

any member of the Executive Board with or without cause, other than a member appointed by the Declarant.

Section 7. LIMITATIONS ON SPECIAL DECLARANT RIGHTS.

These rights may be exercised by the Declarant at any time prior to December 31, 2004.

Section 8. INTERFERENCE WITH SPECIAL DECLARANT RIGHTS.

Neither the Association nor any Unit Owner may take any action or adopt any rule that will interfere with or diminish any Special Declarant Right without the prior written consent of the Declarant.

X.

RESTRICTIONS ON USE, ALIENATION, AND OCCUPANCY

Section 1. SINGLE-FAMILY RESIDENCE.

Residences shall be used exclusively for single-family residential purposes.

Section 2. PARKING AND VEHICULAR RESTRICTIONS.

No vehicle which shall not be in an operating condition shall be parked or left on the property subject to this Declaration, other than on an assigned parking space. The parking spaces shall be used for parking vehicles only and shall not be converted for living, recreational or business purposes. No boats, snowmachines, motorhomes, or other recreational or commercial vehicle shall be stored anywhere on the property for any longer than twenty-four (24) hours.

Section 3. NUISANCES.

No noxious or offensive activities (including, but not limited to, the repair of automobiles) shall be carried on upon the project. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a residence and its contents, shall be placed or used in any such residence. No loud noises shall be permitted on the property, and the Executive Board of the Association shall have the right to determine if any noise or activity producing noise constitutes a nuisance. No Unit Owner shall permit or cause anything to be done or kept upon the property which will increase the rate of insurance thereon or which will obstruct or interfere with the rights of other Unit Owners, nor will he commit or permit any nuisance on the premises, or

commit or cause any illegal act to be committed thereon. Each Unit Owner shall comply with all of the requirements of the local or State health authorities and with all other governmental authorities with respect to the occupancy and use of a residence.

Section 4. SIGNS.

No signs, posters, displays or other advertising devices of any character shall be erected or maintained on, or shown or displayed from, the residences without prior written approval having been obtained from the Executive Board of the Association; provided, however, that the restrictions of this paragraph shall not apply to any sign or notice of customary and reasonable dimension which states that the premises are for rent or sale. Address, identification signs shall be maintained by the Association. The Executive Board may summarily cause all unauthorized signs to be removed and destroyed. This section shall not apply to any signs used by Declarant or its agents in connection with the original construction and sale of the townhomes as set forth in Article X, Section 3.

Section 5. HOLD HARMLESS AND INDEMNIFICATION.

Each Unit Owner shall be liable to the Association for any damage to the Common Elements or any equipment thereon which may be sustained by reason of the negligence of said Unit Owner or of his guests or invitees, to the extent that any such damage shall not be covered by insurance. Each Unit Owner does further, by the acceptance of his deed, agree to indemnify each and every other Unit Owner, and to hold him or her harmless from any claim of any person for personal injuries or property damage occurring within the residence of the Unit Owner, unless said injury or damage shall occur by reason of the negligence of any other Unit Owner, and each Unit Owner further agrees to defend, at his expense, any and all remaining owners who may be sued by any person for a claim for personal injury or property damage alleged to have been sustained within the residence of that Unit Owner.

Section 6. OUTSIDE INSTALLATIONS.

No outside pole, antennae, or satellite dish shall be erected or maintained without first obtaining the approval of the Executive Board and being in compliance with all applicable federal, state, and municipal regulations relating to the size and scope of such installations. No wiring or installation of air conditioning or other machine shall be installed on the exterior of the building of the project or be allowed to protrude through the walls or roof of the building, unless the prior written approval of the Board of Directors is secured. No basketball standards or fixed sports apparatus shall be attached to any residence without the prior written approval of the Board of Directors.

Section 7. PET REGULATIONS.

No animals, livestock, or poultry shall be kept in any residence, except that domestic dogs, cats, fish, and birds in inside bird cages may be kept as household pets within the project, provided that they are not kept, bred or raised therein for commercial purposes or in unreasonable quantities. As used in this Declaration, "unreasonable quantities" shall be deemed to limit the number of dogs, cats, and birds to two (2) each. The Association shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Directors of the Association, a nuisance to any other Unit Owner. Dogs and cats belonging to Unit Owners, occupants or their licensees must be kept on a leash being held by a person capable of controlling the animal. Each owner of any pet shall be responsible for keeping the common area and limited common area free of any animal waste. Should any dog or cat belonging to a Unit Owner be found unattended and not being held on a leash by a person capable of controlling the animal, such animal may be removed by the Board of Directors or a person designated by them to a pound under the jurisdiction of the local municipality in which the property is situated. Furthermore, any Unit Owner shall be absolutely liable to each and all remaining owners, their families, guests and invitees, for any damage to person or property caused by any pets brought or kept upon the property by an owner or by members of his family, guests, licensees, or invitees.

Section 8. VIEW OBSTRUCTIONS.

No vegetation or other obstruction shall be planted or maintained upon any deck in such location or of such a height as to unreasonably obstruct a view from any other residence in the vicinity thereof. In the event of a dispute between owners of units as to the obstruction of a view from a residence, such dispute shall be submitted to the Executive Board, whose decisions in such matters shall be binding. Any such obstruction shall, upon request of the Board, be removed or otherwise altered to the satisfaction of the Board by the owner of the residence upon which said obstruction is located.

Section 9. BUSINESS OR COMMERCIAL ACTIVITY.

