

COVE MARINA DEVELOPMENT DISCLOSURE STATEMENT

This development on the south shore of Lake Chelan is located at the site of the former Cove Marina. The Cove Marina had consisted of a public boat moorage area with permits for up to 205 boat moorage slips. A restaurant and a small store were also associated with the old marina. There were six motel units and a trailer park for 35 units associated with the prior owners.

The current development plans call for private ownership of the entire project. Part of the project will be in condominium form. Condominium ownership usually consists of private ownership of a living space commonly called an apartment or a unit. This development features three separate living units.

1. COVE CONDOMINIUM

The six motel units will comprise one condominium known as the Cove Condominium. The land and the exterior of the building will be owned by the Association made up of the six owners.

The interiors (units) will be individually owned by the six owners for each owners exclusive use. Maintenance of the interiors of each unit is the individual owners responsibility.

Maintenance of the exterior building, septic and drainfield, parking area, etc (common areas) will be the responsibility of the Cove Condominium Association. Dues are assessed on a monthly basis to provide for such contingencies.

The owners of the unit all have voting rights I their association and are self governing. These rights are controlled by the Articles of Incorporation (non-profit), Bylaws and Declarations and are binding on each owner.

2. COVE OVERLOOK PARK CONDOMINIUM

The mobile home park consists of 35 lots which are approximately 20' x 90+'. Each purchaser of a unit within this condominium will receive a mobile home lot as the same is designated on the Survey Map and Plans – associated with this condominium. In order to achieve condominium status of this development, each owner actually becomes a 1/35th owner in the restroom building which is attached to the property. Each owner will also receive, as a limited common area, a mobile home space. The mobile home space will be for the exclusive use of the owner. Each owner may install a mobile home on his or her lot as is permitted by the Covenants and Declarations. Each owner shall be responsible for the maintenance of his or her own unit and any improvements placed on it. An Association will be formed and known as The Cove Overlook Park Association. This Association will control the quality of living in this phase of the development and will collect due for maintenance of the common areas which will

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consist of the septic system, drainfields and collector pipes. Also the water system within the boundaries of the Park will be commonly owned as will the roads through this development which will serve each mobile home space.

Zoning permits only mobile homes in this development. Campers, fifth wheel trailers, travel trailers, etc., are not permitted.

It is contemplated that any improvements placed on the limited common areas will remain personal property and that each owner will pay any taxes associated with such personal property. There will be 35 separate tax parcels.

3. PHASE II

There is also undeveloped land connected with this development. It is contemplated that an addition of 24 condominiums (maximum) will be built on the undeveloped property (Phase II). These units will also have their own association and will be responsible for maintenance, upkeep and repair of the common areas and limited common area within this (Phase II) development.

4. COVE ESTATES MOORAGE OWNERS ASSOCIATION

The common thread that ties all three separate developments (Cove Condominiums Association, Cove Overlook Park Association and Phase II), together is the boat moorage and beach front. A separate association will be formed to own and control this development. This will be called the Cove Estates Moorage Owners Association and will be a non-profit corporation. This Association will own the beach front property which would include the beach front land and the club house or community center.

Seventy-six new boat docks will be installed by June 15, 1990. Each individual owner of a unit or lot within each of the three other associations will be a member of this Association. In fact, the only way anyone can ever be a member of this Association is to own a unit within one of the other three condominiums associated with this development. A Club House or Community Center will be built by the developers no later than December 31, 1990.

The land under the boat docks and the water upon which the boat docks are situated is controlled by the State of Washington, Department of Natural Resources (DNR). The existing lease, which has been assigned by DNR to the Moorage Owners Association, expires on August 1, 1994. A letter has been received from DNR indicating that DNR will re-issue the lease for a term not to exceed 20 years. The Lease from the DNR will be held in the name of the Cove Estates Moorage Owners Association. The Association will lease out docks to its members, subject to the rules and regulations stated in the Covenants and Declarations. The Association will collect rent from

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each of the boat docks assigned to each of its members. This rent shall be equal to the amount necessary to run the Association.

