

COPY

- ANCHORAGE RECORDING DISTRICT -

**DECLARATION
OF
COVENANTS, CONDITIONS AND
RESTRICTIONS
FOR
HIDDEN COVE PHASE III
(A Planned Community Within Southport)**

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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
PURSUANT TO THE
UNIFORM COMMON INTEREST OWNERSHIP ACT
(AS 34.08, et seq.)
FOR

HIDDEN COVE PHASE III
(A Planned Community Within Southport)

THIS DECLARATION is made on the 16th day of July, 2001 by Discovery Construction, Inc., hereinafter referred to as "Declarant."

Declarant is the owner of the real property described in Exhibit A and submits said real property described in Exhibit A to the provisions of the Common Interest Ownership Act (the "Act"), AS 34.08 of the Alaska Statutes, for the purpose of creating Hidden Cove Phase III (A Planned Community Within Southport).

ARTICLE 1.
DEFINITIONS

Section 1.1. ACT.

"Act" means the Uniform Common Interest Ownership Act, Title 34 Chapter 8, of the Alaska Statutes, and any amendments thereto.

Section 1.2. AFFILIATE OF DECLARANT.

"Affiliate of Declarant" means any person or entity which controls, is controlled by, or is under common control with, a Declarant. A person or an entity shall be deemed to control a Declarant if that person or entity (i) is a general partner, officer, director, or employee of Declarant; (ii) directly or indirectly are acting in concert with one or more persons, or through one or more subsidiaries, owns, controls, or holds with power to vote, or holds proxies representing, more than twenty percent (20%) of the voting shares of Declarant; (iii) controls in any manner the election of a majority of the directors of Declarant; or (iv) has contributed more than twenty percent (20%) of the capital of Declarant. A person or entity shall be deemed to be controlled by Declarant if Declarant (i) is a general partner, officer, director, or employee of that person or entity; (ii) directly or indirectly or acting in concert with one or more persons; or through one or more subsidiaries, owns, controls, or holds with power to vote, or holds proxies representing more than twenty percent (20%) of the voting share of that person or entity; (iii) controls in any manner the election of a majority of the directors of that person or entity; or (iv) has contributed more than twenty percent (20%) of the capital of that person or entity.

Section 1.3. AHFC.

"AHFC" means Alaska Housing Finance Corporation.

Section 1.4. ALLOCATED INTERESTS.

"Allocated Interests" means the following interests allocated to each unit: the undivided interest in the Common Elements, the Common Expense Liability, and votes in the Association. The Allocated Interests are described in Article 7, infra, and are shown in Exhibit C.

Section 1.5. ASSOCIATION.

"Association" means the Unit Owners' association, Hidden Cove Phase III Homeowners Association, a non-profit corporation organized under AS 10.20, et seq., pursuant to AS 34.08.310.

Section 1.6. BYLAWS.

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

Section 1.7. COMMON ELEMENTS.

"Common Elements" means each portion of the Common Interest Community other than a Unit and other than real estate in which Declarant has reserved Development Rights.

Section 1.8. COMMON EXPENSES.

"Common Expenses" means expenditures made by, or financial liabilities of, the Association, together with any allocations to reserves.

Section 1.9. COMMON EXPENSE LIABILITY.

"Common Expense Liability" means the liability for Common Expenses allocated to each Unit under AS 34.08.150.

Section 1.10. COMMON INTEREST COMMUNITY.

"Common Interest Community" means the real estate with respect to which a Person, by virtue of ownership of a Unit, is obligated to pay for real estate taxes, insurance premiums, maintenance, or Improvement of other real estate described in the Declaration. The Common Interest Community described herein is a planned unit development within Southport.

Section 1.11. DEALER.

"Dealer" means a person who owns either six or more units in the Common Interest Community or fifty percent (50%) or more of the units in the Common Interest Community.

Section 1.12. DECLARANT.

"Declarant" means Discovery Construction, Inc., an Alaska corporation, or its successor, as described in AS 34.08.990(12).

Section 1.13. DECLARATION.

"Declaration" means this document, including its attachments, exhibits, and amendments, which creates the Common Interest Community.

Section 1.14. DEVELOPMENT RIGHT.

"Development Right" means a right or a combination of rights reserved by Declarant in the Declaration to: (a) add real estate to a Common Interest Community; (b) create Units, Common Elements, or Limited Common Elements within a Common Interest Community; (c) subdivide Units or convert Units into Common Elements; or (d) withdraw real estate from a Common Interest Community.

Section 1.15. DIRECTOR.

"Director" means a member of the Executive Board.

Section 1.16. DISPOSE.

"Dispose" means a voluntary transfer to a purchaser of any legal or equitable interest in a unit, but does not mean any transfer or release of a security interest.

Section 1.17. DOCUMENTS.

"Documents" means the Declaration, the Plans recorded and filed pursuant to the provisions of the Act, the Bylaws, and the Rules as they may be amended from time to time. Any exhibit or certification accompanying the Declaration, Plans, Bylaws and/or Rules is part of the Documents.

Section 1.18. ELIGIBLE INSURER.

"Eligible Insurer" means an insurer or guarantor of a first Security Interest in a 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.

Section 1.19. ELIGIBLE MORTGAGEE.

"Eligible Mortgagee" means 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.

Section 1.20. EXECUTIVE BOARD.

"Executive Board" or "Board" means the Board of Directors of the Association.

Section 1.21. FHLMC

"FHLMC" means the Federal Home Loan Mortgage Corporation.

Section 1.22. FNMA

"FNMA" means the Federal National Mortgage Association.

Section 1.23. IMPROVEMENTS.

"Improvements" means any existing construction or facilities, or any facilities that are to be constructed, on the land which is described in Article 3, including but not limited to buildings, trees and shrubbery planted by the Declarant or the Association, landscaping, paving, sidewalks, additions, utility wires, pipes, and light poles.

Section 1.24. IDENTIFYING NUMBER.

"Identifying Number" means the lot and block number of each Unit in the Common Interest Community.

Section 1.25. LIMITED COMMON ELEMENTS.

"Limited Common Elements" means the portion of the Common Elements allocated by the Declaration for the exclusive use of one or more but fewer than all of the Units.

Section 1.26. MAJORITY OF UNIT OWNERS.

"Majority of Unit Owners" means the owners of more than fifty percent (50%) of the votes in the Association.

Section 1.27. MANAGER.

"Manager" means a person, business, firm, or corporation employed, contracted, or otherwise engaged to perform management services for the Association.

Section 1.28. MASTER ASSOCIATION.

"Master Association" means an organization described in AS 34.08.280. The Master Association for the unit owner associations in Southport, including Hidden Cove Phase III (A Planned Community Within Southport), is the "Master Association for Southport (a Master Planned Community)."

Section 1.29. NOTICE AND COMMENT.

"Notice and Comment" means 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 on such action. The procedures for Notice and Comment are set forth in Section 24.2 of this Declaration.

Section 1.30. NOTICE AND HEARING.

"Notice and Hearing" means 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 on such action. The procedures for Notice and Hearing are set forth in Section 24.1 of this Declaration.

Section 1.31. PERSON.

"Person" means an individual, corporation, business trust, estate, trust, partnership, association, joint venture, government, government subdivision or agency, or other legal or commercial entity. In the case of a land trust, "Person" means the beneficiary of the land trust and not the land trust or its trustee.

Section 1.32. PLANS.

"Plans" means the plans and/or plat recorded and attached to this Declaration as Exhibit B, as it may be amended from time to time, and as required by AS 34.08.170.

Section 1.33. PROPERTY.

"Property" means the Common Interest Community, the real property described in Exhibit A, any real property added to the Common Interest Community by amendment, Improvements, easements, Units, rights, and appurtenances, which have been submitted to the provisions of the Act by this Declaration.

Section 1.34. PURCHASER.

"Purchaser" means a Person, other than the Declarant or Dealer, who by means of a voluntary transfer acquires a legal or equitable interest in a Unit other than a leasehold interest, including renewal options, of less than forty (40) years, or a security for an obligation.

Section 1.35. RESIDENTIAL PURPOSES.

"Residential Purposes" means use for dwelling or recreational purposes, or both.

Section 1.36. RULES.

"Rules" means 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 1.37. SECURITY INTEREST.

"Security Interest" means 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 1.38. SPECIAL DECLARANT RIGHTS.

