

**DECLARATION SUBMITTING REAL PROPERTY TO THE
UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)**

FOR

**MOUNTAIN ROSE ESTATES CONDOMINIUMS
(PHASE ONE)**

**A Condominium Project established for 80% Occupancy by Persons
55 Years or Older in Accordance with the Federal Fair Housing Act**

PHASE ONE

**Tract A, Mountain Rose Estates, 1 according to Plat 2001-11
filed in the Palmer Recording District, Third Judicial District,
State of Alaska.**

TABLE OF CONTENTS

DECLARATION TO
MOUNTAIN ROSE ESTATES CONDOMINIUMS,
(Phase One)

		Page
ARTICLE I	<u>DEFINITIONS</u>	1
Section 1.	ACT	2
Section 2.	ALLOCATED INTERESTS	2
Section 3.	ASSOCIATION	2
Section 4.	BYLAWS	2
Section 5.	COMMON ELEMENTS	2
Section 6.	COMMON EXPENSES	3
Section 7.	COMMON INTEREST COMMUNITY	3
Section 8.	DECLARANT	3
Section 9.	DECLARATION	3
Section 10.	DEVELOPMENT RIGHTS	3
Section 11.	DIRECTOR	4
Section 12.	DOCUMENTS	4
Section 13.	ELIGIBLE INSURER	4
Section 14.	ELIGIBLE MORTGAGEE	4
Section 15.	EXECUTIVE BOARD	4
Section 16.	IMPROVEMENTS	4
Section 17.	LIMITED COMMON ELEMENTS	5
Section 18.	MAJORITY OR MAJORITY OF UNIT OWNERS	5
Section 19.	MANAGER	5
Section 20.	NOTICE AND COMMENT	5
Section 21.	NOTICE AND HEARING	5
Section 22.	PERSON	5
Section 23.	PLANS/PLATS	6
Section 24.	PROPERTY/PHASE ONE PROPERTY & FUTURE PHASE PROPERTY	6
Section 25.	PUBLIC OFFERING STATEMENT	6
Section 26.	RULES	7
Section 27.	SECURITY INTEREST	7
Section 28.	SPECIAL DECLARANT RIGHTS	7
Section 29.	TRUSTEE	8
Section 30.	UNIT	8
Section 31.	UNIT OWNER	8
ARTICLE II	<u>NAME AND TYPE OF COMMON INTEREST COMMUNITY AND ASSOCIATION</u>	8
Section 1.	NAME OF COMMON INTEREST COMMUNITY	8
Section 2.	NAME OF ASSOCIATION	8
Section 3.	TYPE OF COMMON INTEREST COMMUNITY	9

ARTICLE III	<u>DESCRIPTION OF LAND</u>	9
ARTICLE IV	<u>MAXIMUM NUMBER OF UNITS, IDENTIFICATION AND BOUNDARIES</u>	9
Section 1.	GENERAL	9
Section 2.	NUMBER OF UNITS	9
Section 3.	IDENTIFICATION OF UNITS	10
Section 4.	BOUNDARIES	10
Section 5.	INCONSISTENCY WITH SURVEY AND PLANS	10
ARTICLE V	<u>LIMITED COMMON ELEMENTS</u>	11
Section 1.	PHASE ONE LIMITED COMMON ELEMENTS	11
Section 2.	FUTURE PHASE LIMITED COMMON ELEMENTS	12
ARTICLE VI	<u>MAINTENANCE, REPAIR AND REPLACEMENT</u>	12
Section 1.	COMMON ELEMENTS	12
Section 2.	UNITS	12
Section 3.	LIMITED COMMON ELEMENTS	13
Section 4.	ACCESS	13
Section 5.	REPAIRS RESULTING FROM NEGLIGENCE	13
ARTICLE VII	<u>SUBSEQUENTLY ALLOCATED LIMITED COMMON ELEMENTS</u>	13
ARTICLE VIII	<u>ALLOCATED INTERESTS</u>	13
Section 1.	ALLOCATION OF INTERESTS	13
Section 2.	FORMULA FOR THE ALLOCATION	14
Section 3.	VOTING	14
Section 4.	ASSIGNMENT OF ALLOCATED INTEREST UPON CREATION OF UNITS PURSUANT TO EXERCISE OF DEVELOPMENT RIGHTS	14
ARTICLE IX	<u>DEVELOPMENTAL RIGHTS AND SPECIAL DECLARANT RIGHTS</u>	14
Section 1.	GENERAL RESERVED RIGHTS	14
Section 2.	MODELS, SALES OFFICE AND MANAGEMENT OFFICES	15
Section 3.	CONSTRUCTION; DECLARANT'S EASEMENT	15
Section 4.	SIGNS AND MARKETING	15
Section 5.	DECLARANT'S PERSONAL PROPERTY	15
Section 6.	DECLARANT CONTROL OF THE ASSOCIATION	16
Section 7.	LIMITATIONS ON SPECIAL DECLARANT RIGHTS	17
Section 8.	RESERVATION OF DEVELOPMENT RIGHTS	17
Section 9.	LIMITATIONS ON DEVELOPMENT RIGHTS	18
Section 10.	DECLARANT'S RIGHTS AND OBLIGATIONS	19

ARTICLE X	<u>RESTRICTIONS ON USE, ALIENATION AND OCCUPANCY</u>	19
Section 1.	AGE RESTRICTIONS	19
Section 2.	SINGLE-FAMILY RESIDENCE	19
Section 3.	PARKING AND VEHICULAR RESTRICTIONS	20
Section 4.	NUISANCES	20
Section 5.	SIGNS	20
Section 6.	HOLD HARMLESS AND INDEMNIFICATION	21
Section 7.	OUTSIDE INSTALLATIONS	21
Section 8.	PET REGULATIONS	21
Section 9.	BUSINESS OR COMMERCIAL ACTIVITY	22
Section 10.	TEMPORARY STRUCTURE	22
Section 11.	RUBBISH REMOVAL	22
Section 12.	LEASE OF UNITS	23
Section 13.	RESTRICTIONS ON ALIENATION	23
Section 14.	OWNER OCCUPANCY	23
ARTICLE XI	<u>EASEMENTS AND LICENSES</u>	23
Section 1.	GENERAL	22
Section 2.	RECORDED EASEMENTS AND LICENSES	24
ARTICLE XII	<u>ALLOCATION AND REALLOCATION OF LIMITED COMMON ELEMENTS</u>	24
ARTICLE XIII	<u>SUBDIVISION AND JOINDER OF UNITS</u>	
Section 1.	SUBDIVISION	24
Section 2.	PERMITTED JOINDER	24
Section 3.	RELOCATION OF BOUNDARIES BETWEEN ADJOINING UNITS	
	23	
Section 4.	RECORDING AMENDMENTS	25
Section 5.	NOT APPLICABLE TO DECLARANT	25
ARTICLE XIV	<u>AMENDMENTS TO DECLARATION</u>	25
Section 1.	GENERAL	25
Section 2.	LIMITATION OF CHALLENGES	26
Section 3.	RECORDATION OF AMENDMENTS	26
Section 4.	WHEN UNANIMOUS CONSENT REQUIRED	26
Section 5.	EXECUTION OF AMENDMENTS	26
Section 6.	DEVELOPMENTAL RIGHTS, SPECIAL DECLARANT RIGHTS AND OTHER RESERVATIONS	26
Section 7.	CONSENT OF HOLDERS OF SECURITY INTERESTS	27
ARTICLE XV	<u>AMENDMENT TO BYLAWS</u>	27