No business or commercial activity shall be maintained or conducted in any residence, except that Declarant, or a person designated by the Association as agent of the Association for purposes of managing the property, may maintain management offices and facilities in a residence or in a temporary structure constructed on the project; provided, however, that professional and administrative occupations may be carried on within the residences so long as there exists no external evidence thereof.

Section 10. TEMPORARY STRUCTURE.

No temporary structure, boat, truck, trailer, camper or recreation vehicle of any kind shall be used as a living area while located on the project; however, trailers or temporary structures for use incidental to the initial construction improvements on the property may be maintained thereon, but shall be removed within a reasonable time upon completion of construction of the project.

Section 11. RUBBISH REMOVAL.

Trash, garbage or other waste shall be disposed of only by depositing same, wrapped in a secure package, into a designated trash container or garbage disposal. No owner of a unit shall permit or cause any trash or refuse to be disposed of on any portion of the project subject to this Declaration. No portion of the project shall be used for the storage of building materials, refuse or any other materials other than in connection with approved construction. There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles thereof.

Section 12. LEASE OF UNITS.

Any Unit Owner may lease his unit to a third party, but such a lease arrangement must be in writing, for a term more than sixty (60) days, and shall provide that the failure to comply in all respects with the provisions of this Declaration and the Association Bylaws shall be a default under the terms of the lease. No Unit Owner may lease his unit for transient or hotel purposes; nor may less than the entire unit be leased.

Section 13. RESTRICTIONS ON ALIENATION.

A unit may not be conveyed pursuant to a time-sharing plan.

XI.**EASEMENTS AND LICENSES**

All easements or licenses to which the Common Interest Community is presently subject are recited in Exhibit D to this Declaration.

Declarant expressly reserves, for the benefit of owners in the project, reciprocal easements of access, ingress and egress over all of the common elements. Such easements may be used by Declarant's successors, purchasers, and all unit owners, their guests, tenants and invitees, residing or temporarily visiting the project, for pedestrian walkways, vehicular access, and such other purposes reasonably necessary to the use and enjoyment of a unit in the project. Such easements shall be appurtenant to, and shall pass with, the title to every unit conveyed. The Declarant expressly

reserves, for the benefit of each unit owner, an exclusive easement for use of those areas depicted on the plans as limited common elements, as assigned to each unit owner for his numbered unit. All building walls shall be considered to adjoin and abut the wall of the contiguous residence against the surface from the bottom of the foundation of the building. Such right of use shall be as not to interfere with the use and enjoyment of the owners of adjoining residences, and in the event that any such contiguous wall is damaged or injured from any cause other than the act or negligence of one of the owners, the same shall be repaired or rebuilt at their joint expense. In the event any portion of the common elements encroaches upon any unit, or any unit encroaches upon the common elements, as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the project, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

XII.

ALLOCATION AND REALLOCATION OF LIMITED COMMON ELEMENTS

A Common Element not previously allocated as a Limited Common Element may be so allocated pursuant to the provisions in Article XXII of this Declaration. The allocations will be made by amendments to the Declaration, specifying to which Unit or Units the Limited Common Element is located.

All amendments shall specify to which Unit or Units the Limited Common Element is allocated. No Limited Common Element depicted on the plat or plans may be reallocated by an amendment to this Declaration pursuant to this Article X without the consent of all affected owners.

Such an amendment shall require the approval of all holders of security interest in the affected units, which approval shall be endorsed thereon. The person executing the amendment shall provide an executed copy thereof to the Association which, if the amendment complies with the provisions of this Declaration and the Act, shall record it. The amendment shall contain words of conveyance and must be recorded and indexed in the names of the parties and the Common Interest Community.

The parties executing the amendment shall be responsible for the preparation of the amendment and shall reimburse the Association for its reasonable attorney's fees in connection with the review of the amendment and for the recording costs.

XIII.

ADDITIONS, ALTERATIONS, AND IMPROVEMENTS

Excepting the interior of Units, no replacement, addition or alteration of the building, structure, fence, drainage facility, common or limited-common area landscaping or planting shall be effected on any residence other than by Declarant until the plans, specifications and plot plan showing the location and nature of such replacement, addition, alteration or removal have been submitted to, and approved in writing by, the Executive Board; nor shall any exterior painting or decorative alteration be commenced until the Board has approved the plans therefor, including the proposed color schemes, design thereof and the quality of the materials to be used. All such plans and specifications shall be prepared by an architect or landscape architect or licensed building designer, said person to be employed by the Unit Owner making application at his sole expense. Plans and resubmittals thereof shall be approved or disapproved within thirty (30) days. Failure of the Board to respond to a submittal or resubmittal of plans within such period shall be deemed to be approval of the plans as submitted or resubmitted.

The approval of the plans and specifications may be withheld, not only because of noncompliance with any of the specific conditions, covenants and restrictions contained in this Declaration, but also by reason of reasonable dissatisfaction of the Board with the location of the structure on the residence, the elevation, color scheme, finish, design, proportions, architecture, shape, height style and appropriateness of the proposed structure or altered structure, the materials used therein, or because of its reasonable dissatisfaction with any or all other matters or things which, in the reasonable judgment of the Board, will render the proposed change inharmonious or out of keeping with the general plan of improvement of the property or with the improvements erected on other residences. If, after such plans and specifications have been approved, the improvements are altered, erected or maintained upon the residence other than as approved by the Board, such alteration, erection and maintenance shall be deemed to have been undertaken without the approval of the Board having been obtained as required by this Declaration.