"Special Declarant Rights" means the rights reserved for the benefit of a Declarant to:

- a. complete Improvements indicated on the Plans filed with the Declaration;
- b. exercise any Development Right;
- c. convey utility and drainage easements to utility companies and the Municipality of Anchorage, respectively, in Declarant's own name and on behalf of the Association; and convey public use easements in any common elements. As a condition of their purchase, all purchaser's are deemed to have consented to any such conveyances;
- d. maintain sales offices, management offices, models, and signs advertising the Common Interest Community;

e. use and maintain easements through the Common Elements for the purpose of making Improvements within the Common Interest Community or within real estate that may be added to the Common Interest Community;

f. make the Common Interest Community subject to the Master Association;

g. merge or consolidate the Common Interest Community with another Common Interest Community of the same form of ownership; or

h. appoint or remove an officer of the Association or the Master Association or any Executive Board member during any period of Declarant control.

Special Declarant Rights are more fully described in Article 6 of this Declaration.

Section 1.39. TIME SHARE.

"Time Share" means a right to occupy a Unit or any of several Units during five (5) or more separated time periods over a period of at least five years, including renewal options, whether or not coupled with an estate or interest in a Common Interest Community or a specified portion of a Common Interest Community.

Section 1.40. TRUSTEE.

"Trustee" means 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, acting by majority vote, as executed by the president and attested by the secretary.

Section 1.41. UNIT.

"Unit" means a physical portion of the Common Interest Community designated for separate ownership or occupancy, the boundaries of which are described in Section 5.3 of this Declaration.

Section 1.42. UNIT OWNER.

"Unit Owner" means 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. Nor does "Unit Owner" include a Person having a leasehold interest,

including renewal options, of less than forty (40) years in a unit. The Declarant is the initial owner of the Units created by this Declaration.

ARTICLE 2.
NAMES OF THE COMMON INTEREST
COMMUNITY AND ASSOCIATION

Section 2.1. COMMON INTEREST COMMUNITY.

The name of the Common Interest Community is Hidden Cove Phase III (A Planned Community Within Southport), a planned community.

Section 2.2. ASSOCIATION.

The name of the Association is Hidden Cove Phase III Homeowners Association, a non-profit corporation organized under the laws of the State of Alaska.

ARTICLE 3.
DESCRIPTION OF REAL ESTATE

The Common Interest Community is situated in the Municipality of Anchorage, State of Alaska, and includes the real property described in Exhibit A.

ARTICLE 4.
PERSONS SUBJECT TO DOCUMENTS AND THE ACT

Section 4.1. COMPLIANCE WITH DOCUMENTS.

All Unit Owners, tenants, mortgagees, and occupants of the Units shall comply with the Documents and the Act. The acceptance of a deed, the entering into a lease, the exercise of any incident of ownership, 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. All Documents recorded in the Anchorage Recording District, Third Judicial District, State of Alaska are covenants running with the land and shall bind any Persons having at any time any interest or estate in any Unit of the Common Interest Community.

Section 4.2. COMPLIANCE WITH RULES.

Subject to Notice and Comment, the Executive Board may adopt Rules regarding the use and occupancy of Units, any Common Elements, any Limited Common Elements, and the activities of occupants of the Units. All Unit Owners, tenants, mortgagees, and occupants of the Units shall comply with the Rules.

ARTICLE 5.

NUMBER OF UNITS, UNIT IDENTIFICATION, AND UNIT BOUNDARIESSection 5.1. NUMBER OF UNITS.

The Common Interest Community upon creation consists of sixty-three (63) units. No additional units are anticipated.

Section 5.2. UNIT IDENTIFICATION.

All Units have an Identifying Number. These numbers, the lot number of each unit, are shown on the Plans.

Section 5.3. UNIT BOUNDARIES.

The boundaries of each Unit in Hidden Cove Phase III (A Planned Community Within Southport) are the boundaries of the numbered lots created by Plat No. 2001-50, filed in the records of the Anchorage Recording District, Third Judicial District, State of Alaska, and are shown on the Plans attached to this Declaration as Exhibit B.

ARTICLE 6.

SPECIAL DECLARANT RIGHTS AND DEVELOPMENT RIGHTSSection 6.1. SPECIAL DECLARANT RIGHTS.

The Declarant reserves the following rights, to the maximum extent permitted by law, to be exercised anywhere within the Common Interest Community or within real estate that may be added to the Common Interest Community. Declarant may:

- a. complete Improvements indicated on Plans filed with the Declaration;
- b. exercise any Development Right including the rights to (i) add real estate presently outside of Hidden Cove Phase III (A Planned Community Within Southport) to the Common Interest Community; (ii) create Units, Common Elements, or Limited Common Elements within the Common Interest Community. Declarant may, at the time it adds any additional Units and/or Common Elements to the Common Interest Community, specify restrictions on use, occupancy, and alienation, as well as standards for architectural controls for the additional Units and/or Common Elements, should Declarant determine that, in its sole discretion, that restrictions and standards different than those contained in this Declaration are appropriate; (iii) subdivide Units or convert Units into Common Elements; or (iv) withdraw real estate from the Common Interest Community.

c. convey utility and drainage easements to utility companies and the Municipality of Anchorage, respectively, in Declarant's own name and on behalf of the Association; and convey public use easements in any common elements. As a condition of their purchase, all purchaser's are deemed to have consented to any such conveyances;

d. maintain sales offices, management offices, models, and signs advertising the Common Interest Community;

e. use and maintain easements through the Common Elements for the purpose of making Improvements within the Common Interest Community or within real estate that may be added to the Common Interest Community;

f. make the Common Interest Community subject to the Master Association.

g. merge or consolidate the Common Interest Community with another Common Interest Community of the same form of ownership; or

h. appoint or remove an officer of the Association or a Master Association or any Executive Board member during any period of Declarant control.

Section 6.2. NO INTERFERENCE WITH SPECIAL DECLARANT RIGHTS.

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

Section 6.3. PERSONAL PROPERTY OF DECLARANT.

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 Declarant has not explicitly represented as Property of the Association. The Declarant reserves the right to remove from the Property any and all goods, models, and Improvements used in development, marketing, and construction, whether or not they have become fixtures.

Section 6.4. DECLARANT'S EASEMENT FOR CONSTRUCTION.

The Declarant reserves the right to perform warranty work, repairs, construction work, and to store materials in secure areas in Units and Common Elements and the further right to control all such work and repairs and the right of access thereto, until the completion of any such repair or work. All work may be performed by the Declarant without the consent or approval of the Executive Board. The Declarant has an easement through the Common Elements

as may be reasonably necessary for the purpose of discharging the Declarant's obligations or exercising any Development or Special Declarant Rights, whether arising under the Act or reserved in this Declaration. Such easement also includes the Declarant's right to convey utility and drainage easements to public utilities, municipalities, the State, riparian owners, or upland owners.

Section 6.5. SALES ACTIVITIES.

Notwithstanding any contrary provisions of Section 11.5, Declarant reserves the right to post signs and displays in the Common Elements to promote sales of Units, and to conduct general sales activities, in a manner which does not unreasonably disturb Unit Owners' rights.

Section 6.6. UNIT OWNERSHIP BY DECLARANT.

Until Declarant no longer owns any Units in the Common Interest Community, the Declarant and its duly authorized agents, representatives, and/or employees may maintain any Unit owned by the Declarant or any portion of the Common Elements as a model Unit, sales office, or management office.

Subject to the provisions of this Article, Declarant enjoys the same rights and assumes the same duties as they relate to individual Units which have not been conveyed to Unit Owners other than Declarant.

Section 6.7. DECLARANT CONTROL.

a. Subject to subsection 6.7.b hereof, there shall be a period of Declarant control of the Association, during which the Declarant, or any Person designated by it, may, in its sole discretion, appoint and remove the officers and members of the Executive Board and/or officers of the Association, and any Association representative to the Master Association. The period of Declarant control shall terminate as required by the Act and no later than the earlier of:

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

ii. two (2) years after all Declarants have ceased to offer Units for sale in the ordinary course of business;

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

iv. five (5) years after the first Unit in the Common Interest Community is conveyed to Unit Owners other than a Declarant.

The Declarant may voluntarily surrender the right to appoint and remove officers and members of the Executive Board before termination of that 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 a recorded instrument executed by the Declarant, be approved by the Declarant before they become effective.

b. Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units that may be created to Unit Owners other than a 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 to Unit Owners other than a 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 AS 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 6.8. TRANSFERENCE OF DECLARANT RIGHTS.

Declarant may transfer any and all rights reserved by this Declaration to a transferee Declarant pursuant to AS 34.08.350.