It is possible to sell and distribute the docks in condominium form. However, the time frame for doing so prohibits the condominium form of ownership of the docks at this time. The Association may, at its option, convert this to condominium form of ownership by making application to DNR.

Each owner of a unit within the Cove Overlook Park Association, Cove condominium Association and Phase II shall have an absolute right to a boat moorage slip for his or her personal and exclusive use. The relationship shall be that of Landlord and Tenant. Sixty-five slips will be designated in this manner. Two docks will be leased to Virgil McClosky and Carl McClosky. The remaining nine docks will be reserved for guests and storm victims.

Rent will be collected by this association from all 67 units or lots to run this phase of the development. Each owner will have voting rights in the association and this association will be self-governing as a non-profit corporation. The Articles of Incorporation have been prepared and filed, Bylaws drafted and Declarations have been recorded with the County Auditor.

In summary, each owner of a residential condominium unit will also own a 1/65th interest in the Cove Estates Moorage Owners Association.

Because this property is valuable and located on the most beautiful fresh water lake in the State, numerous controls have been put in place to insure that all persons who buy into this project will be assured of a life style associated with Lake Chelan.

COVENANTS. Restrictive Covenants have been recorded. Some of these Covenants are unique to each phase of the development. One set of Covenants is applicable to the entire project. Administrative covenants will be prepared and filed.

USE. The property is offered for residential use only. Because of the limited area available for drainfields in the Cove Overlook Park Association, seasonal occupation of that property is required in order to give the drainfields a rest period. Environmental Health requires that the drainfields for the trailer park rest for a period of up to three months each year.

TIME SHARING/RENTAL. Time sharing is prohibited use of the premises. However, an owner may rent out his unit to third parties. Several moorage spaces have been rented out on long term leases to Virgil McClosky and Carl McClosky. In addition, the Declarant, Chelan Adventures, Inc., has reserved the right to utilize the breakwater to moor two boats. Virgil McClosky also has the right to moor a boat on the breakwater. These parties

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will, however, have to pay rent equal to the amount paid by the owners of the moorage units. These reserved rights are fully explained in the documents which accompany this Disclosure Statement.

MONTHLY ASSESMENTS. As previously indicated, each owner of a unit will be required to pay monthly assessments to each Association which he or she belongs. Since each owner will belong to two Associations, two such assessments (one in the form of rent) will probably be required. Attached hereto and incorporated herein by reference is a good faith estimate of the assessments and rent which will be applicable to each unit.

DOCUMENTS ATTACHED. We have attached for your immediate review and convenience a copy of the following documents:

- 1) The Declarations;
- 2) The Survey Map and Plans;
- 3) The Articles of Incorporation of the Association;
- 4) The By-Laws of the Association;
- 5) The Covenants;
- 6) The proposed Budget for each of the Associations; and
- 7) DNR Lease

NOTICE

A PURCHASER MAY NOT RELY ON ANY REPRESENTATION OR EXPRESS WARRANTY UNLESS IT IS CONTAINED IN THE PUBLIC OFFERING STATEMENT OR MADE IN WRITING SIGNED BY THE DECLARANT OR BY ANY PERSON IDENTIFIED IN THE PUBLIC OFFERING STATEMENT AS THE DECLARANT'S AGENT.

THIS PUBLIC OFFER STATEMENT IS ONLY A SUMMARY OF SOME OF THE SIGNIFICANT ASPECTS OF PURCHASING A UNIT IN THIS CONDOMINIUM AND THE CONDOMINIUM DOCUMENTS ARE COMPLEX, CONTAIN OTHER IMPORTANT INFORMATION, AND REATE BINDING LEGAL OBLIGATIONS. YOU SHOULD CONSIDER SEEKING THE ASSISTANCE OF LEGAL COUNSEL.

PLEASE TAKE THE TIME TO READ YOUR DOCUMENTS.

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CHELAN ADVENTURES, INC.

The Developer