After the expiration of one (1) year from the date of completion of any improvement, said improvement shall, in favor of purchasers and encumbrances, in good faith and for value, be deemed to comply with all of the provisions hereof, unless a notice of such noncompliance or noncompletion, executed by one member of the Board, shall appear of record in the Office of the Recorder, Anchorage Recording District, or legal proceedings shall have been instituted to enforce compliance with these provisions. The approval of the Board of any plans or specifications submitted for approval as herein specified for use on any residence shall not be deemed to be a waiver by the Board of its right to object to any of the features or elements embodied in such plans and specifications, if or when the same features or elements are embodied in any subsequent plans and specifications submitted for approval as herein provided for use on other residences. No member of the Board shall be liable to any person for his decisions or failure to act in making decisions as

a member of said Board. The members of the Board shall receive no compensation for their services performed pursuant to this Declaration. Upon approval of the Board, it shall be conclusively presumed that the location and height of any improvement does not violate the provisions of this Declaration. The provisions of this Article do not apply to Declarant in the exercise of any special Declarant rights or development rights.

XIV.

SUBDIVISION OF UNITS

Section 1. APPLICATION AND AMENDMENT.

Subject to approval of any structural changes and required permits pursuant to Article XI, the boundaries between adjoining Units may be reallocated by an amendment to the Declaration upon application to the Association by the owners of the Units affected by the reallocation. If the owners of the adjoining units have specified a reallocation between their Units of their Allocated Interests, the application shall set forth the proposed reallocations. Unless the Board of Directors determines, within thirty (30) days after receipt of the application, that the reallocations are unreasonable, the Association shall consent to the reallocation and prepare an amendment that identifies the Units involved, states the reallocations and indicates the Association's consent. The amendment must be executed by those Units Owners and contain words of conveyance between them, and the approval of all holders of Security Interests in the affected Units shall be endorsed thereon. On recordation, the amendment shall be indexed in the name of the grantor and the grantee, and in the grantee's index in the name of the Association.

Section 2. RECORDING AMENDMENTS.

The Association shall prepare and record plats or plans necessary to show the altered boundaries between adjoining Units, and their dimensions and identifying numbers.

The applicants will pay for the costs of preparation of the amendment and its recording, and the reasonable consultant fees of the Association if it is deemed necessary by the Board of Directors to employ such consultant.

XV.

AMENDMENTS TO DECLARATIONSection 1. **GENERAL.**

Except in cases of amendments that may be executed by the Association under Article X of this Declaration and Section 34.08.740 of the Act, or by certain Unit Owners under Article X and 34.08.260 of the Act, and except as limited by Section 4 of this Article, and Article XVI of this Declaration, this Declaration, including the plat and plans, may be amended only by vote or agreement of Unit Owners of units to which at least seventy-five percent (75%) of the votes in the Association are allocated.

Section 2. **LIMITATION OF CHALLENGES.**

No action to challenge the validity of an amendment adopted by the Association pursuant to this Article may be brought more than one (1) year after the amendment is recorded.

Section 3. **RECORDATION OF AMENDMENTS.**

Each amendment to the Declaration must be recorded in each recording district in which a portion of the Common Interest Community is located and the amendment is effective only upon recording as set forth in AS 34.08.250(c).

Section 4. **WHEN UNANIMOUS CONSENT REQUIRED.**

Except to the extent expressly permitted or required by other provisions of the Act and this Declaration, no amendment may create or increase Special Declarant Rights, increase the number of Units, change the boundaries of any Unit, the Allocated Interests of any Unit, or the uses to which any Unit is restricted, in the absence of unanimous consent of the Unit Owners.

Section 5. **EXECUTION OF AMENDMENTS.**

Amendments to this Declarant required by the Act to be recorded by the Association, which have been adopted in accordance with this Declaration and the Act, shall be prepared, executed, recorded and certified on behalf of the Association by any officers of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

Section 6. **SPECIAL DECLARANT RIGHTS.**

Provisions in this Declaration creating Special Declarant Rights may not be amended without the consent of the Declarant.

Section 7. **CONSENT OF HOLDERS OF SECURITY INTERESTS.**

Amendments are subject to the consent requirements of Article XVI.

XVI.

AMENDMENT TO BYLAWS

The Bylaws may be amended only by vote of two-thirds (2/3) of the members of the Executive Board, following Notice and Comment to all Unit Owners, at any meeting duly called for such purpose.

XVII.

TERMINATION

Termination of the Common Interest Community may be accomplished only in accordance with AS 34.08.260.

XVIII.

MORTGAGEE PROTECTION

Section 1. **INTRODUCTION.**

This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain security interests. This Article is supplemental to, and not in substitution for, any other provisions of the documents, but in the case of conflict, this Article shall control.

Section 2. PERCENTAGE OF ELIGIBLE MORTGAGEES.

Wherever in this Declaration the approval or consent of a specified percentage of eligible mortgagees is required, it shall mean the approval or consent of eligible mortgagees holding security interest in units which in the aggregate have allocated to them such specified percentage of votes in the Association when compared to the total allocated to all units then subject to security interests held by eligible mortgagees.

Section 3. NOTICE OF ACTIONS.

The Association shall give prompt notice to each eligible mortgagee and eligible insurer of:

- a. Any condemnation loss or any casualty loss which affects a material portion of the Common Interest Community or any unit in which there is a first security interest held, insured or guaranteed by such eligible mortgagee or eligible insurer, as applicable; if such loss of taking or damage to a townhome unit exceeds \$10,000.
- b. Any delinquency in the payment of common expense assessments owed by an owner, or any other default under the documents, whose unit is subject to a first security interest held, insured, or guaranteed, by such eligible mortgagee or eligible insurer, which remains uncured for a period of sixty (60) days;
- c. Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association;
- d. Any proposed action which would require the consent of a specified percentage of eligible mortgagees as specified in Section 4;
- e. Any judgment rendered against the Association.