Section 6.9. LIMITATIONS.

a. The Declarant or Affiliate of Declarant may not bind the Association to any management contract, employment contract, lease of facilities, licenses, or other contracts or leases unless the Association has the right of termination thereof, exercisable

without penalty with not more than ninety (90) days' notice to the other party.

b. Unless Declarant has previously terminated its Special Declarant Rights by recorded instrument or unless sooner terminated by the Act, any Special Declarant Right, except for Development Rights, may be exercised by the Declarant so long as: (1) the Declarant is obligated under any warranty or obligation, owns any Units, or has any Security Interest in any Units; or (2) for twenty (20) years after recording the original Declaration, as long as Declarant continues to be obligated under any warranty or obligation, own any Units, or continues to have any Security Interest in any Units.

c. Carr-Gottstein Properties Limited Partnership, as predecessor declarant and by agreement with the Declarant, has reserved the right by recorded amendment and may enforce during the period of Declarant control the covenants, conditions and restrictions of the Declaration.

Section 6.10. CONSTRUCTION OF MAILBOXES.

Declarant reserves the right and has an easement on any portion of the Common Interest Community to construct centralized mailbox facilities for the Units and any necessary appurtenances.

Section 6.11. GOVERNMENTAL INTERESTS.

So long as the Declarant owns any Property described on Exhibit "A" or added by amendment to the common interest community, the Declarant may designate sites within the Properties for fire, police, utility facilities, public schools and parks, and other public facilities. The sites may include Common Elements.

Section 6.12. CONFLICT.

If any provisions of this Article conflict with other provisions of this Declaration, this Article shall control.

ARTICLE 7.
ALLOCATED INTERESTS

Section 7.1. TABLE OF ALLOCATED INTERESTS.

The Table of Interest, attached as Exhibit C, reflects Units and their Allocated Interests. These interests have been allocated in accordance with the formulas set out in this Article.

Section 7.2. ALLOCATION FORMULAS.

a. VOTES. Each Unit in the Common Interest Community shall have one equal vote.

b. UNDIVIDED INTERESTS. The percentage of liability for any Common Expenses and for the undivided interest in the Common Elements allocated to each Unit is an equal percentage interest derived by dividing the total number of Units in the Common Interest Community into one hundred percent (100%). The specified percentage is set forth in Exhibit C. When Units are added to or removed from the Common Interest Community, the above formula shall be used in reallocating interest and liabilities of Units and a revised Exhibit C shall be recorded in an amendment to the Declaration. Nothing in this subsection shall preclude apportionment of Common Expenses pursuant to Article 8.

ARTICLE 8.

COMMON EXPENSE ASSESSMENT AND COLLECTION

Section 8.1. COMMON EXPENSE APPORTIONMENT.

Except as otherwise provided in Section 8.2, any Common Expenses shall be assessed against all Units in accordance with their percentage interest in the Common Expenses. See Table of Interest, attached as Exhibit C.

Section 8.2. APPORTIONMENT OF COMMON EXPENSES TO LESS THAN ALL UNITS.

a. Any Common Expenses associated with the maintenance, repair, or replacement of any Limited Common Element which serves exclusively one Unit shall be assessed against that Unit. If any Limited Common Element serves more than one Unit, but less than all Units, the Common Expenses attributable to that Limited Common Element shall be assessed equally among the Units it serves.

b. Any Common Expenses for services provided by the Association for the benefit of an individual Unit at the request of the individual Unit Owner shall be assessed against said Unit.

c. If an expense to the Association is caused by the misconduct of a Unit Owner, the Unit Owner's family members, guests, or invitees, the Association may assess that expense exclusively against the Unit.

d. Any Common Expense insurance premium increase attributable to a particular Unit by virtue of activities in the Unit or by the Unit Owner, or by a Unit Owner's loss history, shall be assessed against that Unit.

e. 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 percentage interests in the Common Expenses at the time judgment was entered.

f. Any 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 8.3. LIEN.

a. The Association shall have a lien on a Unit for any assessment levied against the Unit and/or for any fines, fees, charges, late charges, collection costs, and/or interest imposed against its Unit Owner from the time any such assessment or fines, fees, charges, late charges, collection costs, and/or interest become due. The full amount of the assessment, fines, fees, charges, late charges, collection costs, and/or interest is a lien from the time the first installment thereof becomes due. Subject to subsection 8.3.h, liens under this section are not affected by sale or transfer of a Unit.

b. The recordation of this Declaration constitutes record notice and perfection of the lien. This Section does not require further recording of a claim of lien for assessment.

c. The Association's lien must be foreclosed pursuant to AS 34.35.005 as it may be amended from time to time.

d. A lien under this Section is prior to all other liens and encumbrances on a Unit except: (1) a first Security Interest on a Unit recorded before the date on which the assessments sought to be enforced became delinquent, unless such assessments, based on the periodic budget adopted by the Association pursuant to Section 8.4, 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 this Section; (2) liens for real estate taxes and other governmental assessments or charges against the Unit; and (3) liens and encumbrances recorded before the recordation of the Declaration.

This subsection does not affect the priority of mechanic's or materialmen's liens, or the priority of a lien for other assessments made by the Association. A lien under this Section is not subject to the provisions of AS 09.38.010.

e. Subject to subsection 8.3.f, 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.

f. If an Owner of a Unit subject to a lien under this Section files a petition for relief under the United States Bankruptcy Code, the period of time for instituting proceedings to enforce the Association's lien shall be tolled until thirty (30) days after the automatic stay of proceedings under Section 362 of the Bankruptcy Code is lifted.

g. This Section shall not be construed to prohibit an action to recover sums for which subsection 8.3.a. creates a lien or prohibit the Association from taking a deed in lieu of foreclosure.

h. If a holder of a first or second Security Interest in a Unit forecloses that Security Interest, the purchaser at the foreclosure sale is not liable for any unpaid assessments against that Unit which became due before the sale, other than the assessments which are prior to that Security Interest under subsection 8.3.d. Any unpaid assessments not satisfied from the proceeds of the foreclosure sale become Common Expenses collectible from all the Unit Owners, including said purchaser. "Purchaser," for purposes of this subsection, includes any Security Interest holder that obtains title through foreclosure.

i. If the Association commences any action to foreclose a lien for unpaid assessments or to otherwise collect assessments, the court may appoint a receiver of the Unit Owner. The court may then order the receiver to: (1) collect all sums alleged to be due from the Unit Owner prior to or during the pendency of the action; (2) 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; and (3) take any other actions consistent with this Declaration and the Act.

j. A judgment or decree in any action brought under this Section shall include costs and reasonable attorney's fees for the prevailing party and is enforceable by execution under AS 09.35.010.

k. If the Association forecloses on a Unit pursuant to this Section for unpaid assessments, the Association may hold, mortgage, lease, and convey such Unit.

l. Any payments received by the Association in the discharge of a Unit Owner's obligation may be applied first to interest, late charges, collection costs, fines, and fees, and then to the oldest balance due from the Unit Owner for Common Expense assessments.

Section 8.4. ADOPTION AND RATIFICATION OF PROPOSED BUDGET.

Within thirty (30) days after adoption of a proposed budget for the Common Interest Community, the Executive Board shall mail or otherwise provide a summary of the proposed budget to each Unit Owner, and shall set a date for a meeting fourteen (14) to thirty (30) days from mailing or otherwise providing the summaries to the Unit Owners, for the Unit Owners to consider ratification of the budget. Unless a Majority of Unit Owners reject the proposed budget at that meeting, the budget is ratified. If the proposed budget is rejected, the periodic budget last ratified by the Unit Owners continues until the Unit Owners ratify a budget proposed by the Executive Board.

Section 8.5. NONBUDGETED COMMON EXPENSES.

If the Executive Board votes to levy a Common Expense assessment not included in the current budget and not attributable to fewer than all Units as described in Section 8.2, the Common Expense assessment shall be submitted to the Unit Owners and ratified in accordance with Section 8.4.

Section 8.6. CERTIFICATION OF UNPAID ASSESSMENTS.

Upon a Unit Owner's written request, the Association shall provide a statement in recordable form setting out the amount of unpaid assessments against the Unit. The Association must provide the statement within ten (10) business days after it receives the Unit Owner's request and is binding on the Association, the Executive Board, and each Unit Owner.

Section 8.7. COMMON EXPENSES TO BE PAID MONTHLY.

All Common Expenses assessed under this Section shall be due and payable monthly.

Section 8.8. ASSESSMENT RESERVE FUND.