ARTICLE XVI	<u>TERMINATION</u>	27
ARTICLE XVII	<u>MORTGAGEE PROTECTION</u>	27
Section 1.	INTRODUCTION	27
Section 2.	PERCENTAGE OF ELIGIBLE MORTGAGEES	27
Section 3.	NOTICE OF ACTIONS	28
Section 4.	CONSENT REQUIRED	28
Section 5.	INSPECTION OF BOOKS	32
Section 6.	FINANCIAL STATEMENTS	32
Section 7.	ENFORCEMENT	32
Section 8.	ATTENDANCE AT MEETINGS	32
Section 9.	APPOINTMENT OF TRUSTEE	32
ARTICLE XVIII	<u>ASSESSMENT AND COLLECTION OF COMMON EXPENSES</u>	33
Section 1.	APPORTIONMENT OF COMMON EXPENSES	33
Section 2.	COMMON EXPENSES ATTRIBUTABLE TO FEWER THAN ALL UNITS	33
Section 3.	LIEN	33
Section 4.	BUDGET ADOPTION AND RATIFICATION	35
Section 5.	RATIFICATION OF NONBUDGETED COMMON EXPENSE	35
Section 6.	CERTIFICATE OF PAYMENT OF COMMON EXPENSE ASSESSMENTS	36
Section 7.	MONTHLY PAYMENT OF COMMON EXPENSES	36
Section 8.	ESTABLISHMENT OF WORKING CAPITAL FUND	36
Section 9.	ALLOCATION OF ASSESSMENTS	36
Section 10.	SPECIAL ASSESSMENTS FOR CAPITAL CAPITAL IMPROVEMENTS	37
Section 11.	ACCELERATION OF COMMON EXPENSE ASSESSMENTS	37
Section 12.	COMMENCEMENT OF COMMON EXPENSE ASSESSMENTS	37
Section 13.	NO WAIVER OF LIABILITY FOR COMMON EXPENSES	37
Section 14.	PERSONAL LIABILITY OF UNIT OWNERS	38
Section 15.	USE AND TRANSFER OF FUNDS	38
ARTICLE XIX	<u>RIGHT TO ASSIGN FUTURE INCOME</u>	38
ARTICLE XX	<u>PERSONS AND UNITS SUBJECT TO DOCUMENTS</u>	39
Section 1.	COMPLIANCE WITH DOCUMENTS	39
Section 2.	ADOPTION OF RULES	39
ARTICLE XXI	<u>INSURANCE</u>	39
Section 1.	COVERAGE	39
Section 2.	PROPERTY INSURANCE	39

Section 3.	LIABILITY INSURANCE	41
Section 4.	FIDELITY BONDS	42
Section 5.	UNIT OWNER POLICIES	42
Section 6.	WORKERS' COMPENSATION INSURANCE	42
Section 7.	DIRECTORS' AND OFFICERS' LIABILITY INSURANCE	43
Section 8.	OTHER INSURANCE	43
Section 9.	PREMIUMS	43
Section 10.	GENERAL	43
ARTICLE XXII	<u>DAMAGE TO OR DESTRUCTION OF PROPERTY</u>	43
Section 1.	DUTY TO RESTORE	43
Section 2.	COST	44
Section 3.	PLANS	44
Section 4.	REPLACEMENT OF LESS THAN ENTIRE PROPERTY	44
Section 5.	INSURANCE PROCEEDS	45
Section 6.	CERTIFICATES BY THE EXECUTIVE BOARD	45
Section 7.	CERTIFICATES BY ATTORNEYS	46
ARTICLE XXIII	<u>RIGHTS TO NOTICE AND COMMENT; NOTICE OF HEARING</u>	46
Section 1.	RIGHT TO NOTICE AND COMMENT	46
Section 2.	RIGHT TO NOTICE AND HEARING	46
Section 3.	APPEALS	47
ARTICLE XXIV	<u>EXECUTIVE BOARD</u>	47
Section 1.	MINUTES OF EXECUTIVE BOARD MEETINGS	47
Section 2.	POWERS AND DUTIES	47
Section 3.	EXECUTIVE BOARD LIMITATIONS	49
ARTICLE XXV	<u>CONDEMNATION</u>	50
ARTICLE XXVI	<u>PROFESSIONAL MANAGEMENT CONTRACTS</u>	50
ARTICLE XXVII	<u>MISCELLANEOUS</u>	50
Section 1.	CAPTIONS	50
Section 2.	GENDER	50
Section 3.	WAIVER	50
Section 4.	INVALIDITY	51
Section 5.	CONFLICT	51
Section 6.	RIGHTS OF ACTION	51

**DECLARATION SUBMITTING REAL PROPERTY TO THE
UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)**

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PHASE ONE

D.G. Smith Builders, LLC, P.O. Box 4529, Palmer, Alaska 99645, herein referred to as "**Declarant**" herein submits, subject to the terms and provisions of this Declaration, the following described real property to the provisions of the Common Interest Ownership Act, (Alaska Statutes 34.08) for the purpose of creating **Mountain Rose Estates Condominiums**, including without limitation making the improvements described herein and shown in the plans/plats recorded or filed contemporaneously herewith and amendments or additions thereto pursuant to this Declaration and AS 34.08.

Tract A, Mountain Rose Estates, 1 according to Plat 2001-**11**, filed in the Palmer Recording District, Third Judicial District, State of Alaska.

Phase One of this Common Interest Community is constructed upon and hereby established upon that portion of the above described property North of Melissa Rose Circle and North of the South line of the 10' East-West utility easement shown on Plat 2001-11, the remainder of Tract A is Future Phase Property subject to the Reserved

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 1

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July 27, 2001

Development Rights described at Article 1, Sections 10 and 24, and Article IX, Sections 8, 9, and 10.

The Plans/Plats for Phase One are filed in the Palmer Recording District, Third Judicial District, State of Alaska, under Plat 2001-70. Should there be any conflict between this plat and plat 2001-11, the former shall be controlling.

I DEFINITIONS

Section 1. ACT.

"Act" shall mean the Common Interest Ownership Act, AS 34.08 of the Alaska Statutes as it may be amended from time to time.

Section 2. ALLOCATED INTERESTS.

"Allocated Interests" shall mean the undivided interest in the Common Elements, the Common expense liability, and votes in the Association, allocated to the Units in the Common Interest Community. The Allocated Interests are described in Article VIII of this Declaration.

Section 3. ASSOCIATION.

"Association" shall mean **MOUNTAIN ROSE ESTATES CONDOMINIUM OWNERS ASSOCIATION, INC.**, a non-profit corporation organized under AS 10.20, et seq. It is the association of Unit Owners pursuant to Section 34.08.310 of the Act.

Section 4. BYLAWS.

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

Section 5. COMMON ELEMENTS.

Each portion of the Common Interest Community other than a Unit.

Section 6. COMMON EXPENSES.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 2

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Reginald J. Christie, Jr., Esq.
July 27, 2001

The expenses or financial liabilities for the operation of the Common Interest Community. These include:

- (a) Expenses of administration, maintenance, repair or replacement of the Common Elements;
- (b) Expenses declared to be Common Expenses by the Documents or by the Act;
- (c) Expenses agreed upon as Common Expenses by the Association; and
- (d) Such reasonable reserves as may be required by this Declaration and as may be established by the Association, whether held in trust or by the Association, for repair, replacement or addition to the Common Elements or any other real or personal property acquired or held by the Association.

Section 7. COMMON INTEREST COMMUNITY.

The real property which is the subject matter of this Declaration, and as amended from time to time.

Section 8. DECLARANT.

Declarant means D.G. Smith Builders, LLC, and its successors as defined by A.S. 34.08.990(12).

Section 9. DECLARATION.

This document, including any amendments.

Section 10. DEVELOPMENT RIGHTS.

"Development Rights" shall mean a right or a combination of rights reserved by Declaration to construct and sell up to 66 Units on Future Phase Property in addition to the 2 Units constructed on the Phase One property and to create Common Elements, and Limited Common Elements on part or all of the Land

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 3

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July 27, 2001

designated as "Future Phase Property" (See Article 1, Section 24 and Article IX below).

Section 11. DIRECTOR.

"Director" shall mean a member of the "Executive Board".

Section 12. DOCUMENTS.

"Documents" shall mean the Declaration, plans/plats recorded or filed pursuant to the provisions of the Act, the Bylaws and Rules of the Association, the Articles of Incorporation of the Association all as they exist or may be amended from time to time. Any exhibit or certification accompanying a document is a part of that document.

Section 13. ELIGIBLE INSURER.

"Eligible Insurer" shall mean an insurer or guarantor of a first security interest in the Unit which has notified the Association in writing of its name and address and that it has insured or guaranteed a first security interest in a Unit. Such notice shall be deemed to include a request that the eligible insurer be given the notices and other rights described in Article XVIII.

Section 14. ELIGIBLE MORTGAGEE.

"Eligible Mortgagee" shall mean the holder of a first security interest in a Unit which has notified the Association, in writing, of its name and address, and that it holds a first security interest in a Unit. Such notice shall be deemed to include a request that the eligible mortgagee be given the notices and other rights described in Article XVII. For the purposes of this Declaration Mortgage/Mortgagee shall have the same meaning as Deed of Trust/Beneficiary

Section 15. EXECUTIVE BOARD.

"Executive Board" shall mean the Board of Directors of the Association.

Section 16. IMPROVEMENTS.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 4

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July 27, 2001

"Improvements" shall mean any structures or facilities existing or to be constructed on the land included in the Common Interest Community, including but not limited to, buildings, trees, shrubbery, paving, wires, pipes, light pole, driveways and parking areas constructed by Declarant or the Association.