Section 4. CONSENT REQUIRED.

a. Document Changes. Notwithstanding any lower requirement permitted by this Declaration or the Act, no amendment of any material provision of the documents by the Association or Unit Owners described in this subsection 4(a) may be effective without the vote of at least seventy-five percent (75%) of the Unit Owners (or any greater Unit Owner vote required in this Declaration or the Act) and until approved in writing by at least seventy-five percent (75%) of the eligible mortgagees (or any greater eligible mortgagee approval required by this Declaration). The foregoing approval requirements do not apply to amendments effected by the exercise of any development right. Material includes, but is not limited to, any provision affecting:

- (1) assessment, assessment liens or subordination of assessments;
- (2) voting rights;
- (3) reserves for maintenance, repair and replacement of common elements;
- (4) responsibility for maintenance and repairs;
- (5) reallocation of interests in the Common Elements or Limited Common Elements except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Unit Owners and only the eligible mortgagees holding security interests in such units must approve such action;
- (6) rights to use Common Elements and Limited Common Elements;
- (7) partition or subdivision of units except that when boundaries of only adjoining units are involved, or a unit is being subdivided, then only those Unit Owners and the eligible mortgagees holding security interests in such unit or units must approve such action;
- (8) convertibility of units into common elements or common elements into units;
- (9) expansion or contraction of the Common Interest Community, or the addition, annexation or withdrawal of property to or from the Common Interest Community;
- (10) insurance or fidelity bonds;
- (11) leasing of units;
- (12) imposition of restrictions on a Unit Owner's right to sell or transfer his or her unit;
- (13) establishment of self-management when professional management had been required previously by any eligible mortgagee;
- (14) restoration or repair of the project after a hazard damage or partial condemnation in a manner other than specified in the documents;
- (15) termination of the Common Interest Community after occurrence of substantial destruction or condemnation; and
- (16) the benefits of mortgage holders, insurers or guarantors.

b. Actions. Notwithstanding any lower requirement permitted by this Declaration or the Act, the Association may not take any of the following actions other than rights reserved to the Declaration as special Declarant rights without the approval of at least fifty-one percent (51%) of the eligible mortgagees:

(1) convey or encumber the Common Elements or any portion thereof (as to which an eighty percent (80%) Eligible Mortgagee approval is required). (The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Elements by the Common Interest Community will not be deemed a transfer within the meaning of this clause);

(2) The establishment of self-management when professional management had been required previously by any eligible mortgagee;

(3) the restoration or repair of the property (after a hazard damage or partial condemnation) in a manner other than that specified in the instruments or use of hazard insurance proceeds for losses to any townhome property, whether to a unit or to the common elements, for other than the repair, replacement or reconstruction of such improvements;

(4) the termination of the Common Interest Community for reasons other than a substantial destruction or condemnation, as to which a seventy-five percent (75%) eligible mortgagee approval is required;

(5) the alteration of any partition or creation of any aperture between adjoining units (when unit boundaries are not otherwise being affected), in which case only the owners of units affected and eligible mortgagees of those units need approve the action;

(6) the merger of this Common Interest Community with any other Common Interest Community;

(7) the granting of any easements, leases, licenses and concessions through or over the common elements (excluding, however, any utility easements serving or to serve the Common Interest Community and excluding any leases, licenses or concessions for no more than one year);

(8) the assignment of the future income of the association, including its right to receive common expense assessments; and

(9) any action taken not to repair or replace the property;

c. The Association may not change the period for collection of regularly budgeted common expense assessments to other than monthly without the consent of all eligible mortgagees.

d. The failure of an eligible mortgagee to respond within thirty (30) days to any written request of the Association for approval of a non-material addition or amendment to the documents shall constitute an implied approval of the addition or amendment.

Section 5. INSPECTION OF BOOKS.

The Association shall permit any eligible mortgagee or eligible insurer to inspect the books and records of the association during normal business hours.

Section 6. FINANCIAL STATEMENTS.

The Association shall provide any eligible mortgagee or eligible insurer which submits a written request, with a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement shall be audited by an independent certified public accountant if:

a. the Common Interest Community contains fifty (50) or more units in which case the cost of the audit shall be a common expenses; or

b. any eligible mortgagee or eligible insurer requests it, in which case the eligible mortgagee or eligible insurer shall bear the cost of the audit.

Section 7. ENFORCEMENT.

The provisions of this Article are for the benefit of eligible mortgagees and eligible insurers and their successors, and may be enforced by any of them by any available means, at law, or in equity.

Section 8. ATTENDANCE AT MEETINGS.

Any representative of an eligible mortgagee or eligible insurer may attend any meeting which a Unit Owner may attend.

Section 9. APPOINTMENT OF TRUSTEE.

In the event of damage or destruction under Article XXI or condemnation of all or a portion of the community, any eligible mortgagee may require that such proceeds to be payable to a Trustee established pursuant to Article XXI, Section 5. Such Trustee may be required to be a corporate

trustee licensed by the State of Alaska. Unless otherwise required, the members of the Executive Board acting by majority vote through the president may act as trustee.

XIX.

ASSESSMENT AND COLLECTION OF COMMON EXPENSES

Section 1. APPORTIONMENT OF COMMON EXPENSES.