Upon recordation of a deed to the first Unit Owner other than the Declarant of an interest in the Common Interest Community, the Unit Owner, and each subsequent Unit Owner in the Association, shall establish an assessment reserve fund with the Association. The assessment reserve fund shall equal the projected assessments to the Unit Owner for a two-month period. In addition, the Unit Owner shall pay to the Association the regular monthly assessment as provided herein, the purpose being to have available at all times for the Association an assessment reserve fund equal to two (2) months of assessments.

The assessment reserve fund shall be maintained at all times just as a reserve for taxes and insurance as so maintained, and in

the event of a subsequent transfer of the Unit Owner's interest in the Common Interest Community, the subsequent Purchaser shall be responsible for establishing and maintaining this reserve fund. The reserve fund must be segregated from the Association's operating account.

Declarant may not use the assessment reserve fund to defray any of its expenses, reserve contributions, or construction costs or to make up any budget deficits while it is in control of the Association.

Section 8.9. ACCELERATION.

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

Section 8.10. COMMENCEMENT OF ASSESSMENTS.

Common Expense assessments shall commence on the first day of the month in which the first Unit is conveyed to a Unit Owner other than the Declarant.

Section 8.11. NO EXEMPTION FROM COMMON EXPENSES.

Unit Owners may not exempt themselves from liability for payment of the Common Expenses by either waiver of the use or enjoyment of the Common Elements or by abandonment of their Units.

Section 8.12. PERSONAL LIABILITY FOR ASSESSMENTS.

A Unit Owner is personally liable for any Common Expense assessments which become due and payable during his or her ownership of the Unit. In absence of a successor's written agreement to assume a Unit Owner's obligation, personal liability for such assessments shall not pass to a successor in title to the Unit.

ARTICLE 9.
MAINTENANCE AND REPAIR

Section 9.1. UNITS.

Each Unit Owner shall maintain, repair, and replace, at his or her own expense, all portions of his or her Unit, including all landscaping and fencing in any easements within the Unit Boundaries, except the portions thereof which may otherwise be

required by this Declaration or by the Association to be maintained, repaired or replaced by other Persons.

Section 9.2. COMMON ELEMENTS.

The Association shall maintain, repair, and replace all such Common Elements except any Limited Common Elements or other Common Elements which are required by this Declaration to be maintained, repaired or replaced by less than all Unit Owners. The Association may transfer responsibility for maintenance of any Common Elements to the Southport Master Association.

Section 9.3. LIMITED COMMON ELEMENTS.

At the time this Declaration is recorded, Declarant has not assigned any Limited Common Elements to Units in Hidden Cove Phase III Homeowners Association. However, if Declarant subsequently allocates any such Limited Common Elements, Common Expenses associated with the maintenance, cleaning, repair, or replacement of the Limited Common Elements will be assessed against the Unit(s) to which the Limited Common Element(s) is (are) assigned.

Section 9.4. RIGHT OF ACCESS.

Any Person authorized by the Executive Board shall have the right of access to all portions of the Property for the purpose of correcting any condition threatening a Unit or the Common Elements, and for the purpose of performing any installations, alterations, repairs, and/or utility work to include meter reading, equipment, upgrades, and/or repairs, provided that requests in advance for entry are made and that any such entry is at a reasonably convenient time for the affected Unit Owner except in cases of emergencies, where 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 9.5. NEGLIGENCE.

Each Unit Owner will reimburse the Association for any damages to any other Unit or to the Common Elements caused by that Unit Owner's: intent or negligence; failure to properly maintain, repair, or make replacements to his or her Unit or to the Limited Common Elements assigned to his or her Unit; or failure to permit timely access to his or her Unit by any Person authorized such access by Section 9.4. The Association shall assess expenses to the responsible Unit Owners only after Notice and Hearing.

The Association will be responsible for damage to Units caused by its intent, negligence, or by its failure to maintain, repair, or make replacements to the Common Elements.

ARTICLE 10.
CONVEYANCE OR ENCUMBRANCE OF COMMON ELEMENTS

Section 10.1. UNIT OWNER AGREEMENT.

Subject to other provisions of the Act, and subsection 19.7.d of this Declaration, portions of the Common Elements may be conveyed or subjected to a Security Interest by the Association if persons entitled to cast at least eighty percent (80%) of the votes in the Association, including eighty percent (80%) of the votes allocated to Units not owned by a Declarant, agree to the action, but each Unit Owner to which any Limited Common Element is allocated must agree in order to convey such Limited Common Element or subject it to a Security Interest. The proceeds of the sale or any loan secured by the encumbrance or sale of any Common Elements are assets of the Association.

Section 10.2. RECORDATION OF AGREEMENT.

An agreement to convey any Common Elements or to subject any Common Elements to a Security Interest must be evidenced by the execution of an agreement, or ratifications of the agreement, in the same manner as a deed by the requisite number of Unit Owners. The agreement must specify a date after which the agreement will be void unless recorded before the date. The agreement and each ratification of the agreement must be recorded in the Anchorage Recording District and is effective only upon recording.

Section 10.3. CONTRACTS BY THE ASSOCIATION.

The Association, on behalf of the Unit Owners, may contract to convey an interest in the Common Interest Community pursuant to Section 10.1, but such contract is not enforceable against the Association until approved, ratified, and recorded pursuant to Sections 10.1 and 10.2. After such approval, ratification, and recordation, the Association shall have the powers necessary and appropriate to effect the conveyance or encumbrance, including the power to execute a deed or other instrument.

Section 10.4. UNIT INTEREST IN THE COMMON ELEMENTS.

Any conveyance, encumbrance, judicial sale, or other transfer (voluntary or involuntary) of an individual interest in the Common Elements will be void unless the Unit to which that interest is allocated is also transferred.

ARTICLE 11.
RESTRICTIONS ON USE, OCCUPANCY, AND ALIENATION

Section 11.1. SINGLE-FAMILY RESIDENCE.

Residences shall be used exclusively for single-family Residential Purposes except as provided for in Section 11.8.

Section 11.2. NUISANCES.

No noxious or offensive activities shall be carried on upon any land subject to this Declaration, nor shall anything be done therein which might be, or may become, an annoyance or nuisance to the Common Interest Community. Such nuisances include the use of any heavy equipment or derelict automobiles.

Section 11.3. WASTE REMOVAL.

Trash, garbage, refuse, or other waste shall be disposed of through a household garbage disposal or wrapped in a secure package and deposited into a designated trash container. No owner of a Unit shall permit or cause any trash, garbage, refuse, or other waste to be disposed of on any portion of the Property except in a designated trash container. 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.

Section 11.4. VEHICLE RESTRICTIONS.

No wrecked, inoperative, vandalized, or otherwise derelict-appearing automobiles, and no trucks, trailers, mobile homes, truck campers, detached camper units or boats shall be kept, placed, stored, or maintained upon any land subject to this Declaration, except within an enclosed garage.

Section 11.5. SIGNS.

Subject to Section 6.5, no signs of any kind shall be displayed to the public on any land subject to this Declaration, except that a Unit Owner may post one sign of not more than five (5) square feet advertising his or her Unit for sale or rent, and Declarant or Dealer may post one sign per lot, not to exceed twenty-five (25) square feet to advertise Units until they are first sold to a Unit Owner other than Declarant or Dealer.

Section 11.6. PET REGULATIONS.

No animals, livestock, or poultry of any kind shall be raised, bred, or kept in any Unit, except domestic dogs, cats, or other normal household pets, provided that they are not kept, bred, or maintained for commercial purposes, and provided that all dogs

shall be restrained as necessary to prevent them from becoming a nuisance. Except as otherwise provided in writing by the Executive Board, no more than two dogs, or one dog and one cat, or two cats may be kept in any Unit or on any Limited Common Element of any Unit. 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. Any Unit Owner shall be liable to each and all other Unit 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, his or her family members, guests, licensees, or invitees.

Section 11.7. EXTERIOR INSTALLATIONS.

No outside pole or antennae shall be erected or maintained without first obtaining the approval of the Executive Board. No air conditioning or other machine shall be installed on the exterior of any Improvement on the Property or be allowed to protrude through the walls or roof of any improvement on the Property without the prior written approval of the Executive Board. No basketball standards or other athletic fixtures shall be attached to any residence or Improvement on the Property without the prior written approval of the Executive Board.

Section 11.8. BUSINESS ACTIVITY.

