be, at any time during the term of each bond, but, in no event, shall the aggregate amount of bonds be less than three months' aggregate assessments plus reserve funds. The bonds shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition or "employee" or similar expression.

ARTICLE 18. 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.

ARTICLE 19. LIMITATION OF LIABILITY.

Liability for Utility Failure, etc. Except to the extent covered by insurance obtained by the Association, neither Developer, the Association, the Board, nor the managing agent, 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, wind or sand which may leak or flow from outside or from any parts of the buildings, or from any of their pipes, drains, conduits, appliances, or equipment, or from any other place; or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance, or orders of a governmental authority. No diminution or abatement of common expense assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage or for such inconvenience or discomfort.

No Personal Liability. So long as the Declarant, a Board member or Association committee member, or Association officer 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 Association.

ARTICLE 20. CONDEMNATION.

Consequences of Condemnation; Notices. If any property or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority (referred to herein as a “taking”) notice of the proceeding or proposed acquisition shall promptly be given to each unit owner and the provisions of this Article 20 shall apply.

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

Complete Taking. If the entire property is taken the ownership shall terminate. The Condemnation Award shall be apportioned among the owners in proportion to their respective percentages of undivided interest in the common areas and facilities; provided, that if a standard different from the value of the property as a whole is employed to measure the Condemnation Award in the taking, the n in determining such shares the same standard shall be employed to the extent it is relevant and applicable. On the Basis of the foregoing principle, the board shall as soon as practicable determine the share of the Condemnation Award to which each owner is entitled. Each owner’s share shall be applied first to the payment of all mortgages and liens on the owner’s interest in according with the existing priorities and the balance of each share shall be distributed to the owner. No owner shall have any priority with respect to the Condemnation Award over the holder of a mortgage on the owner’s unit.

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

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

The board shall apportion the amounts so allocated to taking of or injury to the common areas and facilities, which in turn shall be apportioned among owners in proportion to their respective undivided interests in the common areas of facilities.

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

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

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

Distribution of apportioned proceeds shall be made to the owners and their respective mortgagees in the manner provided in Section 23.

<u>Reconstruction and Repair</u>. Any reconstruction and repair necessitated by condemnation shall be governed by the procedures specified in Article 14. Provided that the Board may retain and apply such portion of each owner's share of the Condemnation Award as is necessary to discharge the owner's liability for any special assessment arising from the operation of Article 15.

ARTICLE 21. <u>AMENDMENTS OF BYLAWS</u>

<u>Procedures</u>. An owner may propose amendments to the Bylaws to the board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by owners of 20% or more of the units in the association, then,

irrespective of whether the Board concurs in the proposed amendment, it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. Amendments may be adopted at a meeting of the Association or by written consent of the requisite number of persons entitled to vote, after notice has been given to all persons entitled to receive notices. Upon the adoption of an amendment as provided below, the amendment will become effective when a certificate of the amendment, executed by two officers of the Association, has been recorded in the public records.

Percentages of Consent Required. Except as otherwise provided the percentages of consent of owners required for adoption of amendments to the Articles and Bylaws are as follows:

The consent of owners holding at least 67% of the votes in the Association, but in any event not less than 60% of the owners, shall be required to amend any provision of the Articles or Bylaws.

The unanimous consent of all owners shall be required to adopt any amendment altering the value of the property and the percentage of undivided interest in the common areas.

Any provision in the Articles or Bylaws that requires the consent or approval of the owners may be amended only with the consent of at least the percentage of owners required by such provision of this Section, whichever percentage is greater.

ARTICLE 22. ABANDONMENT OR TERMINATION

Except in cases of substantial damage to the property or taking of the property as provided in Article 20, the status of the property shall not be abandoned or terminated by reason of any act or omission by the owners or the Association except with the consent of all owners by an instrument to that effect duly recorded, and then only if the mortgagees and holders of all liens affecting any of the units consent thereto or agree, in either case by an instrument duly recorded, that their mortgages and liens be

Transferred to the percentage of the undivided interest of the owner in the property.

Approved by the Board of Directors this __*5th*__ day of ___*Oct*___, 1990

______*Jerry Fleming*___
JERRY FLEMING

______*Dave Mehelich*__
DAVE MEHELICH

SATE OF WASHINGTON)
) SS
County of Chelan)

I certify that I know or have satisfactory evidence that JERRY FLEMING and DAVE MEHELICH to me known to be the individuals described herein and acknowledged said instrument to be the free and voluntary act and for the uses and purposes mentioned in the instrument.