Section 17. LIMITED COMMON ELEMENTS.

"Limited Common Elements" shall mean that portion of the Common Elements allocated for the exclusive use of one or more but fewer than all of the Units by operation of AS 34.08.100(2) or (4) or by this Declaration. The limited Common Elements in the Common Interest Community are described in Article V of this Declaration.

Section 18. MAJORITY OR MAJORITY OF UNIT OWNERS.

"Majority or Majority of Unit Owners" shall mean the Owners of more than fifty percent (50%) of the voting strength in the Association.

Section 19. MANAGER.

"Manager" means a person, firm or corporation employed or engaged to perform management services for the Common Interest Community and the Association.

Section 20. NOTICE AND COMMENT.

"Notice and Comment" shall mean the right of a Unit Owner to receive notice of an action proposed to be taken by or on behalf of the Association, and the right to comment thereon. The procedures for Notice and Comment are set forth in Article XXIV of this Declaration.

Section 21. NOTICE AND HEARING.

"Notice and Hearing" shall mean the right of a Unit Owner to receive notice of an action proposed to be taken by the Association, and the right to be heard thereon. The procedures for Notice and Hearing are set forth in Article XXIV of this Declaration.

Section 22. PERSON.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 5

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July 27, 2001

"Person" shall mean an individual, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

Section 23. PLANS/PLATS.

"Plans" shall mean the floor plans recorded or filed with this Declaration. "Plats" shall mean the Plat recorded or filed with this Declaration. Plans/Plats shall also include amendments to either, and Plans/Plats setting forth additions to the Common and Interest Community.

Section 24. PROPERTY, PHASE ONE PROPERTY AND FUTURE PHASE PROPERTY.

"Property" shall mean the land, all improvements, easements, rights and appurtenances, submitted to the provisions of the Act by the Declaration and/or amendments thereto pursuant to Article IX below.

"Phase One Property" shall mean that portion of Tract A Mountain Rose Estates, Unit 1 described at Article III below, upon which Phase One Units and improvements are constructed together with all reasonably necessary easements for ingress and egress.

"Future Phase Property" shall be all or any part of the following described real property:

Tract A, Mountain Rose Estates , according to Plat 2001-11, filed in the Palmer Recording District, Third Judicial District, State of Alaska except the Phase One Property.

Tracts A and B, Mountain Rose Estates, according to Plat 2001-11, filed in the Palmer Recording District, Third Judicial District, State of Alaska.

Tracts C and C II, Mountain Rose Estates, according to Plat 2001-47, filed in the Palmer Recording District, Third Judicial District, State of Alaska.

Section 25. PUBLIC OFFERING STATEMENT.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 6

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July 27, 2001

"Public Offering Statement" means the current document prepared pursuant to AS 34.08.530 of the Act as it exists or may be amended from time-to-time, provided to purchasers and prospective purchasers.

Section 26. RULES.

"Rules" shall mean rules for the use of Units and Common Elements and for the conduct of persons within the Common Interest Community, adopted by the Executive Board pursuant to this Declaration.

Section 27. SECURITY INTEREST.

"Security Interest" shall mean an interest in real property or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a lien created by a mortgage, deed of trust, trust deed, security deed, contract for deed, land sales contract, lease intended as security, assignment of lease or rents intended as security, pledge of an ownership interest in the Association, and any other consensual lien or title retention contract intended as security for an obligation.

Section 28. SPECIAL DECLARANT RIGHTS.

"Special Declarant Rights" shall mean the rights reserved for the benefit of declarant to, among other things:

- (a) complete improvements indicated on plats and plans filed with the Declaration;
- (b) exercise any Development Right;
- (c) maintain sales offices, management offices, signs advertising the Common Interest Community, model Units and the exercise of any other rights for marketing;
- (d) use easements through the Common Elements for the purpose of making repairs and improvements within the Common Interest Community;

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 7

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July 27, 2001

(e) appoint or remove an officer of the Association or a master association or any Executive Board member during any period of Declarant control; and

(f) rent Units pursuant to this Declaration.

These reserved rights are more particularly described at Article IX, but are not intended to limit the foregoing.

Section 29. TRUSTEE.

The entity which may be designated by the Executive Board as the trustee for the receipt, administration, and disbursement of funds derived from insured losses, condemnation awards, special assessments for uninsured losses, and other like sources. If no trustee has been designated, the trustee will be the Executive Board from time to time constituted, acting by majority vote, as executed by the president and attested to by the secretary.

Section 30. UNIT.

"Unit" shall mean a physical portion of the Common Interest Community designated for separate ownership or occupancy, the boundaries of which are described in Article IV, Section 4 of this Declaration.

Section 31. UNIT OWNER/RESTRICTIONS ON OWNERSHIP.

"Unit Owner" shall mean the Declarant or other person who owns a Unit, or holds the possessory interest under a real estate purchase contract. Unit Owner does not include a person having an interest in a Unit solely as security for an obligation. The Declarant is the initial Owner of each Unit created by this Declaration and amendments thereto.

II
NAME AND TYPE OF COMMON INTEREST
COMMUNITY AND ASSOCIATION

Section 1. NAME OF COMMON INTEREST COMMUNITY.

The name of the Common Interest Community is **MOUNTAIN ROSE ESTATES CONDOMINIUMS.**

Section 2. NAME OF ASSOCIATION.

The name of the Association of owners is **MOUNTAIN ROSE ESTATES CONDOMINIUM OWNERS ASSOCIATION, INC.**

Section 3. TYPE OF COMMON INTEREST COMMUNITY.

Condominium project.

III
DESCRIPTION OF PHASE ONE REAL ESTATE

The "Property" upon which Phase One of this Condominium Project is located is that portion of:

Tract A, Mountain Rose Estates, Unit 1 according to Plat 2001-11, filed in the Palmer Recording District, Third Judicial District, State of Alaska.

Phase One is constructed upon and hereby established upon that portion of the above described property north of E Melissa Rose Circle and the south line of the east-west 10' utility easement shown on such Plat 2001-11.

IV
MAXIMUM NUMBER OF UNITS, IDENTIFICATION AND BOUNDARIES

Section 1. GENERAL.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 9

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July 27, 2001

Declarant intends to construct the Project in phases. Phase One is constructed on the land described at Article III. For the purpose of AS 34.08.140(8) and this Declaration, the Development Rights reserved under Article IX apply to the Property described at Article I, Section 24 as Future Phase Property.

Section 2. NUMBER OF UNITS.

Phase One of the Project consists of one (1) building, containing two (2) Condominium Units. The maximum number of additional Units that may be created by reason of "Special Declarant Rights" and "Development Rights" pursuant to Article IX, is sixty-six (66) for a total of sixty-eight (68).

Declarant does not represent or assure that Phase One of this Common Interest Community will be expanded by additions of any or all of the "Future Phase" Property.

Section 3. IDENTIFICATION OF UNITS.

The Units in Phase One are identified by the street number of the Condominium Building in which the Unit is located, followed by the letter A or B with the "A" Unit being the left Unit as viewed from the front of the Condominium Building and the "B" Unit being the right Unit as viewed from the front of the Condominium Building. Future Phase Units, if constructed, will be similarly identified.

Section 4. BOUNDARIES.

The boundaries of each Unit are shown on the Plans/Plats now existing in or as hereafter amended and are more particularly described as follows:

(a) General. The interior surface of all exterior walls, floors and ceilings are designated as boundaries of a Unit. The exterior surfaces of all windows and exterior doors are also designated as boundaries of a Unit. All lath, furring, wallboard, plasterboard, plaster, paneling, tiles, wallpaper, paint, finished flooring and any other materials added to or placed on the interior surface of walls, floors, or ceilings are part of the Unit as are windows and exterior doors.

(b) Inclusions. Each Unit shall include the spaces and improvements lying within the boundaries described in subsection (a) above, and shall also include any chimneys, tanks, pipes, wires, ducts, conduits and other facilities situate in the

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 10

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JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

perimeter walls of the Unit or elsewhere serving only that Unit.

In the case of utility services now or hereafter metered to and for the exclusive use of a Unit, the common elements extend only to, and does not include the meter or the wires, conduits or pipe from it which are part of the Unit served.

(c) Exclusions. Except when specifically included by other provisions of this Article, the following are excluded from each Unit: the spaces and improvements lying outside of the boundaries described in subsection (a) above; and all chutes, pipes, flues, ducts, wires, conduits, and other facilities running through any interior wall or partition for the purpose of furnishing utility and similar services to other Units or Common Elements or both.