No business or commercial activity shall be maintained or conducted in any residence, except that: (1) Declarant, or a person designated by the Association as agent of the Association for purposes of managing the property, may maintain management offices and facilities in a residence; (2) Unit Owners may engage in home professional pursuits not requiring regular visits from the public or unreasonable levels of mail, shipping, trash, or storage, provided that there exists no external evidence thereof; or (3) Further, non-residential activities must comply with governmental regulations addressing Home Occupations, no signs may indicate in any way that a non-residential activity is being conducted, and no increase in street traffic, substantial or insubstantial, is permissible. Notwithstanding the forgoing, the use of a Lot for a bed and breakfast or as a child care facility, of any size, is not permissible. No outhouse of any kind, tent, shed or trailer, or any other temporary dwelling, shall be erected or maintained on any Lot or be used for living purposes, nor shall any garage be used for dwelling purposes.

Section 11.9. TIME SHARING PLAN.

Conveyance of a Unit pursuant to a time-sharing plan is prohibited.

Section 11.10. UNIT LEASING.

Any Unit Owner may lease his or her Unit to a third party, but such a lease arrangement must be in writing, must be for a term of more than sixty (60) days, must comply with the terms of the Documents, must not be for transient or hotel purposes, must provide that the failure to comply in all respects with the Documents shall be a default under the terms of the lease, and must be approved by the Executive Board. Any Unit Owner who wishes to lease his or her Unit to a third party must submit a copy of the lease to the Executive Board. The Executive Board's approval of any Unit Owner's lease may not be unreasonably withheld; however, the Executive Board may, without limitation, disapprove leases which may effect any Unit's eligibility for any type of AHFC, FHA, HUD, FNMA, FHLMC, or VA financing.

Section 11.11. ARCHITECTURAL CONTROL STANDARDS; OCCUPANCY RESTRICTIONS.

All Units in the Common Interest Community are also subject to Architectural Controls, attached as Exhibit E, and Occupancy Restrictions, attached as Exhibit F, to this Declaration. Where the Architectural Controls or Occupancy Restrictions conflict with the Declaration, the more restrictive standards shall apply. At the time Declarant adds additional Units to the Common Interest Community, Declarant may amend the Architectural Controls and/or Occupancy Restrictions for said Units as permitted in Article 6, however, such amendment shall not be effective until approved in writing by Carr-Gottstein Properties, GP, LLC.

Section 11.12. HOLD HARMLESS AND INDEMNIFICATION.

As described in Section 9.5, Unit Owners will be liable to the Association for any damages to the Common Elements or to any equipment on the Common Elements caused negligently or intentionally by themselves, their families, their occupants, their guests, or their invitees. By the acceptance of his or her deed, each Unit Owner further agrees to indemnify each and every other Unit Owner, and to hold each and every other Unit Owner harmless from any claim of any Person for personal injuries or property damage occurring within the residence of the Unit Owner, unless said injury or damage occurs by reason of the negligence or intent of any other Unit Owner, and each Unit Owner further agrees to defend, at his or her expense, any and all remaining Unit Owners who may be sued by any Person for a claim for personal injury or property damage alleged to have been sustained within the Unit of that Unit Owner. Unit Owners shall comply with and conform to all applicable laws and regulations of the United States and of the State of Alaska and all ordinances of the Municipality of Anchorage. Unit Owners shall hold harmless the Association and other Unit Owners from all fines, penalties, costs, and

prosecutions for their violations, noncompliance, and/or their use of the property.

ARTICLE 12.

EASEMENTS, COVENANTS, AND LICENSES

Section 12.1. GENERAL.

Easements, covenants, and/or licenses to which the Common Interest Community is presently subject are recited in Exhibit D to this Declaration and/or are shown on the Plans attached hereto. Declarant may subject the Common Interest Community to additional easements pursuant to Article 6.

Section 12.2. UNIT OWNERS' EASEMENTS.

Declarant expressly reserves, for the benefit of the Unit Owners and the Association, reciprocal easements of access, ingress, and egress over all of the Common Elements. Such easements may be used by Declarant's successors, purchasers, and all Unit Owners, their guests, tenants, and invitees, residing or temporarily visiting the Common Interest Community, for pedestrian walkways and such other purposes reasonably necessary for the use and enjoyment of a Unit and the Association. Such easements shall be appurtenant to, and shall pass and run with, the title to every Unit conveyed. If Declarant also assigns any Limited Common Elements to any Unit, Declarant expressly reserves, for the benefit of each Unit to which such Limited Common Elements are assigned, an exclusive easement for the use of such Limited Common Elements. If any Limited Common Element is assigned to more than one (1) Unit, but less than all Units, the exclusive easement to such Limited Common Element shall be held jointly by the Units to which it is assigned.

Section 12.3. LIMITATIONS ON UNIT OWNERS' EASEMENTS.

In the event any Common Element encroaches upon any Unit, or any Unit or Improvement, at no fault of the Unit Owner, encroaches upon any Common Element, as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the Common Interest Community, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

The Association may, subject to other provisions of this Declaration and the Act, pledge, mortgage, assign, grant, or hypothecate a Security Interest in the Common Elements. The Unit Owners' easements are further limited by the right of the Association to charge fees for a Unit Owner's use of the Common Elements if such use is substantially different from the use offered to other Unit Owners and involves additional expense to the

Association. The Unit Owners' easements are also limited by the Association's right to administer the Common Elements for the safety, health, and mutual benefit of the Unit Owners. Finally, the Unit Owners' easements are limited by the right of the Association to grant licenses to Persons for the use of Common Elements.

The Unit Owners' easements are limited by and subject to all other provisions of this Declaration and the Act.

ARTICLE 13.
MASTER ASSOCIATION

Section 13.1. AUTOMATIC MEMBERSHIP.

The Property is subject to the Declaration for Southport (a Master Planned Community). The Declaration for Southport (a Master Planned Community) confers automatic membership to the Hidden Cove Phase III Homeowners Association in the Southport Master Planned Community.

Section 13.2. MASTER ASSOCIATION EXECUTIVE BOARD.

The Hidden Cove Phase III Homeowners Association may designate one (1) representative to serve on the Executive Board of the Southport Master Association. This representative shall cast all of the Hidden Cove Phase III Homeowners Association's votes as directed by said Association's Executive Board.

Section 13.3. ALLOCATION OF INTEREST.

The Hidden Cove Phase III Homeowners Association shall have one (1) vote in the Southport Master Association for each Unit that is a member of the Hidden Cove Phase III Homeowners Association. Common Expense liability for each Unit shall be allocated to the Hidden Cove Phase III Homeowners Association pursuant to a formula whereby the total number of votes in the Southport Master Association equals one hundred percent (100%). Hidden Cove Phase III Homeowners Association shall be liable for the percentage of total Common Expenses for the Southport Master Association that equals the percentage of all votes in the Southport Master Association held by Hidden Cove Phase III Homeowners Association. By way of example, if there are a total of one hundred (100) votes in the Southport Master Association and the Hidden Cove Phase III Homeowners Association holds ten (10) votes, the Hidden Cove Phase III Homeowners Association will be liable for ten percent (10%) of the Common Expenses of the Southport Master Association.

Section 13.4. COMMON EXPENSE COLLECTION.

The Southport Master Association shall collect from the Hidden Cove Phase III Homeowners Association its percentage share of the Master Association's Common Expenses. The Hidden Cove Phase III Homeowners Association shall incorporate into its annual budget as a Common Expense its percentage share of the Master Association's Common Expenses.

ARTICLE 14.
ALLOCATION/REALLOCATION
OF LIMITED COMMON ELEMENTS

Common Elements conveyed by Declarant to Hidden Cove Phase III Homeowners Association which are not originally conveyed as a Limited Common Elements may subsequently be so allocated in accordance with the procedures outlined in Article 16 of this Declaration. Such allocations will be made by amendment to the Declaration. The amendment must specify to which Unit or Units the Limited Common Elements are assigned. No Limited Common Elements may be reallocated by amendment without consent of affected Unit Owners.

Such amendments shall require the approval and written endorsement of all holders of Security Interests in the affected Units. The Person executing the amendment shall provide an executed copy of the amendment to the Association. Provided that the amendment complies with the provisions of this Declaration and the Act, the Executive Board shall record it. The amendment shall contain words of conveyance and must be recorded and indexed in the names of the parties and the Common Interest Community.

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

ARTICLE 15.
IMPROVEMENTS AND ADDITIONS

Section 15.1. BOARD APPROVAL.