Except as provided in Section 2, all Common Expenses shall be assessed against all Units in accordance with their percentage interest in the Common Expenses as shown on Exhibit A to this Declaration.

Section 2. COMMON EXPENSES ATTRIBUTABLE TO FEWER THAN ALL UNITS.

a. If any Limited Common Element is assigned to more than one Unit, the Common Expenses attributable to the Limited Common Element shall be assessed equally among the Units to which it is assigned.

b. Any Common Expense for services provided by the Association to any individual Unit at the request of the Unit Owner shall be assessed against the Unit which benefits from such service.

c. Any insurance premium increase attributable to a particular Unit by virtue of activities in or construction of the Unit shall be assessed against that Unit.

d. An assessment to pay a judgment against the Association may be made only against the units in the Common Interest Community at the time the judgment was entered, in proportion to their Common Expense liabilities.

e. If Common Expense is caused by the misconduct of a Unit Owner, the Association may assess that expense exclusively against the Unit.

f. Fees, charges, late charges, fines, collection costs, and interest charged against a Unit Owner pursuant to the Documents and the Act are enforceable as Common Expense assessments.

Section 3. LIEN.

a. The Association has a lien on a Unit for an assessment levied against the Unit or fines imposed against its Unit Owner from the time the assessment or fine becomes due. Fees, charges,

late charges, fines and interest charged pursuant to the Act and the Documents are enforceable as assessments, the full amount of the assessment is a lien from the time the first installment thereof becomes due.

b. A lien under this Section is prior to all other liens and encumbrances on a Unit except: (a) a lien and encumbrances recorded before the recordation of the Declaration; (2) a first Security Interest on a Unit recorded before the date on which the assessment sought to be enforced became delinquent; and (3) liens for real estate taxes and other governmental assessments or charges against the Unit. A lien under this section is also prior to all security interests described in Subdivision 2 of this Subsection if the Common Expense assessments based on the periodic budget adopted by the Association pursuant to Subdivision 4 of this Subsection which would have become due in the absence of acceleration during the six (6) months immediately preceding institution of an action to enforce either the Association's lien or a Security Interest described in Section 2 of this Article. This subsection does not affect the priority of mechanics' or material men's liens, or the priority of a lien for other assessments made by the Association. A lien under this Section is not subject to the provision of AS 09.38.010.

c. Recording of the Declaration constitutes record notice and perfection of the lien. Further recording of a claim of lien for assessment under this Section is not required.

d. A lien for an unpaid assessment is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the full amount of the assessment becomes due; provided that if an Owner of a Unit subject to a lien under this Section files a petition for relief under the United States Bankruptcy Code, the period of time for instituting proceedings to enforce the Association's lien shall be tolled until thirty (30) days after the automatic stay of proceedings under Section 362 of the Bankruptcy Code is lifted.

e. This section does not prohibit an action to recover sums for which subsection (a) of this Article creates a lien or prohibit an Association from taking a deed in lieu of foreclosure.

f. A judgment or decree in any action brought under this Section shall include costs and reasonable attorney's fees for the prevailing party.

g. A judgment or decree in an action brought under this Article is enforceable by execution under AS 09.35.010.

h. The Association's lien must be foreclosed as a lien is foreclosed under AS 34.35.005.

i. In any action by the Association to collect assessments or to foreclose a lien for unpaid assessments, the court may appoint a receiver of the Unit Owner to collect all sums alleged to be due from that Unit Owner prior to or during the pendency of the action. The court may order

the receiver to pay any sums held by the receiver to the Association during the pendency of the action to the extent of the Association's Common Expense assessments based on a periodic budget adopted by the Association.

j. If a holder of a first or second security interest in a Unit forecloses that security interest, the purchaser at the foreclosure sale is not liable for any unpaid assessments against that Unit which became due before the sale, other than the assessments which are prior to that security interest under Section 3(b). Any unpaid assessments not satisfied from the proceeds of the sale become common expenses collectible from all the Unit Owners, including the purchaser.

k. Any payments received by the Association in the discharge of a Unit Owner's obligation may be applied to the oldest balance due.

Section 4. **BUDGET ADOPTION AND RATIFICATION.**

Within thirty (30) days after adoption of a proposed budget for the Common Interest Community, the Executive Board shall provide a summary of the budget to each Unit Owner, and shall set a date for a meeting of the Unit Owners to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. Unless at that meeting (a majority of all Unit Owners) reject the budget, the budget is ratified, whether or not a quorum is present. If the proposed budget is rejected, the periodic budget last ratified by the Unit Owners continue until the Unit Owners ratify a budget proposed by the Executive Board.

Section 5. **RATIFICATION OF NONBUDGETED COMMON EXPENSE.**

If the Executive Board votes to levy a Common Expense assessment not included in the current budget, other than one enumerated in Section 2 of this Article, in an amount greater than fifteen percent (15%) of the current annual operating budget, the Executive Board shall submit such Common Expense to the Unit Owners for ratification in the same manner as a budget under Section 4 of this Article.

Section 6. **CERTIFICATE OF PAYMENT OF COMMON EXPENSE ASSESSMENTS.**

The Association upon written request shall furnish to a Unit Owner a statement in recordable form setting out the amount of unpaid assessments against the Unit. The statement must be furnished within ten (10) business days after receipt of the request and is binding on the Association, the Executive Board and each Unit Owner.

Section 7. MONTHLY PAYMENT OF COMMON EXPENSES.

All Common Expenses assessed under Sections 1 and 2 of this Article shall be due and payable monthly.