Section 5. INCONSISTENCY WITH PLANS/PLATS.

If any of the above descriptions are inconsistent with the plats/plans, these descriptions shall control.

V

LIMITED COMMON ELEMENTS

Section 1. PHASE ONE LIMITED COMMON ELEMENTS.

The following portions of the Common Elements are Limited Common Elements:

(a) Driveways. The areas adjacent to the garage doors of each Unit are allocated for the exclusive use of the Unit to which the area is adjacent. Such Limited Common Elements are identified on the Plan/Plat by "Exterior Parking" followed by the Unit identification number of the Unit (Article IV, Section 3) to which the exclusive use and enjoyment of such Limited Common Element is reserved. Snow removal from such Limited Common Elements will be the responsibility of the Association as a "Common Expense".

(b) Walkways/Entries. The "Unit" entrance areas and walkways serving each Unit are allocated to the exclusive use of the Unit served to the exclusion of all other Units within the common interest community. They are identified on the Plan/Plat by "Walkway" and "Concrete Pad" and the Unit identification number of the Unit to which the exclusive use is reserved.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 11

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Reginald J. Christie, Jr., Esq.
July 27, 2001

Unit entrance areas shall include the steps, stairs, walkways, etc. providing access to Limited Common Element exterior decks and patios (if any) as well as the main entry (whether not shown on the Plans/Plats)..

(c) Yards. Each Unit has a yard or yards adjacent to the Unit allocated for the exclusive use of the Unit to which it is adjacent. Such Limited Common Elements are identified on the Plan/Plat by "yard" and the Unit identification number of the Unit to which the exclusive use is reserved.

Anything else herein to the contrary notwithstanding the "yards" are to be maintained by the Association as a common expense unless fenced as herein allowed, in which case the Owner shall be responsible for maintenance of the "yard." The owner of the Unit to which such Limited Common Area yard is adjacent may enclose it with cedar fencing at such owner's expense after first obtaining written approval from the Association of owners acting through the Executive Board.

(d) Patios. Each Unit has a patio or patios adjacent to it allocated for the exclusive use of the Unit to which it is adjacent. The Limited Common Element "patios" are identified by the word "Patio" below the Unit identification number.

Section 2. FUTURE PHASE LIMITED COMMON ELEMENTS.

In the event one or more Future Phases is constructed, Limited Common Elements similar to the Limited Common Elements described for Phase One will be allocated to each of the Condominium Units in Future Phases.

VI

MAINTENANCE, REPAIR AND REPLACEMENT

Section 1. COMMON ELEMENTS.

The Association shall be responsible for the maintenance, repair and replacement of the Common Elements, including Limited Common Elements, except any which are required by this Declaration to be maintained, repaired or replaced by the Unit Owner (including, without limitations, Unit Owner's obligations under Sec. 3 below). In this regard, each Unit Owner shall be responsible for maintenance, repair and replacement of the garage doors of each of the Unit.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 12

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Section 2. UNITS.

Each Unit Owner shall maintain, repair and replace, at Owner's expense, all portions of Owner's Unit, including windows and exterior doors except the portions thereof to be maintained, repaired or replaced by the Association in accordance with this Declaration.

Section 3. LIMITED COMMON ELEMENTS/OWNER'S OBLIGATIONS

Common expenses associated with the maintenance, repair or replacement of all Limited Common Elements will be assessed against the Unit to which the limited Common Element is assigned where necessitated by the acts or omissions of Owner or invitees thereof and otherwise by the Association, unless otherwise provided herein.

Section 4. ACCESS.

Any person authorized by the Executive Board shall have the right of access to all portions of the Common Interest Community for the purpose of correcting any condition threatening a Unit or the Common Elements, for the purpose of performing installations, alterations or repairs, and for the purpose of reading, repairing, replacing utility meters and related pipes, valves, wires and equipment, provided that requests for entry are made in advance and that any such entry is at a time reasonably convenient to the affected Unit Owner. In case of an emergency, no such request or notice is required and such right of entry shall be immediate, whether or not the Unit Owner is present at the time.

Section 5. REPAIRS RESULTING FROM NEGLIGENCE.

Each Unit Owner will pay for or reimburse the Association for any damages to any other Unit or to the Common Elements (including Limited Common Elements) caused intentionally or negligently by Owner or Owner's Invitees, or by Owner's failure to properly maintain, repair or make replacements.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 13

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

VII
SUBSEQUENTLY ALLOCATED LIMITED COMMON ELEMENTS

There are no Limited Common Elements to be allocated subsequent to recording of this Declaration, save and except that Limited Common Elements described at V that will be allocated to the Units in Future Phases should additional Phases be constructed.

VIII
ALLOCATED INTERESTS

Section 1. ALLOCATION OF INTERESTS.

The allocated interest appertaining to each Unit in Phase One for all purposes including voting and the determination of liability for Common Expenses shall be one-half (½) each. These interests have been allocated in accordance with the formula described in Section 2 of this Article. Such formula is to be used in reallocating interests if Units are added to the Common Interest Community by reason of expansion to include part or all of the "Future Phase Property".

Section 2. FORMULA FOR ALLOCATION OF INTERESTS.

The interest allocated to each Unit is derived by dividing the total number of Units in the common interest community at any one time into one (1) and may be expressed as a fraction or a percentage.

Section 3. VOTING/ASSESSMENT OBLIGATIONS.

Each Unit in the Common Interest Community shall have voting strength, rights and obligations in accordance with the specified percentages set forth above and as amended in accordance with Article IX. These percentages are determined by the same formula described at Section 2, above.

Section 4. ASSIGNMENT OF ALLOCATED INTEREST UPON CREATION OF UNITS PURSUANT TO EXERCISE OF DEVELOPMENT RIGHTS.

The effective date for assigning allocated interest to Units created pursuant to Article IX of this Declaration shall be the date on which the amendment

creating the particular Future Phase is recorded in the records of the Palmer Recording District, Third Judicial District, State of Alaska.

IX
DEVELOPMENTAL RIGHTS, SPECIAL DECLARANT RIGHTS
AND OTHER RESERVATIONS

Section 1. GENERAL.

Declarant reserves all "Special Declarant Rights" and "Development Rights" defined at Article I, Sections 10 and 29, A.S. 34.08.990(14) and A.S. 34.08.990(30), to the maximum extent permitted by law, and the below reservations are not intended to diminish such rights.

Section 2. MODELS, SALES OFFICES AND MANAGEMENT OFFICES.

As long as the Declarant is a Unit Owner, the Declarant and its duly authorized agents, representatives and employees may maintain any Unit owned by the Declarant as a model Unit, sales office or management office. So long as Declarant is a Unit Owner, it shall hold the Association harmless for damages suffered by invitees of Declarant, visiting the sales or management office or using the Common Elements where the same is not otherwise covered by liability insurance.

Section 3. CONSTRUCTION; DECLARANT'S EASEMENT.

The Declarant reserves the right to perform warranty work, and repairs and construction work, and to store materials in secure areas, in Units and on or about Common Elements, and the further right to control all such work and repairs and the right of access thereto, until its completion. All work may be performed by the Declarant without the consent or approval of the Executive Board. The Declarant has such an easement through the Common Interest Community as may be reasonably necessary for the purpose of discharging the Declarant's obligations or exercising Special Declarant Rights and Development Rights, whether arising under the Act or reserved in the Declaration. Such easement includes the right to convey utility and drainage easements to public utilities, municipalities, the State, riparian owners or upland owners to fulfill the plan of development solely on the signature of Declarant.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
 (AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 15

DOCUMENT PREPARED BY
 JIM CHRISTIE & ASSOCIATES
 Reginald J. Christie, Jr., Esq.
 July 27, 2001

Section 4. SIGNS AND MARKETING.

The Declarant reserves the right to post signs and displays on Units and on the Common Elements to promote sales of Units, and to conduct general sales activities, in a manner as will not unreasonably disturb the rights of Unit Owners.

Section 5. DECLARANT'S PERSONAL PROPERTY.

The Declarant reserves the right to retain all personal property and equipment used in the sales, management, construction and maintenance of the Common Interest Community that has not been represented in writing to be property of the Association. The Declarant reserves the right to remove any and all goods and improvements used in development, marketing and construction whether or not they have become fixtures.

Section 6. DECLARANT'S CONTROL OF THE ASSOCIATION.