Excepting alterations or Improvements to the interior of Units, no replacement, addition, alteration, or removal of any building, structure, fence, drainage facility, common or limited-common area landscaping, or planting shall be effected on any Unit other than by Declarant until the plans, and specifications showing the location and nature of such replacement, addition, alteration, or removal have been submitted to, and approved in writing by, the Board; nor shall any exterior painting or decorative alteration be

commenced on any Unit other than by Declarant until the Board has approved the plans therefor, including, without limitation, the design, proposed color schemes, and the quality of the materials to be used.

All such plans and specifications shall be, if the Board so requires, prepared by an architect or landscape architect or licensed building designer, said architect and/or designer to be employed by the Unit Owner making application at his or her sole expense. Plans and any resubmittals required by the Board shall be approved or disapproved by the Board within forty-five (45) days of their submittal or resubmittal. Failure of the Board to respond to a submittal or resubmittal of plans within such period shall be deemed disapproval of the plans as submitted or resubmitted. If the Board grants approval, it shall be conclusively presumed that the location and height of any Improvement as approved does not violate the provisions of this Declaration.

During the period of Declarant control, any variance from the Architectural Controls set forth in Exhibit E, the Occupancy Restrictions set forth in Exhibit F, and the Design Guidelines as set forth in Exhibit G, shall not be effective, nor shall it be presumed effective, unless approved in advance in writing by Carr-Gottstein Properties, GP, LLC.

The approval of the plans and specifications may be withheld, not only because of noncompliance with any of the specific conditions, covenants, and restrictions contained in this Declaration, but also because of the Board's reasonable dissatisfaction with the location, elevation, color scheme, finish, design, proportions, conformity with any architectural control standards, shape, height style, appropriateness, or materials of any Improvement, alteration, or addition, or because of the Board's reasonable dissatisfaction with any or all other matters or things which, in the reasonable judgment of the Board, will render the proposed additions, alterations, and/or Improvements inharmonious or out of keeping with the Improvements erected on other Units or with the general plan of the Common Interest Community. If, after such plans and specifications have been approved, the Improvements are altered, erected, or maintained upon the Unit other than as approved by the Board, such alteration, erection, and maintenance shall be deemed to have been undertaken without the approval of the Board as required by this Declaration.

Section 15.2. PERMITS.

In addition to securing the Board's approval, a Unit Owner must also obtain any necessary governmental permits before construction commences on any Improvements, additions, or alterations. The cost of any such permits shall be paid by the Unit Owner.

Section 15.3. LIMITATIONS.

After the expiration of one (1) year from the date of completion of any Improvement, alteration, or addition, said Improvement, alteration, or addition shall, in favor of Purchasers and encumbrancers, in good faith and for value, be deemed to comply with all of the provisions hereof, unless: (1) a notice of such noncompliance or noncompletion, executed by one or more members of the Board, shall appear of record in the Office of the Recorder, Anchorage Recording District; or (2) legal proceedings in connection with such Improvement, alteration, or addition shall have been instituted to enforce compliance with this Article. If provisions of this Article conflict with provisions of the Architectural Controls, attached as Exhibit E to this Declaration, the provisions of Exhibit E control.

Section 15.4. NO WAIVER.

The approval of the Board or Carr-Gottstein Properties, GP, LLC, under this Article of any plans or specifications for additions, alterations, or Improvements to the Property shall not be construed in any way as a waiver by the Board of its right to object to any feature or aspect of such plans and specifications found in subsequent plans or specifications submitted for approval under this Article or found in any additions, alterations, or Improvements undertaken without first securing approval under this Article.

Section 15.5. NO LIABILITY.

No member of the Board shall be liable to any Person for his or her decisions or failure to act in making decisions as a member of said Board. Nor shall the Association, Executive Board or Carr-Gottstein Properties, GP, LLC, be liable for any condition of approval or any other matter connected with a Unit Owner's Improvement, addition, or alteration.

Section 15.6. DECLARANT RIGHTS.

The provisions of this Article do not apply to Declarant in the exercise of any Special Declarant Rights or Development Rights, except for the approval rights of Carr-Gottstein Properties, GP, LLC.

ARTICLE 16.
ALTERATION OF UNIT BOUNDARIES

Section 16.1. APPLICATION AND AMENDMENT

Subject to approval pursuant to Article 15 and/or Exhibit E of any necessary alterations, the acquisition of any required

governmental permits, and subject to any other Municipal requirements, the boundaries between adjoining Units may be reallocated by an amendment to the Declaration upon application to the Association by the Unit Owners affected by the reallocation. If the Unit Owners of the adjoining Units have specified a reallocation between their Units of their Allocated Interests, the application shall set forth the proposed reallocations. The application shall be approved or disapproved by the Executive Board within forty-five (45) days. Failure of the Board to respond within such period to the application shall be deemed disapproval of the application.

The Board's approval of the application may be withheld not only because of noncompliance with any of the specific conditions, covenants, and restrictions contained in this Declaration, but also by reason of the Board's reasonable dissatisfaction with any or all matters or things which, in the Board's reasonable judgment will render the proposed subdivision inharmonious or out of keeping with the general plan of the Common Interest Community.

Section 16.2. VOTES.

Each Unit shall have only one (1) vote in the Association, notwithstanding any interest reallocation under this Article.

Section 16.3. AMENDMENT.

If the Board approves the application, the Association shall prepare an amendment that identifies the Units involved, states the reallocations of any interests in a revised Table of Allocated Interests, states the alteration(s) of Unit Boundaries, and states the Association's consent to the reallocation. The amendment must be executed by the affected Unit Owners and contain words of conveyance between them. If the amendment by any Person other than Declarant reallocates any interests in the Common Interest Community, the unanimous consent of the Unit Owners is necessary. The holders of any Security Interests in the affected Units shall endorse their approval on the amendment.

Section 16.4. RECORDATION.

On recordation, the amendment shall be indexed in the name of the grantor and the grantee, and in the grantee's index in the name of the Association. The Association shall also prepare and record plats or plans necessary to show the altered boundaries between adjoining Units, and their dimensions and Identifying Numbers.

The applicants will pay for the costs of preparation and recordation of the amendment, preparation and recordation of amended plats and plans, the reasonable consultant and/or attorney fees of the Association if the Executive Board deems it necessary

to retain the services of any consultant and/or attorney, and any other costs reasonably incurred by the Association in connection with any application under this Article.

ARTICLE 17.
AMENDMENTS

Section 17.1. GENERAL.

Except as otherwise provided by the Documents and the Act, including, without limitation, AS 34.08.740, AS 34.08.260, and Section 17.3, and Articles 14 and 19 herein, this Declaration and its Plans may be amended only by vote or agreement of Unit Owners of Units to which at least sixty-seven percent (67%) of the votes in the Association are allocated.

Section 17.2. CONSENT OF SECURITY INTEREST HOLDERS.

As required by Articles 14 and 19, amendments may be subject to the consent of certain holders of Security Interests.

Section 17.3. UNANIMOUS CONSENT.

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

Section 17.4. DECLARANT RIGHTS.

Provisions in this Declaration reserving Declarant rights may not be amended without the consent of Declarant and as set forth in Section 17.9.

If, in Declarant's exercise of any rights described in Article 6 of this Declaration, an amendment to the Declaration is required, the Declarant shall, in conformance with the Act, prepare, execute, and record an amendment, any required Plans, and any other required exhibits. Any amendment effected by Declarant's exercise of rights reserved in Article 6 requires Declarant approval only.

Section 17.5. EXECUTION.

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, must be prepared, executed, recorded, and certified on behalf of the Association by an officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

Section 17.6. RECORDATION.

Each amendment to the Declaration is effective only upon recording as set forth in AS 34.08.250(c) of the Act.

Section 17.7. LIMITATIONS.

Actions to challenge the validity of an amendment adopted pursuant to this Article may not be brought more than one (1) year after the amendment is recorded.

Section 17.8. COSTS.

The Board may allocate reasonable attorney's and/or consultant's costs and fees incurred by the Association in the preparation and recordation of an amendment to the proponent(s) of such amendment.

17.9. APPROVAL RIGHTS OF CARR-GOTTSTEIN PROPERTIES, GP, LLC.

All rights of approval granted to Carr-Gottstein Properties, GP, LLC, granted in this Declaration and its exhibits, may not be amended nor deleted during the period of Declarant control of the Association, including any period of Declarant control following a transfer of Declarant's rights under Section 6.8 of this Declaration. This Declaration may not be amended, including amendments to Declarant's rights as set forth in Section 17.4, without prior written approval by Carr-Gottstein Properties, GP, LLC.