From and after the date of recordation of a deed to the first unit owner of an interest in the project, the unit owner shall establish an assessment reserve fund with the Association, which reserve fund shall equal the projected assessments to the unit owner for a two-month period. In addition, the unit owner shall pay to the Association the regular monthly assessment as provided herein, the purpose being to have available at all times for the Association an assessment reserve fund equal to two (2) months of assessments. This assessment reserve fund shall be maintained at all times, just as a reserve for taxes and insurance is so maintained, and in the event of a subsequent transfer of the unit owner's interest in the project, the subsequent purchaser shall be responsible for establishing and maintaining this reserve fund.

Section 8. ACCELERATION OF COMMON EXPENSE ASSESSMENTS.

In the event of default for a period of ten (10) days by any Unit Owner in the payment of any Common Expense assessment levied against his or her Unit, the Executive Board shall have the right, after Notice and Hearing, to declare all unpaid assessments for the pertinent fiscal year to be immediately due and payable.

Section 9. COMMENCEMENT OF COMMON EXPENSE ASSESSMENTS.

Common Expense assessments shall begin on the first day of the month in which conveyance of the first Unit to a Unit Owner other than the Declarant occurs.

Section 10. NO WAIVER OF LIABILITY FOR COMMON EXPENSES.

No Unit Owner may exempt himself or herself from liability for payment of the Common Expenses by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the assessments are made.

Section 11. PERSONAL LIABILITY OF UNIT OWNERS.

The Owner of a Unit at the time a Common Expense assessment or portion thereof is due and payable is personally liable for the assessment. Personal liability for the assessment shall not pass to a successor in title to the Unit unless he or she agrees to assume the obligation.

XX.

RIGHT TO ASSIGN FUTURE INCOME

The Association may assign its future income, including its right to receive Common Interest Expense assessments, only by the affirmative vote of Unit Owners of Units to which at least seventy-five percent (75%) of the votes in the Association are allocated, at a meeting called for that purpose.

XXI.

PERSONS AND UNITS SUBJECT TO DOCUMENTSSection 1. **COMPLIANCE WITH DOCUMENTS.**

All Unit Owners, tenants, mortgagees and occupants of Units shall comply with the Documents. The acceptance of a deed or the exercise of any incident of ownership or the entering into of a lease or the entering into occupancy of a Unit constitutes agreement that the provisions of the Documents are accepted and ratified by such Unit Owner, tenant, mortgagee or occupant, and all such provisions recorded in the Anchorage Recording District, Third Judicial District, State of Alaska are covenants running with the land and shall bind any persons having at any time any interest or estate in such unit.

Section 2. **ADOPTION OF RULES.**

The Executive Board may adopt Rules regarding the use and occupancy of Units, Common Elements and Limited Common Elements and the activities of occupants, subject to Notice and Comment.

XXII.

INSURANCESection 1. **COVERAGE.**

To the extent reasonably available, the Executive Board shall obtain and maintain insurance coverage as set forth in this Article. If such insurance coverage is not reasonably available, and the Executive Board determines that any insurance described herein will not be maintained, the

Executive Board shall cause notice of that fact to be hand-delivered or sent prepaid by United States mail to all Unit Owners and Eligible Mortgagees at their respective last known address.

Section 2. **PROPERTY INSURANCE.**

a. Property insurance covering:

(1) The project facilities (which term means all buildings on the property, including the units and all fixtures, equipment and any improvements and betterments whether part of a Unit or a Common Element, and such personal property of Unit Owners as is normally insured under building coverage), but excluding land, excavations, portions of foundations below the undersurfaces of the lowest basement floors, underground pilings, piers, pipes, flues and drains and other items normally excluded from property policies; and

(2) All personal property owned by the Association.

b. Amounts.

The project facilities for an amount (after application of any deductions) equal to one hundred percent (100%) of their actual cash value at the time the insurance is purchased and at each renewal date but not less than their insurable replacement cost. Personal property owned by the Association for an amount equal to its actual cash value.

The Executive Board is authorized to obtain appraisals periodically for the purpose of establishing said replacement cost of the project facilities and the actual cash value of the personal property, and the cost of such appraisals shall be a Common Expense.

c. Risks Insured Against.

The insurance shall afford protection against "all risk" of direct physical loss commonly insured against.

d. Other Provisions.

Insurance policies required by this Section shall provide that:

(1) The insurer waives the right to subrogation under the policy against a Unit Owner or member of the household of a Unit Owner;

(2) An act or omission by a Unit Owner, unless acting within the scope of the Unit Owner's authority on behalf of the Association, will void the policy or be a condition to recovery under the policy.

(3) If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the Association's policy of the Association provides primary insurance;

(4) Loss must be adjusted with the Association;

(5) Insurance proceeds shall be paid to any insurance trustee designated in the policy for that purpose, and in the absence of such designation to the Association, in either case to be held in trust for each Unit Owner and such Unit Owner's mortgagee.

(6) The insurer may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or non-renewal has been mailed to the Association, each Unit Owner and each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

(7) The name of the insured shall be substantially as follows: "Reflection Lake Townhome Association, Inc. for the use and benefit of the individual Owners".

Section 3. **LIABILITY INSURANCE.**

Liability insurance, including medical payments insurance, in an amount determined by the Executive Board but in no event less than \$1,000,000, covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements, and the activities of the Association.

a. Other provisions. Insurance policies carried pursuant to this section shall provide that:

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

c. The insurer waives the right to subrogation under the policy against a Unit Owner or member of the household of a Unit Owner;

d. An act or omission by a Unit Owner, unless acting within the scope of the Unit Owner's authority on behalf of the Association, will not void the policy or be a condition to recovery under the policy.