(a) Subject to subsection (b) hereof, there shall be a period of Declarant control of the Association, during which the Declarant, or persons designated by it, may appoint and remove the officers and members of the Executive Board. The period of Declarant control shall terminate no later than the earlier of:

(i) sixty (60) days after conveyance of seventy-five percent (75%) of the Units that may be created under this Declaration to Unit Owners other than Declarant;

(ii) two (2) years after Declarant has ceased to offer Units for sale in the ordinary course of business; or

(iii) two (2) years after any right to add new Units was last exercised; or

(iv) five years after the first Unit is conveyed to an Owner other than Declarant.

Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of such period, but in that event the Declarant may require, for the duration of the period of Declarant control, that specified actions of the Association or Executive Board, as described in

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 16

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

a recorded instrument executed by the Declarant be approved by the Declarant before they became effective.

(b) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units that may be created under this Declaration to Unit Owners other than Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Executive Board shall be elected by Unit Owners other than the Declarant. Not later than sixty (60) days after conveyance of fifty percent (50%) of the Units that may be created under this Declaration to Unit Owners other than Declarant, not less than thirty-three and one-third percent (33-1/3%) of the members of the Executive Board must be elected by Unit Owners other than the Declarant.

(c) Not later than the termination of any period of Declarant control, the Unit Owners shall elect an Executive Board of at least three (3) members, at least a majority of whom shall be Unit Owners. The Executive Board shall elect the officers. The Executive Board members and officers shall take office upon election.

(d) Notwithstanding any provision of this Declaration or the Bylaws to the contrary, following notice under 34.08.390, the Unit Owners, by a two-thirds (2/3) vote of all persons present and entitled to vote at any meeting of the Unit Owners at which a quorum is present, may remove 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.

Unless sooner terminated by a recorded instrument executed by Declarant, Special Declarant Rights (as opposed to Development Rights) may be exercised by the Declarant, so long as Declarant is obligated under any warranty or obligation, owns a Unit or a security interest in a Unit, or for ten (10) years after recording this Declaration as to Phase I Property and as to "Future Phase Property" ten years after recording the amendment adding "Future Phase Property", whichever is the later.

Section 8. RESERVATION OF DEVELOPMENT RIGHTS.

Declarant reserves the following Development Rights:

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 17

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(a) The right by amendment to this Declaration to add land, Units, Limited Common Elements and Common Elements to the Common Interest Community on all or part of the Future Phase Property (See Article I Section 24). No assurances are made that more than one phase will be constructed and added to the Common Interest Community or the boundaries or the order in which portions of the Future Phase Property will be developed (if at all). If such development right is exercised as to a portion of the Future Phase Property such right need not be exercised as to all or in any other portion of the Future Phase Property.

(b) The right to fail to construct all or part of the Future Phase Property (see Article I, Section 24) of the Project in accordance with the limitations herein.

(c) The right to construct utility lines, pipes, wires, ducts, conduits across the Phase One property and Future Phase property added to the Common Interest Community for the purposes of furnishing utilities and other services to buildings, and improvements to be constructed on the land designated as "Future Phase Property". The Declarant also reserves the right to withdraw and grant easements to public utility companies and to convey improvements within these easements anywhere in the Common Interest Community not occupied by buildings for the above mentioned purposes.

Section 9. LIMITATIONS ON DEVELOPMENT RIGHTS.

(a) Development Rights may be exercised at any time in whole or in part within seven years from the recording date of this Declaration.

(b) Not more than sixty-six (66) Units may be created on the Future Phase Property.

(c) All Units created by exercise of Development Rights will be restricted to single family residential purposes and shall be subject in all respects to the provisions of this Declaration.

(d) If constructed the Condominium buildings and Units in Future Phases will be compatible in terms of architectural styles, quality of construction and size to Phase One but may vary in layout and need not be identical. The value of the

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 18

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Units and their quality of construction shall be commensurate with the Units initially constructed.

(e) Any reallocation of interest made necessary by exercise of Development Rights shall be made in a manner which causes all Units in the Condominium Project as expanded to have an equal interest in the common areas and facilities and therefore equal assessments and voting rights.

(f) Unit Owners, eligible insurers and mortgagees of Units in Phase I will not be adversely affected by liens arising from the construction of improvements on Future Phase Property.

(g) Development Rights shall not be exercised without the approval of all persons or entities holding a security interest in those rights.

(h) All improvements for Future Phases will be substantially completed prior to adding such phase or phases to the Common Interest Community.

Section 10. DECLARANT'S RIGHTS AND OBLIGATIONS.

As to unsold Units in the Project Declarant enjoys the same rights and assumes the same duties as they may relate to each individual unsold Unit.

X

RESTRICTIONS ON USE, ALIENATION AND OCCUPANCY

Subject to any reserved rights of Declarant, the use, alienation and occupancy of all Units subject to this Declaration is restricted as follows:

Section 1. AGE RESTRICTIONS

It is the intent of Declarant that this Project at all times qualify as housing for older person and Declarant hereby restricts the ownership, use and occupancy of the Condominium Units within this project so as to qualify as housing for persons 55 years or older (Housing for Older Persons in accordance with the Federal Fair Housing Act) (The Act) as follows:

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 19

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

1. This Condominium Project is established for ownership and occupancy by persons 55 years or older. At least 80% of its occupied Units must be occupied by at least one person 55 years of or over all in accordance with the "Act" and regulations promulgated thereunder.

2. The Executive Board, shall, after the termination of Declarant Control, must, in addition to all other responsibilities and obligations set forth herein or in the Bylaws take all reasonable and necessary steps to comply with the requirements set forth or referred to herein, in particular, but not limited to:

Section 807b(2)(c)(42 USC 3607(b) of the Fair Housing Act as amended and 24 CFR 100.304, 100.305, 100.306 and 100.307

Subpart E, Part 100 under Title 24 subtitle B Chapter 1, subchapter A

(Collectively referred to herein as Federal Fair Housing Act)) and any other pertinent parts or amendments or changes to the Act.

Section 2. SINGLE-FAMILY RESIDENCE

Units shall be used exclusively for single-family residential purposes. (One or more persons occupying a Unit and living as a single housekeeping Unit as distinguished from a group occupying a rooming house, club, fraternity house or hotel).

Section 3. PARKING AND VEHICULAR RESTRICTIONS

No vehicle not in an operating condition shall be parked or left on the property subject to this Declaration. No boats, snowmachines, motorhomes or other recreational or commercial vehicle shall be stored anywhere on the property for any longer than forty-eight (48) hours, except with permission of the Executive Board. This Section shall not be deemed to apply to such items stored within Unit garages.

Section 4. NUISANCES

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 20

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

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 Unit and its contents, shall be placed in any Unit. 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 commit or permit any nuisance on the property, 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 5. SIGNS

No signs, posters, displays or other advertising devices of any character shall be erected or maintained on, or shown or displayed from, the Units without prior written approval from the Executive Board; provided, however, that the restrictions of this Section 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 Units as set forth in Article IX, Section 4.

Section 6. HOLD HARMLESS AND INDEMNIFICATION

Each Unit Owner shall be liable to the Association for any damage to the Common Elements or any equipment thereon as well as the Limited Common Elements 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 a Unit deed, agree to indemnify each and every other Unit Owner, and to hold him, her or it harmless from claims of any person for personal injuries or property damage occurring within his, her or its 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, her or its expense, any and all remaining owners who may be sued by any

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 21

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

person for a claim for personal injury or property damage alleged to have been sustained within his, her or its Unit.

Section 7. OUTSIDE INSTALLATIONS

No outside pole or antennae shall be erected or maintained without first obtaining the approval of the Executive Board. No wiring or installation of air conditioning or other machine shall be installed on the exterior of the buildings or be allowed to protrude through the walls or roofs of the buildings, unless the prior written approval of the Executive Board is secured. No basketball standards or fixed sports apparatus shall be attached to any Unit without the prior written approval of the Executive Board.

Section 8. 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 total number of dogs, cats and birds to two (2), and not two (2) each. The Association shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Executive Board, a nuisance to any other Unit Owner. Dogs and cats belonging to Unit Owners, occupants or their invitees must be kept on a leash being held by a person capable of controlling the animal. Unit Owners, occupants and licensees shall not allow animals to defecate on common areas, but if it occurs the Unit Owner shall promptly clean up and remove the same. 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 Executive Board 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, or other invitees.

Section 9. BUSINESS OR COMMERCIAL ACTIVITY.

No business or commercial activity shall be maintained or conducted in any Unit, except that Declarant, or a person designated by the Association as agent of the Association for purposes of managing the property, may maintain management

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 22

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

offices and facilities in a Unit or in a temporary structure constructed on the project; provided, however, that professional and administrative occupations may be carried on within the Units 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 property; 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 after completion of construction.