However, following the period of Declarant control as further defined in Section 6.7 of this Declaration, all of Carr-Gottstein Properties, GP, LLC's rights of approval shall expire automatically, but without prejudice to its right to enforce violations of the Declaration and its rights during the period of Declarant control.

ARTICLE 18.
AMENDMENTS TO BYLAWS

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

ARTICLE 19.
PROTECTION OF MORTGAGEES

Section 19.1. GENERAL.

This Article establishes standards and covenants on behalf of the holders, insurers, and guarantors of certain Security Interests in the Common Interest Community. In the case of conflict with other provisions of the Declaration, this Article shall control.

Section 19.2. PERCENTAGE OF ELIGIBLE MORTGAGEES.

Where this Declaration requires that certain actions have the approval or consent of a specified percentage of Eligible Mortgagees, "percent of Eligible Mortgagees" is calculated by dividing the total number of votes allocated to Units subject to Security Interests held by Eligible Mortgagees that approve or consent to the proposed action, by the total number of votes allocated to all Units subject to Security Interests held by Eligible Mortgagees.

Section 19.3. INSPECTION OF BOOKS.

The Association shall permit any Eligible Mortgagee, Eligible Insurer, or Unit Owner to inspect the books and records of the Association, including the Declaration, Rules, financial statements, and Bylaws, during normal business hours or under other reasonable circumstances.

Section 19.4. FINANCIAL STATEMENTS.

Upon any Eligible Mortgagee's or Eligible Insurer's written request, the Association shall provide a copy of an annual financial statement within ninety (90) days following the end of each fiscal year of the Association. Such financial statement shall be audited by an independent certified public accountant if the Common Interest Community contains fifty (50) or more Units or if any Eligible Mortgagee or Eligible Insurer specifically requests an audited financial statement. If the Common Interest Community contains fifty (50) or more Units, the cost of the audit shall be a Common Expense. If the Common Interest Community contains less than fifty (50) Units, the Eligible Mortgagee or Eligible Insurer shall bear the cost of the audit.

Section 19.5. RIGHT OF ATTENDANCE.

Any representative of an Eligible Mortgagee or Eligible Insurer may attend any meeting at which Unit Owners have the right of attendance.

Section 19.6. NOTICES.

a. The Association shall give prompt notice to each Eligible Mortgagee and Eligible Insurer of:

i. Any casualty or condemnation loss exceeding \$10,000 in damages which affects: (1) a material portion of the Common Interest Community; or (2) any Unit in which there is a first Security Interest held, insured, or guaranteed by such Eligible Mortgagee and/or Eligible Insurer.

ii. Any delinquency in the payment of any Common Expense assessments or any other default under the Documents by a Unit Owner whose Unit is subject to a first Security Interest held, insured, or guaranteed by such Eligible Mortgagee or Eligible Insurer, if such delinquency or default remains uncured for a period of sixty (60) days;

iii. Any cancellation, lapse, or material modification of any insurance policy or fidelity bond required under this Declaration to be maintained by the Association;

iv. Any proposed action which would require the consent of a specified percentage of Eligible Mortgagees as provided in Section 19.2;

v. Any state or federal court judgment rendered against the Association.

b. If the FNMA holds any mortgage in the existing Common Interest Community at the time additional property is to be added, the Association must furnish the FNMA with title evidence, in a form satisfactory to the FNMA, which discloses any lien, easement, or other encumbrance affecting the Property to be added or which will effect the existing Common Interest Community Property after such addition.

c. The Association shall promptly deliver, by U.S. Postal Service or hand-delivery, all notices required under this section without awaiting any request from Eligible Mortgagees and/or Eligible Insurers.

Section 19.7. CONSENT REQUIRED.

a. 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 that Eligible Mortgagee's implied approval of the addition or amendment.

b. Notwithstanding any lesser requirement permitted by this Declaration or the Act and not excepting any greater requirements mandated by this Declaration or the Act, no amendment by the Association or Unit Owners of any material provision of the Documents described in this subsection may be effective without the vote of at least seventy-five percent (75%) of the Unit Owners and until approved in writing by at least seventy-five percent (75%) of the Eligible Mortgagees. The foregoing approval requirements do not apply to amendments effected by the exercise of any Special Declarant Rights. For purposes of this section, "material" includes, but is not limited to, any provision affecting:

i. allocation or reallocation of interests in the Common Elements or any Limited Common Elements, except that when any Limited Common Elements are allocated or reallocated by agreement between Unit Owners, then, in addition to other requirements which may be mandated by other Articles of this Declaration or the Act, only those Unit Owners and only the Eligible Mortgagees holding Security Interests in such Units must approve such action;

ii. convertibility of Common Elements into Units or Units into Common Elements;

iii. rights to use Common Elements;

iv. assessment, assessment liens, or subordination of assessments;

v. responsibility for maintenance and repairs in the Common Interest Community;

vi. voting rights;

vii. insurance or fidelity bonds;

viii. the addition or withdrawal of Property to or from the Common Interest Community;

ix. reserves for maintenance, repair, and replacement of Common Elements;

x. partition or subdivision of Units or Unit boundaries except that when boundaries of only adjoining Units are involved, or when only a single Unit is being subdivided, then, in addition to other requirements which may be mandated by other Articles of this Declaration or the Act, only those Unit Owner(s) and the Eligible Mortgagee(s) holding Security Interests in such Unit or Units must approve such action;

xi. imposition of restrictions on a Unit Owner's right to sell, transfer, or otherwise convey his or her Unit;

xii. restoration or repair of the Common Interest Community after a hazard damage or partial condemnation in a manner other than specified in the Documents;

xiii. the benefits of mortgage holders, insurers, or guarantors of first mortgages on Units on the Common Interest Community;

xiv. establishment of self-management by the Association when professional management had been required previously by any Eligible Mortgagee;

xv. termination of the Common Interest Community after substantial destruction or condemnation to the Common Interest Community; and

xvi. leasing of units.

c. Notwithstanding any lesser requirement permitted by this Declaration or the Act and not excepting any greater requirements mandated by this Declaration or the Act, the Association may not take any of the following actions, other than rights reserved to the Declarant as Special Declarant Rights, without the approval of at least fifty-one percent (51%) of the Eligible Mortgagees:

i. use of hazard insurance proceeds for losses to any Property, whether to a Unit or to the Common Elements, for other than the repair, replacement, or reconstruction of such Improvements;

ii. the granting of any easements, leases, licenses, and concessions through or over the Common Elements except leases, licenses, or concessions for a term of no more than one (1) year, and except for any utility easements intended to serve the Common Interest Community;

iii. the restoration or repair of the Property after a hazard damage or partial condemnation in a manner other than that specified in the Declaration;

iv. the merger of this Common Interest Community with any other Common Interest Community;

v. any action taken not to repair or replace the Property; and

vi. the assignment of the Association's future income and its right to receive Common Expense assessments.

d. Notwithstanding any lesser requirement permitted by this Declaration or the Act and not excepting any greater requirements mandated by other Articles of this Declaration or the Act, the following actions, other than rights reserved to the Declarant as Special Declarant Rights, require the consent of Eligible Mortgagees as indicated below:

i. conveyance or encumbrance of the Common Elements or any portion thereof requires approval of at least eighty percent (80%) of Eligible Mortgagees. A "conveyance or encumbrance" for purposes of this subsection does not include 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;

ii. the termination of the Common Interest Community for reasons other than a substantial destruction or condemnation requires approval of at least seventy-five percent (75%) of Eligible Mortgagees; and

iii. the Association may not change the period for collection of regularly budgeted Common Expense assessments to any period other than a monthly period without the consent of all Eligible Mortgagees.

Section 19.8. TRUSTEE.

In the event of damages or destruction under Article 22 or condemnation of all or a portion of the Common Interest Community, any Eligible Mortgagee may require that any proceeds from such damages, destruction, or condemnation to be payable to a Trustee established pursuant to Section 22.5. Such Trustee may be required to be a corporate trustee licensed by the State of Alaska and may be required to represent the Unit Owners in condemnation proceedings or in negotiations, settlements, and agreements with the condemning authority for acquisition of the Common Elements, or any part thereof, by the condemning authority. Where required, each Unit Owner shall appoint the Trustee as attorney-in-fact for such purpose. Unless otherwise prohibited by this Declaration or by the Act, the members of the Executive Board acting by majority vote through the president may serve collectively as Trustee.

Section 19.9. 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.

Section 19.10. CONDEMNATION AND INSURANCE PROCEEDS.