DATED this __*5th*__ day of ___*October*____, 1990

Signed by David M. Bohr
NOTARY PUBLIC in and for the
State of Washington,
Residing at: __*Wenatchee*__

My Commission Expires: __*11/18/92*__

SCHEDULE 'A'

(1) Chelan County Short Plat #1978; Lots 1 & 2

(2) Chelan County Short Plat #1979; Lots 1 & 2

Revised April 2001

COVE ESTATES MOORAGE OWNERS ASSOCIATION

RULES and REGULATIONS

INTRODUCTION

The Board of Directors has been reluctant to set up specific rules for the common areas and dock facilities. However, it now appears that some rules are necessary to preserve the quality of these facilities. We still hope to keep the number of rules to a minimum as we all enjoy our freedoms.

DEFINITIONS

Boat. Any vessel, other than a dinghy, used for transportation on water. This includes power sail, and Personal Water Craft (PWC).

Dinghy. A small watercraft that is under twelve feet in length, weighs less than 160 pounds and does not have a motor. It is used as a tender for a larger boat.

The board, at this time, recognizes only three groups of people who may use the facilities at The Cove and they are defined as:

OWNERS are those who have purchased property in one of the Cove Estates Condominium developments.

GUESTS are those people who the Owners may wish to invite to the Cove. Guests are people who are in no way paying for their visit to The Cove..

RENTERS are those who are paying an Owner, in any form, for the use of a living unit or moorage space.

RULES & REGULATIONS

1. Everyone using the common areas of the Moorage Association is subject to these rules and to by by-laws of the Association. **No exceptions and no excuses.**

2. The common areas of the Moorage Association are available for use by Owners, Guests, and Renters; with the exception of the Clubhouse. Guests are permitted in the Clubhouse when accompanied by an Owner. Renters may use the restrooms, but have no access privilege to the Clubhouse. Rules are posted in the restrooms; please follow them.

3. Everyone is responsible for their personal conduct while using these facilities. Owners are also responsible for the conduct of their Guests and Renters.

4. The Clubhouse may be reserved by Owners for private, non-commercial, functions with the following requirements:

A. The Clubhouse cannot be reserved for personal use during the summer holidays, i.e. Memorial Day weekend, Fourth of July, and Labor Day weekend.
B. Owners may reserve one weekend in each yearly quarter only.
C. Reservations are to be written on the Clubhouse calendar.
D. Owners must enforce all Cove rules and regulations and must clean up after their function

5. Excessive noise or loud music will not be permitted. No loud engine noise before 9:00 AM on weekends.

6. No littering. Put litter in its proper place. Absolutely nothing shall be thrown in the lake.

7. Disposal of boat wastes must be done at the pump out station at Mill Bay. Port-a-potties are not to be emptied in the toilets.

8. The interior of the log boom is a "No Boat Wake" zone.

9. The swimming areas at the bulkhead are "No Boat" zones.

10. Guest docks are for **temporary** moorage of Owners and Guests boats, no Renters.
Each Owner may use or give use of a Guest slip for a total of 10 days each calendar year. Register your Guess on the Clubhouse calendar. An Owner may use a guest slip for **temporary** mooring his second boat, but only while the Owner is on the premises of The Cove. Please do not abuse this.

11. All boats must display the appropriate Cove Moorage identification placard. These cards must be completely filled out and readable from the dock. Owners are responsible for providing cards to their Guest or Renter. Owners will find the cards in the kitchen drawer next to the refrigerator.

12. Minimum rental time for a moorage space shall be one month. All long term rental agreements and leasing of a moorage space must be on a month-to-month basis. This is to insure the quality of the area and expedite the handling of potential problem situation. When an Owner rents his moorage space he also relinquishes his use of the common areas during the rental period. There is only space available in the common areas for an Owner or a Renter, not both.

13. Renters may not sub-lease, rent, or give use of their moorage space to third parties.

14. Renters do not have guest privileges.

15. Pets must be on a leash and you are responsible for their actions. Dogs are not to be curbed on the lawns.

16. Maximum size for boats using the docks is 10 feet wide by 32 feet long. This does not apply to the boats on the breakwater.

17. All users of Moorage Association property are to hold the Association harmless in the case of accidents or injuries suffered while using Moorage Association property.

18. Only vessels that meet the definition of a dinghy are to be moored in the area designated for dinghies.

19. <u>If an Owner rents his living unit, for any period of time, the only place that renter can moor a boat or PWC is in that Owner's slip. Use of a guest slip or other moorage is prohibited.</u>

These rules and regulations are authorized by Article 14 of the Association's by-laws and are supplemental to those in the by-laws. The Board may choose to change thee rules at any time.