Section 11. RUBBISH REMOVAL/EXTERIOR FIRES.

Trash, garbage or other waste shall be disposed of only by depositing same in a garbage disposal or 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 property except designated trash receptacles. No portion of the property shall be used for the storage of building materials, refuse or any other materials other than in connection with approved construction and construction pursuant to Article IX. There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles.

Section 12. LEASE OF UNITS.

Any Unit Owner may lease a Unit to a third party, but such a lease arrangement must be in writing, be for a term of not less than thirty (30) days, may not result in the Projects failure to comply with the "Fair Housing Act" and provide that the failure to comply in all respects with the provisions of the Declaration Bylaws and Rules (if any) shall be a default under the terms of the lease. No owner shall rent or lease less than an entire Unit.

Section 13. RESTRICTIONS ON ALIENATION.

A Unit may not be conveyed pursuant to a time-sharing or similar plan. Leasing of Units is restricted in accordance with Section 11 above. Conveyance that would result in the Project not being in compliance with the Fair Housing Act are also prohibited.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 23

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Section 14. OWNER OCCUPANCY.

Units are to be occupied only in accordance with the "owner occupancy" requirements of AHFC, HUD, FNMA, FHLMC, GNMA, FHA, Federal Veterans Administration, their successors _____ and assigns having a security interest in a unit.

XI**EASEMENTS AND LICENSES****Section 1. GENERAL.**

Declarant, in addition to all other easements reserved herein or reasonably implied from the contents of this Declaration, expressly reserves, for the benefit of itself and Owners in the Common Interest Community, reciprocal non-exclusive easements of use, access, ingress and egress over all the Common Elements in accordance with the purpose for which they were intended without hindering or encroaching upon the lawful rights of others. 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 without specific reference to the same. The Declarant expressly reserves, for the benefit of each Unit to which a Limited Common Element is allocated, an exclusive easement for use of those areas described at Article V and/or depicted on the plans/plats as Limited Common Elements, in accordance with Article V hereof. In the event any portion of the Common Elements encroaches upon any Unit, or any Unit encroaches upon the Common Elements, or another Unit as a result of the construction, reconstruction, repair, shifting, settlement or other movement of any portion of the property, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists, even though no specific reference to such easement appears in a conveyance instrument. In any event the existing physical boundaries of a Unit, or the physical boundaries of a Unit that was reconstructed in substantial accord with the description herein will be considered the legal boundaries of the Unit.

Section 2. RECORDED EASEMENTS AND LICENSES.

The recorded data for recorded easements and licenses appurtenant to or included in the Common Interest Community is set forth on Exhibit "A" attached.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 24

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

XII

ALLOCATION AND REALLOCATION OF LIMITED COMMON ELEMENTS

Except as may be provided herein, no Limited Common Element depicted on the plat or plans as described in the Declaration may be reallocated by an amendment to this Declaration without the written consent of all affected Owners and mortgages as required by this Declaration.

XIII

SUBDIVISION AND JOINDER OF UNITS**Section 1. Subdivision.**

There shall be no subdivision of Units.

Section 2. Permitted Joinder.

Subject to Executive Board approval of any structural changes and existence of any required permits and compliance with applicable code requirements apertures can be created in the walls common to contiguous Units and partitions may be removed so that the contiguous Units can be used as one, even if the wall or partition is in whole or in part a Common Element. Such removal or creation is not an alteration of boundaries.

Section 3. Relocation of Boundaries Between Adjoining Units.

Subject to Executive Board approval of any structural changes and existence of any required permits, the boundaries of adjoining Units may be relocated by an amendment to this Declaration as well as the plans/plats. The person seeking the relocation shall file an application with the Executive Board stating the proposed relocation and reallocation of the percentage interest in common areas and facilities, if any. The Executive Board shall have thirty (30) days to consider and act upon the allocation. If the application does not adversely affect the common interest community or its members, it shall be granted. Approval may be conditioned in any reasonable manner. After an application is approved amendments to the declaration as well as the plans/plats shall be prepared at the expense of the applicant(s) which sets forth the change and reallocation and which contains words of conveyance between the owners of the affected Units. The amendment shall be executed by the owners and all persons holding a security interest in the affected Units.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 25

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Section 4. Recording Amendments.

The amendment making the relocation, along with a revised plan/plat showing the change, shall be recorded and/or filed as required by the applicable law. The applicant(s) shall bear the cost of preparing, recording and filing amendments.

Section 5. Not Applicable to Declarant.

The provisions of this Article do not apply to or in any way limit the exercise of Special Declarant Rights or Developmental Rights.

**XIV
AMENDMENTS TO DECLARATION**

Section 1. GENERAL.

Except in cases of amendments that may be executed by the Association under Section 34.08.740 of the Act, or by certain Unit Owners under Section 34.08.260 of the Act, and except as limited by Section 4 of this Article, Article XVII, Article XVIII, Article XXIII, and Article XXV Section 2j., the Declaration, including the plans/plats, may be amended by vote or agreement of Unit Owners of Units to which at least sixty-seven percent (67%) of the allocated undivided interest in the Common Elements is appurtenant.

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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 26

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

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 Declaration 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. DEVELOPMENTAL RIGHTS, SPECIAL DECLARANT RIGHTS AND OTHER RESERVATIONS.

Developmental Rights, Special Declarant Rights and Other Reservations referred to in Article IX or elsewhere for the benefit of Declarant may not be amended without the consent of the Declarant. Amendments to accomplish the intent of Article IX, Sections 8 and 9 to add one or more Phases to Common Interest Ownership Act need be executed only by Declarant.

Section 7. CONSENT OF HOLDERS OF SECURITY INTERESTS.

Amendments are subject to the consent requirements of Article XVIII.

**XV
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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 27

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

XVI
TERMINATION

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

XVII
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.

When in this Declaration the approval or consent of a specified percentage of eligible mortgagees is required the percentage shall be determined by comparing the aggregate allocated interests of Units subject to security interests held by eligible mortgagees approving or consenting to the aggregate allocated interest of all Units subject to security interests held by eligible mortgagees.

Section 3. NOTICE OF ACTIONS.

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

(a) Any condemnation or casualty loss affecting 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 taking or damage to a Condominium Unit exceeds \$1,000 or exceeds \$10,000 to the Common Interest Community, it shall be deemed material.

(b) Any delinquency in the payment of Common Expense assessments or other default under the Documents for Units 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;

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 28

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(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;

(e) Any judgment rendered against the Association or the Property Manager;

(f) Any proposed termination of the Common Interest Community;

(g) Any proposed action that requires the consent of a specified percentage of eligible Insurer or Mortgagee;

(h) Any loss to, or taking of, the Common Elements of the Project if such loss or taking exceeds \$10,000 or damage to a Unit covered by a First Mortgage exceeds \$10,000.

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 and no act or omission that would tend to result in any of the following without amendment shall be effective without the vote of at least sixty-seven percent (67%) of the total allocated votes (or any greater Unit Owner vote required in this Declaration or the Act) and prior approval in writing by eligible mortgagees of Units which represent at least 51% of the votes of Units that are subject to mortgages held by eligible mortgagees. The percentages herein refer to allocated interest in accordance with Article VIII. The approval requirements herein do not apply to amendments effected by the exercise of any Development Right described at Article IX. Material includes, but is not limited to, any provision affecting:

(i) increases in assessments that raise the previously assessed amount by more than twenty-five percent (25%);

(ii) assessments, assessment liens or priority of assessment liens;

(iii) voting rights;

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 29

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(iv) reductions of reserves for maintenance, repair and replacement of Common Elements;

(v) responsibility for maintenance and repairs;

(vi) reallocation of interests in the Common Elements or Limited Common Elements for any purposes except that when Limited Common Elements are reallocated by agreement between Unit Owners, only those Unit Owners and the eligible mortgagees holding security interests in such Units must consent;

(vii) rights to use Common Elements and Limited Common Elements;

(viii) redefinition of any Unit boundaries when boundaries of only adjoining Units are involved, then only those Unit Owners and the eligible mortgagees holding security interests in such Unit or Units must approve such action;

(ix) convertibility of Units into Common Elements or vice versa;

(x) expansion or contraction of the Common Interest Community, or the addition, annexation or withdrawal of property to or from the Common Interest Community except as herein set forth;

(xi) hazard insurance or fidelity bond requirements;

(xii) restrictions on leasing of Units;

(xiii) imposition of restrictions on a Unit Owner's right to sell or transfer his or her Unit;

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

(xv) restoration or repair of the project after damage or partial condemnation in a manner other than specified in the Declaration;

(xvi) termination of the Common Interest Community after occurrence of substantial destruction or condemnation;

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 30

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(xvii) the benefits to mortgage holders, insurers or guarantors.