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

f. The insurer issuing the policy may not cancel or refuse to renew it until 30 days after notice of the proposed cancellation or non-renewal has been mailed to the Association, each Unit Owner and each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued at their last known addresses.

Section 4. **FIDELITY BONDS.**

A blanket fidelity bond is required for anyone who either handles or is responsible for funds held or administered by the Association, whether or not they receive compensation for their services. The bond shall name the Association as obligee and shall cover the maximum funds that will be in the custody of the Association or the manager at any time while the bond is in force, and in no event less than the sum of three months' assessments plus reserve funds. The bond shall include a provision that calls for ten (10) days' written notice to the Association, to each holder of a Security Interest in a Unit, to each servicer that services a FNMA-owned mortgage on a Unit and to the insurance trustee, if any, before the bond can be canceled or substantially modified for any reason.

Section 5. **UNIT OWNER POLICIES.**

An insurance policy issued to the Association does not prevent a Unit Owner from obtaining insurance for his or her own benefit.

Section 6. **WORKERS' COMPENSATION INSURANCE.**

The Executive Board shall obtain and maintain Workers' Compensation Insurance to meet the requirements of the laws of the State of Alaska.

Section 7. **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE.**

The Executive Board shall obtain and maintain directors' and officers' liability insurance, if available, covering all of the Directors and officers of the Association in such limits as the Executive Board may, from time to time determine.

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Section 8. OTHER INSURANCE.

The Association may carry other insurance which the Executive Board considers appropriate to protect the Association.

Section 9. PREMIUMS.

Insurance premiums shall be a Common Expense.

XXIII.**DAMAGE TO OR DESTRUCTION OF PROPERTY****Section 1. DUTY TO RESTORE.**

A portion of the Common Interest Community for which insurance is required under Section 34.08.440 of the Act or for which insurance carried by the Association is in effect whichever is more extensive, that is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- a. The Common Interest Community is terminated;
- b. Repair or replacement would be illegal under a state statute or municipal ordinance governing health or safety; or
- c. Eighty percent (80%) of the Unit Owners, including each owner of a Unit or assigned Limited Common Element that will not be rebuilt, vote not to rebuild.

Section 2. COST.

The cost of repair or replacement in excess of insurance proceeds and reserves is a common expense.

Section 3. PLANS.

The property must be repaired and restored in accordance with either the original plans and specifications or other plans and specifications which have been approved by the Executive Board, a majority of Unit Owners and seventy-five percent (75%) of eligible mortgagees.

Section 4. REPLACEMENT OF LESS THAN ENTIRE PROPERTY.

- a. The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Common Interest Community;
- b. Except to the extent that other persons will be distributees,
- c. The insurance proceeds attributable to a Unit and Limited Common Elements that is not rebuilt must be distributed to the owner of the Unit and the owner of the unit to which the Limited Common Elements were allocated, or to lien holders, as their interests may appear; and
- d. The remainder of the proceeds must be distributed to each Unit Owner or lien holder, as their interest may appear, in proportion to the common interests of all the units;
- e. If the Unit Owners vote not to rebuild a unit, the allocated interests of the Unit are reallocated upon the vote as if the unit had been condemned under Subsection 34.08.860(a) of the Act, and the Association promptly shall prepare, execute and record an amendment to the Declaration reflecting the reallocations.

Section 5. INSURANCE PROCEEDS.

The insurance trustee, or if there is no insurance trustee, then the Executive Board of the Association, acting by the President shall hold any insurance proceeds in trust for the Association, Unit Owners and lien holders as their interests may appear. Subject to the provisions of Section 1 (a) through (c), the proceeds shall be disbursed first for the repair or restoration of the damaged Property, and the Association. Unit Owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the Property has been completely repaired or restored, or the Common Interest Community is terminated.

Section 6. CERTIFICATES BY THE EXECUTIVE BOARD.

The Trustee, if any, may rely on the following certifications in writing made by the Executive Board:

- a. Whether or not damaged or destroyed Property is to be repaired or restored;
- b. The amount or amounts to be paid for repairs or restoration and the names and addresses of the parties to whom such amounts are to be paid.

Section 7. TITLE INSURANCE POLICIES.

Title insurance companies or if payments are to be made to Unit Owners or Mortgagees, the Executive Board, and the Trustee, if any, shall obtain and may rely on a title insurance company or attorney's title certificate of title or a title insurance policy based on a search of the records of the Anchorage Recording District, Third Judicial District, State of Alaska, from the date of the recording of the original Declaration stating the names of the Unit Owners and the Mortgagees.

XXIV.**RIGHTS TO NOTICE AND COMMENT; NOTICE OF HEARING****Section 1. RIGHT TO NOTICE AND COMMENT.**

Before the Executive Board amends the Bylaws or the Rules, whenever the Documents require that an action be taken after "Notice and Comment", and at any other time the Executive Board determines, the Unit Owners have the right to receive notice of the proposed action and the right to comment orally or in writing. Notice of the proposed action shall be given to each Unit Owner in writing and shall be delivered personally or by mail to all Unit Owners at such address as appears in the records of the Association, or published in a newsletter or similar publication which is routinely circulated to all Unit Owners. The notice shall be given not less than five (5) days before the proposed action is to be taken. The right to Notice and Comment does not entitle a Unit Owner to be heard at a formally constituted meeting.

Section 2. RIGHT TO NOTICE AND HEARING.