(xviii) So long as Alaska Housing Finance Corporation or Federal National Mortgage Association, or Government National Mortgage Association, or Federal Home Loan Mortgage Corporation or the Federal Housing Administration or the Federal Veterans Administration or their successors or assigns is a first mortgagee or insurer or guarantor Owner of a Unit, the term "Material Amendment" shall include but shall not be limited to any amendment to the "Documents" and any act or omission that would result in a failure to comply with the written requirements of any of the foregoing for condominium projects unless waived in writing by the particular entity whose written requirements are affected.

(b) Actions. Notwithstanding any lower requirement permitted by this Declaration or the Act, the Association may not take or permit any of the following actions, without the written approval of eligible mortgagees of Units representing not less than the following percentages of Allocated Interest in the Common Elements described in Article VIII:

(i) convey or encumber the Common Elements or any portion thereof; Eligible Mortgagee approval: Sixty-seven percent (67%). 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;

(ii) Restoration or repair of the property (after a hazard damage or partial condemnation) in a manner other than that specified in the documents or use of hazard insurance proceeds for losses to any condominium property, whether to a Unit or to the Common Elements, for other than the repair, replacement or reconstruction of such improvements: sixty-seven percent (67%);

(iii) the termination of the Common Interest Community for reasons other than a substantial destruction or condemnation, as to which a sixty-seven percent (67%) eligible mortgagee approval is required; that 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.

(iv) the alteration of any partition or creation of any aperture between adjoining Units (when Unit boundaries are not otherwise being affected), in

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 31

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

which case only the Owners of Units affected and eligible mortgagees of those Units need approve the action;

(v) the merger of this Common Interest Community with any other Common Interest Community: sixty-seven percent (67%);

(vi) 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): sixty-seven percent (67%);

(vii) the assignment of the future income of the association, including its right to receive Common expense assessments: sixty-seven percent (67%); and

(viii) by act or omission seek to abandon, partition, subdivide, encumber, annex, expand or withdraw any of the Common Elements or Elements or the sale or transfer of any part thereof: sixty-seven percent (67%).

(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.

Section 5. INSPECTION OF BOOKS/LEGAL DOCUMENTS.

The Association shall permit any eligible mortgagee, eligible insurer or guarantors of the foregoing and Unit Owners to inspect the books and records of the association, including without limitation current copies of the Declaration, Bylaws, Articles of Incorporation, as well as its own books, records and financial statements 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 at a minimum be audited every third year be audited and

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 32

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

reviewed each year by an independent certified public accountant and if 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 XXII 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 XXII, 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.

XVIII

ASSESSMENT AND COLLECTION OF COMMON EXPENSES

Section 1. APPORTIONMENT OF COMMON EXPENSES.

Except as provided in Section 2(a) of this Article, all Common Expenses shall be assessed against all Units in accordance with their allocated interests in the Common Elements set forth in Article VIII.

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

(a) Except as herein provided any expense associated with the maintenance, repair or replacement of a Limited Common Element which serves only one Unit shall be assessed against the Unit or Units to which the Limited Common Element is assigned.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 33

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(b) Any expense for services provided by the Association to any individual Unit at the request of the Unit Owner not made a common expense under the Declaration 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 about 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 expense is caused by the misconduct of a Unit Owner, the Association may assess that expense exclusively against the Unit and Unit Owner.

(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: (1) liens 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 (2) of this Subsection if the Common Expense assessments based on the periodic budget adopted by the Association pursuant to Section 4 of this Article 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 Subdivision (2) of this Subsection. This subsection does not affect the priority of mechanics' or materialmen's liens, or the priority of a lien for

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS
Page 34

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

other assessments made by the Association. A lien under this Section is not subject to the provisions 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 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) Without limiting any other remedy which may be available the Association's lien may be foreclosed as a lien 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) The purchaser of a Unit at a 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) of this Article and A.S. 34.08.470(b). Any unpaid assessments not satisfied from the

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 35

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

proceeds of the sale become Common expenses collectible from all the Unit Owners, including the purchaser. The purchaser is liable for all assessments due after the time of sale and the Association has its lien on the Unit to secure payment.

(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 copy of it 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. 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 REGULAR COMMON EXPENSES.

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

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 36

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Section 8. ESTABLISHMENT OF WORKING CAPITAL FUND.

At the time the first Unit in a Phase is first conveyed by Declarant, the grantee (purchaser) shall pay an amount equal to the projected regular assessments for the Unit for a two-month period to establish the Working Capital Fund which is to be used until there are sufficient funds from the regular assessments to cover all ongoing operating expenses. These sums are to be collected by the closing escrow agent and then transferred to the Association for payment into a segregated fund.

This fund shall not bear interest. Conveyance of a Unit shall be deemed to transfer all right, title and interest in such fund.

These payments are not to be deemed advance payment of regular assessments. Within sixty (60) days after closing on the first Unit within a phase the Declarant shall pay each unsold Units two months share of the Working Capital Fund into the segregated Working Capital Fund provided for herein. Declarant shall be reimbursed for such payments from funds collected at closing when the unsold Units are sold.

Section 9. ALLOCATION OF ASSESSMENTS.

As collected, the assessments shall be allocated and segregated into a Reserve Fund and a Working Capital Fund. The Reserve Fund shall be used for the periodic maintenance, repair and replacement of those Common Elements (and Limited Common Elements for which the Association is responsible) that must be replaced on a periodic basis, shall be maintained out of the regular assessment herein provided for and shall be adequate for the purposes set forth. The Working Capital Fund shall be used to cover the routine operating expenses of the Common Interest Community.

Section 10. SPECIAL ASSESSMENTS FOR CAPITAL IMPROVEMENTS.

In addition to the regular assessments authorized above, the Association may levy in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of part or all of the Common Elements, including fixtures and personal property related thereto and general landscaping; provided that any such assessment shall have the assent of Owners whose aggregate interest in the Common Elements is not less than sixty-seven percent (67%).

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 37

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Section 11. 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 regular or special Common Expense assessment levied against his or her Unit, the Executive Board shall have the right, to declare all unpaid assessments for the pertinent fiscal year to be immediately due and payable.

Section 12. COMMENCEMENT OF COMMON EXPENSE ASSESSMENTS.

The Common expense assessments will commence as to all Units within each phase of the Common Interest Community, including those owned by Declarant, not later than sixty (60) days after conveyance of the first Unit within that Phase to an Owner. Unsold Units that are not occupied may temporarily be accorded a reasonably reduced assessment rate but in any event, the full assessment rate shall apply to all Units within a Phase no later than sixty (60) days after the first Unit in that Phase is conveyed by Declarant. Declarant's obligations to pay may, however, be offset by supplying of labor and materials not required to be supplied.

Section 13. 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 14. 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.

Section 15. USE AND TRANSFER OF FUNDS.

At the time Declarant is to relinquish control in accordance with this Declaration or the Act or the requirements of Alaska Housing Finance Corporation, Government National Mortgage Association, Federal National Mortgage Association, Federal Housing Administration or the Federal Veterans Association, the Working Capital Fund established in accordance with Section 8 is to be transferred to the Association, if not already transferred. The Working Capital Fund is at all times to be

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 38

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

maintained in a segregated account. Declarant may not use any such funds for any of its expenses, reserve contributions or construction costs, or to make up any budget deficits while it is in control. When unsold Units are sold Declarant may, however, reimburse itself for funds it paid to the Association for an unsold Unit's share of the Working Capital Fund by using funds collected at closing when the Unit is sold.

XIX
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 of Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated, at a meeting called for that purpose and written approval of sixty-seven percent (67%) of eligible mortgagees.

XX
PERSONS AND UNITS SUBJECT TO DOCUMENTS

Section 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 Palmer 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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 39

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

XXI
INSURANCE

Section 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:

(i) The Association shall at all times secure and maintain a master or blanket policy of fire and hazard insurance included within the term "extended coverage" on: (1) all personal property owned by the Association, and (2) the Common Elements and Limited Common Elements including without limitation, buildings, Units, fixtures, equipment, improvements and other property whether part of a Unit or Common Element or Limited Common Element. All premiums are to be paid as a Common Expense.

(b) Amounts.

Insurance shall be secured and maintained in amounts (after application of any deductions) equal to one hundred percent (100%) of replacement cost at the time the insurance is purchased and at each renewal date. The maximum deductible for insurance policies shall be \$10,000 or one percent (1%) of the policy face amount. The difference between the policy deductible and the actual loss shall be maintained by the Association as a reserve.

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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 40

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(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:

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

(ii) 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.

(iii) 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;

(iv) Loss must be adjusted with the Association;

(v) 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.

(vi) 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.

(vii) Notwithstanding any provisions to the contrary herein, the Association shall be required to continuously carry a master condominium policy of casualty insurance, and a fidelity bond, with such coverage and endorsements in form and amounts, including full replacement costs coverage with an agreed-amount endorsement as required by an Eligible Insurer or Eligible Mortgagee during such periods of time an Eligible Insurer or Eligible Mortgagee is or are a mortgagee on a Unit in the project or the Owner of such a Unit.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 41

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(viii) The name of the insured shall be substantially as follows: **"MOUNTAIN ROSE ESTATES CONDOMINIUM OWNERS 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, other areas under its supervision, the activities of the Association, and any legal liability that results from lawsuits related to employment contracts in which the Association is a party.

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

(i) 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.

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

(iii) 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.

(iv) 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.

(v) 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, each "eligible mortgagee and insurer" and holder of a Security Interest to whom a certificate or memorandum of insurance has been issued at their last known addresses.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 42

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

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 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.

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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 43

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Section 10. GENERAL.

So long as the Alaska Housing Finance Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration or the Federal Veterans Administration or their successors or assigns is a mortgagee, insurer, guarantor or an Owner of a condominium Unit in the Project, the Association shall continuously maintain in effect any casualty, flood and liability insurance and fidelity bonds meeting the insurance and fidelity bond requirements as established by any of the foregoing for condominium projects, regardless of other or different requirements of the Association, the Owners, mortgagees or other interested parties.

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

The Association and Unit Owners shall promptly repair or replace portions of the Common Interest Community damaged or destroyed if insurance was required to be maintained 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 and Mortgagee approval is obtained pursuant to Article XVII.

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

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 44

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

approved by the Executive Board, sixty-seven percent (67%) of Unit Owners and sixty-seven percent (67%) 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,

(i) 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

(ii) 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;

(c) 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.

(a) Insurance Trustee.

(i) Notwithstanding any provision in the Declaration to the contrary, a trustee may be appointed to receive and hold insurance proceeds payable to the Association, Unit owners and lien holders. The trustee, if one has been appointed, and if not, the Executive Board shall have the exclusive authority to negotiate losses under a policy and shall hold any insurance proceeds received in trust for the Association, Unit owners and lien holders as their respective interests may appear. Subject to Section 1 of this Article, proceeds will be used first to pay for the repair and replacement of the damaged property and the remainder, if any, will be distributed to the Unit owners and lien holders as required by law and this

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 45

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

Declaration. In making distributions, the trustee may rely on written certifications made by the Executive Board setting forth the intention of the Association with respect to repair or replacement of the damaged property and the names and amounts due to persons performing repairs. The trustee, in making disbursements, may rely on a report from a title insurer which states the name and the nature of the estate held by each named person in the damaged property.

(ii) Each and every Unit owner shall, and hereby does, appoint any insurance trustee or the Executive Board as his attorney-in-fact for the purpose of purchasing and maintaining insurance required by this Declaration, collecting and distributing proceeds, executing releases and other instruments, and performing all other necessary duties.

(iii) 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 4 (a) through (c), the proceeds shall be disbursed first for the repair or restoration of the damaged Property. 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. CERTIFICATES BY ATTORNEYS.

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 Third Judicial District, Palmer, State

of Alaska, from the date of the recording of the original Declaration stating the names of the Unit Owners and the Mortgagees.

XXIII

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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 47

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

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.

XXIV
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 subject to and, 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 be made subject to a Security Interest only pursuant to Section 34.08.430 of the Act and this Declaration;

(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;

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 49

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

(p) Subject to other provisions of this Declaration, 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.

XXV 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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 50

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

XXVI
PROFESSIONAL MANAGEMENT CONTRACTS

If for any reason the Association enters a contract for professional management (as opposed to any other types of service contracts) the following shall apply:

(a) Professional Management contracts shall be subject to termination without cause by written notice by an advance notice of 90 days or more without penalty, fee or further contractual obligations.

(b) Professional Management contracts entered into by Declarant (or the Association) before contract is passed to the Unit Owners are subject to the Association's right to terminate it without cause at any time after transfer of contract to the Unit Owners.

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.

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, *et seq.*)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 51

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

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.

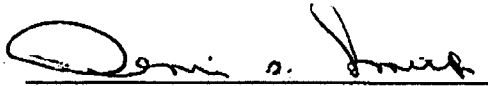
The documents are intended to comply with the requirements of the Act and Chapter 10.20 of the Alaska Statutes (Non Profit Corporation Law). In the event of any conflict between the documents and the provisions of the statutes, the provisions of the statutes shall control. In the event of any conflict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

Section 6. RIGHTS OF ACTION.

The Association and any aggrieved Unit Owner shall have the right of action against Unit Owners who fail to comply with the provisions of the "Documents" or decisions made by the Association that did not comply with the "Documents", and against the "Association" for failure to comply with the "Documents".

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

D.G. SMITH BUILDERS, LLC:



by Dennis G. Smith

Exhibits
A Recorded Easements and Licenses

DECLARATION SUBMITTING REAL PROPERTY TO THE UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)

MOUNTAIN ROSE ESTATES CONDOMINIUMS

Page 52

DOCUMENT PREPARED BY
JIM CHRISTIE & ASSOCIATES
Reginald J. Christie, Jr., Esq.
July 27, 2001

State of Alaska }
 }
 } ss.
Third Judicial District }

The foregoing instrument was acknowledged before me this 31st day of July, 2001, by Dennis Smith, Member of D.G. SMITH BUILDERS, LLC, a limited liability company, on behalf of the company.



Linda J. Lincoln

Notary Public in and for Alaska
My Commission expires:

CONSENT OF DEED OF TRUST BENEFICIARY

The First National Bank of Anchorage, Beneficiary of a deed of trust on the real property described at Page 1 of this Declaration, consents to the foregoing submission of said property to the provision of the Uniform Common Interest Ownership Act (Alaska Statutes A.S.34.08 et seq.).

DATED: 7/31/01 THE FIRST NATIONAL BANK OF ANCHORAGE

By: Frank J. Kelly
FNBA, Vice President

STATE OF ALASKA)
)SS.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY, that on the 31st day of July, 2001, before me, the undersigned, a Notary Public in and for the State of Alaska, duly commissioned and sworn as such, personally appeared Frank J. Kelly, as Vice President of the 1st National Bank of anchorage, who stated that on behalf of said banking association he executed the within and foregoing instrument; and he acknowledged to me that he signed the same freely and voluntarily for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year first above written.

[Signature]
NOTARY PUBLIC IN AND FOR ALASKA
My Commission Expires: Oct. 15, 2004




EXHIBIT A: EASEMENTS AND LICENSES

1. EASEMENT
 Granted to: MATANUSKA VALLEY FARMERS COOPERATING ASSOCIATION
 Recorded: February 24, 1948
 Book/Page: 5/319
 For: Outfall sewer line
 Affects: The West 20 feet

2. EASEMENT
 Granted to: MATANUSKA MAID, INC
 Recorded: September 17, 1965
 Book/Page: 7 Misc./259
 For: Storm and sanitary sewer line
 Affects: The West 20 feet

3. EASEMENT
 Granted to: MATANUSKA ELECTRIC ASSOCIATION, INC
 Recorded: November 3, 2000
 Book/Page: 1098/864
 BLANKET EASEMENT

4. EASEMENT
 Granted to: UNITED STATES OF AMERICA
 Recorded: April 14, 1954
 Book/Page: 17/201
 For: Electric Transmission lines
 Affects: As described in said document

5. Easement(s) delineated on the Plat of MOUNTAIN ROSE ESTATES, UNIT 1:
 For: Sewer
 Affects: As set forth on plat

016437
 PALMER
 RECORDING DISTRICT
 195 cc
 2001 JUL 31 PM 3:31
 REQUESTED BY

Return to:
 D. A. Smith Builders, LLC
 2281 E. Sun Mountain Ave #2
 Wasilla, Ak 99654

Mat-Su Title Insurance Agency, Inc.
 P.O. Box 87-1810
 Wasilla, AK 99687

cc