Whenever the Documents require that an action be taken after "Notice and Hearing", the following procedure shall be observed: The party proposing to take the action (e.g., the Executive Board, a committee, an officer, the manager, etc.) shall give written notice of the proposed action to all Unit Owners or occupants of Units whose interest would be significantly affected by the proposed action. The notice shall include general statement of the proposed action and the date, time and place of the hearing. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice) subject to reasonable rules of procedure established by the party conducting the meeting to assure a prompt and orderly resolution of the issues. Such evidence shall be considered in making the decision but not bind the decision makers. The affected persons shall be notified of the decision in the same manner in which notice of the meeting was given.

Section 3. APPEALS.

Any person having a right to Notice and Hearing shall have the right to appeal to the Executive Board from a decision of persons other than the Executive Board by filing a written notice of appeal with the Executive Board within ten (10) days after being notified of the decision. The Executive Board shall conduct a hearing within thirty (30) days, giving the same notice and observing the same procedures as were required for the original meeting.

XXV.**EXECUTIVE BOARD****Section 1. MINUTES OF EXECUTIVE BOARD MEETINGS.**

The Executive Board shall permit any Unit Owner to inspect the Minutes of Executive Board meetings during normal business hours. The Minutes shall be available for inspection within fifteen (15) days after any such meeting.

Section 2. POWERS AND DUTIES.

The Executive Board may act in all instances on behalf of the Association, except as provided in this Declaration, the Bylaws or the Act. The Executive Board shall have, subject to the limitations contained in this Declaration and the Act, the powers and duties necessary for the administration of the affairs of the Association and of the Common Interest Community which shall include, but not be limited to, the following:

- a. Adopt and amend Bylaws, Rules and regulations;
- b. Adopt and amend budgets for revenues, expenditures and reserves;
- c. Collect assessments for Common Expenses from Unit Owners;
- d. Hire and discharge managing agents;
- e. Hire and discharge employees and agents, other than managing agents, and independent contractors;

- f. Institute, defend or intervene in litigation or administrative proceedings in the Association's name on behalf of the Association or two or more Unit Owners on matters affecting the Common Interest Community;
- g. Make contracts and incur liabilities;
- h. Regulate the use, maintenance, repair, replacement and modification of the Common Elements;
- i. Cause additional improvements to be held as a part of the Common Elements;
- j. Acquire, hold encumber and convey in the Association's name any right, title or interest to real property or personal property, but Common Elements may be conveyed or subject to a Security Interest only pursuant to Section 34.08.430 of the Act;
- k. Grant easements for any period of time including permanent easements, and leases, licenses and concessions for no more than one year, through or over the Common Elements;
- l. Impose and receive payments, fees or charges for the use, rental or operation of the common Elements, other than Limited Common Elements described in Subsections of (2) and (4) of Section 34.08.100 of the Act, and for services provided to Unit Owners;
- m. Impose charges or interest or both for late payment of assessments and, after Notice of Hearing, levy reasonable fines for violations of this Declaration, and the bylaws, Rules and regulations of the Association;
- n. Impose reasonable charges for the preparation and recordation of amendments to this Declaration, resale certificates required by Section 34.08.590 of the Act or statements of unpaid assessments;
- o. Provide for the indemnification of the Association's officers and Executive Board and maintain Directors' and officers' liability insurance;
- p. Assign the Association's right to future income, including the right to receive Common Expense assessments;
- q. Exercise any other powers conferred by this Declaration or by the Bylaws;
- r. Exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;

s. Exercise any powers necessary and proper for the governance and operation of the Association; and

t. By resolution, establish committees of Directors, permanent and standing, to perform any of the above functions under specifically delegated administrative standards, as designated in the resolution establishing the committee. All committees must maintain and publish notice of their actions to Unit Owners and the Executive Board by any Unit Owner within forty-five (45) days of publication of such notice, and such committee action must be ratified, modified or rejected by the Executive Board at its next regular meeting.

Section 3. EXECUTIVE BOARD LIMITATIONS.

The Executive Board may not act on behalf of the Association to amend this Declaration, to terminate the Common Interest Community or to elect members of the Executive Board or determine the qualifications, powers and duties, or terms of office of Executive Board members, but the Executive Board may fill vacancies in its membership for the unexpired portion of any term.

XXVI.

CONDEMNATION

If part or all of the Common Interest Community is taken by any power having the authority of eminent domain, all compensation and damages for and on account of the taking shall be payable in accordance with Section 34.08.740 of the Act.

XXVII.

MISCELLANEOUS

Section 1. CAPTIONS.

The captions contained in the documents are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of the documents nor the intent of any provision thereof.

Section 2. **GENDER.**

The use of the masculine gender refers to the feminine and neuter genders and the use of the singular includes the plural, and vice versa, whenever the context of the document so require.

Section 3. **WAIVER.**

No provision contained in the documents is abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches which may occur.

Section 4. **INVALIDITY.**

The invalidity of any provision of the documents does not impair or affect in any manner the validity, enforceability, or effect of the remainder, and in such event, all of the other provisions of the documents shall continue in full force and effect.

Section 5. **CONFLICT.**

The documents are intended to comply with the requirements of the Act and Chapter 10.20 of the Alaska Statutes (Non Profit Corporation Law). In the event of any conflict between the documents and the provisions of the statutes, the provisions of the statutes shall control. In the event of any conflict between this Declaration and any other document, this Declaration shall control.

IN WITNESS WHEREOF, the Declarant has caused this Declaration to be executed on the day and year first hereinabove written.

Alas-Con, Inc..

By Jack Jellive
Its President