Subject to the terms of an Eligible Mortgagee's Security Interest in a Unit, no provision of this Declaration shall be construed to give priority to any Unit Owner over any rights of such Eligible Mortgagee to any condemnation or insurance proceeds from the Property.

Section 19.11. REIMBURSEMENT.

If the Association is in default on any taxes on the Common Elements, or if any of the Association's insurance premiums are overdue, or if the Association has failed to renew insurance coverage required under this Declaration on the Common Elements, any Eligible Mortgagee may pay the Association's overdue taxes or overdue premiums or may pay to secure the required insurance coverage. Any Eligible Mortgagees making such payments shall be entitled to prompt reimbursement from the Association.

ARTICLE 20.
ASSIGNMENT OF FUTURE INCOME

Any assignment of the Association's future income and/or its right to receive Common Interest Expense assessments requires the affirmative vote of seventy-five percent (75%) of the votes in the Association at a meeting called by the Executive Board for the purpose of voting on such an assignment.

ARTICLE 21.
INSURANCE

Section 21.1. GENERAL.

To the extent reasonably available, the Executive Board shall obtain and maintain insurance coverage as set forth in this Article. If such coverage is not reasonably available, and the Executive Board thus determines that any insurance described herein will not be maintained, the Executive Board shall cause notice of that fact to be delivered to all Unit Owners and Eligible Mortgagees at their last known addresses.

Section 21.2. BONDS.

A blanket fidelity bond is required for any person who either handles or is otherwise responsible for funds received, held, or administered by the Association, whether or not such person receives compensation for his or her 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 on all Units in the Common Interest

Community plus the Association's reserve funds. The bond shall include a provision that calls for ten (10) days' written notice to the Association, to each first mortgage holder of a Unit, to each servicer that services a Unit mortgage owned by the FNMA, FHLMC, VA, or AHFC, and to the insurance Trustee, if any, before the bond can be cancelled or substantially modified for any reason. The bond shall contain waivers by the issuer of the bond of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees," or similar terms or expressions. The premiums for the fidelity bond shall be paid as a Common Expense by the Association.

Section 21.3. LIABILITY INSURANCE FOR DIRECTORS AND OFFICERS.

The Executive Board must obtain and maintain directors' and officers' liability insurance, if reasonably available, covering all of the Directors and officers of the Association in such limits as the Executive Board determines.

Section 21.4. WORKERS' COMPENSATION INSURANCE.

The Executive Board must obtain and maintain Workers' Compensation Insurance if such insurance is required by the laws of the State of Alaska.

Section 21.5. LIABILITY INSURANCE.

The Association shall secure comprehensive general liability insurance, including medical payments insurance, in an amount determined by the Executive Board but in no event less than \$1,000,000 per occurrence, covering any legal liability that may result from lawsuits related to employment contracts in which the Owners' Association is a party, and all occurrences commonly insured against for death, bodily injury, and property damage arising out of or in connection with the use, ownership, operation, or maintenance of the Common Elements, any areas under the Association's supervision to include public ways, and the activities of the Association.

Insurance policies carried pursuant to this section shall also provide that:

a. 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 prejudice the policy in any way or be a condition to recovery under the policy.

b. The insurer issuing the policy may not cancel, refuse to renew, or otherwise substantially change it until 30 days after notice of the proposed cancellation, non-renewal, or substantial change(s) has (have) been mailed to the Association,

each Unit Owner, each holder of a first mortgage on a Unit, and each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued, at their last known addresses.

c. The insurer waives the right to subrogation under the policy against Unit Owners or members of the households of Unit Owners.

d. 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.

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

f. A Unit Owner's claim will not be denied because of negligent acts of the Association or another Unit Owner.

Section 21.6. PROPERTY INSURANCE.

a. PROPERTY INSURANCE COVERAGE. The Association shall secure property insurance that, at a minimum, protects against loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsement, and all other perils customarily covered, including those covered by the standard "all risk" endorsement. The property insured by such policy must include all personal property owned by the Association and all Common Elements, including any buildings, fixtures, equipment, Improvements, and betterments which have been constructed or are maintained on the Common Elements. The Association's property insurance, however, may exclude land, excavations, portions of any foundations below the undersurfaces of the lowest basement floors, underground pilings, piers, pipes, flues, drains, and other items normally excluded from insurance coverage policies.

The Common Elements and any buildings, fixtures, equipment, Improvements, and betterments which are constructed or maintained on the Common Elements must be insured by the Association for an amount, after application of any deductions, equal to one hundred percent (100%) of their replacement cost at the time the insurance is purchased and at each renewal date, or equal to one hundred percent (100%) of their actual cash value at the time the insurance is purchased and at each renewal date, whichever is greater. The Association must also insure personal property owned by the Association for an amount equal to its cash value.

If the Executive Board deems it necessary, it may obtain appraisals periodically to determine the replacement cost for the

property described in this subsection. The cost of any such appraisals shall be a Common Expense.

b. OTHER PROVISIONS.

i. Insurance policies required by this Section shall also provide that:

(1) Any loss must be adjusted with the Association.

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

(3) An act or omission by a Unit Owner or members of his or her household, unless acting within the scope of the Unit Owner's authority on behalf of the Association, will not prejudice the policy in any way or be a condition to recovery under the policy.

(4) The insurer waives the right to subrogation under the policy against Unit Owners or members of the households of Unit Owners.

(5) If, at the time of a loss under the Association's policy, there exists other insurance covering the same risk covered by the Association's policy, the Association's policy provides primary insurance.

(6) Insurance proceeds shall be paid to any insurance Trustee the Association designates in the policy for that purpose, and in the absence of such designation, to the Association itself. However, insurance proceeds in either case are to be held in trust for each Unit Owner and any Unit mortgagees.

(7) The policy shall contain the standard mortgage clause, or equivalent endorsement (without contribution), which is commonly accepted by private institutional mortgage investors in the area in which the Property is located and which, if appropriate, names the FNMA, FHLMC, AHFC, and/or VA as such corporations or holders of the first mortgages on the Units within the Common Interest Community.

(8) Notwithstanding any contrary provisions herein, the Association shall, if required by the FNMA, AHFC, VA,

and/or FHLMC as a Unit Owner mortgagee on a Unit in the Association, continuously carry a master (or "blanket") 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" and, if available, an "inflation guard endorsement," as may be required by the FNMA, AHFC, VA, and/or FHLMC as a mortgagee on a Unit in the Association or the Owner of such a Unit.

(9) The name of the insured shall be as follows: "Hidden Cove Phase III (A Planned Community Within Southport), for the use and benefit of the individual Owners."

ii. The terms of the insurance carrier's charter, bylaws, or policy shall not:

(1) Permit contributions or assessments against borrowers, Eligible Mortgagees, or the designees of Eligible Mortgagees.

(2) Make payments contingent upon action by the insurance carrier's board of directors, policy holders, or members.

(3) Include any limiting clauses (other than insurance conditions) which could prevent Eligible Mortgagees or the borrowers from collecting insurance proceeds.

Section 21.7. INSURANCE PREMIUMS.

Insurance premiums are to be paid as a Common Expense and funds necessary to cover the deductible amounts under the Association's insurance policies are to be included in the Association's operating budget.

Section 21.8. INSURANCE POLICIES OBTAINED BY UNIT OWNERS.

Unit Owners may obtain insurance for their own benefit notwithstanding the issuance of a policy to the Association.

Section 21.9. OTHER INSURANCE.

The Association may obtain other insurance which the Executive Board determines is reasonably necessary to protect the Association.

Section 21.10. INSURER'S RATING AND REINSURANCE.

The property insurance, liability insurance, and fidelity bond must be written by an insurance carrier with at least a B/III policy holder's rating and financial category rating in the Best's

Key Rating Guide or by an insurance carrier which is covered by reinsurance with a company that does meet such rating requirements. Both insurer and reinsurer must execute an assumption of liability agreement or a similar endorsement providing for one hundred percent (100%) reinsurance of the insurer's policy. Further, the reinsurer must give the borrower, lender, and the insurer ninety (90) day written notice before cancelling or substantially changing the reinsurance.

In addition to the foregoing requirements for insurers, the Association must use general insurance carriers who meet the qualifications set forth in the *FNMA Conventional Home Mortgage Selling Contract Supplement* and the *FHLMC Seller's Guide*.

ARTICLE 22.
PROPERTY DESTRUCTION OR DAMAGE

Section 22.1. DUTY TO RESTORE PROMPTLY.

The portion of the Common Interest Community, if any, for which insurance is required under AS 34.08.440 or for which insurance is actually carried by the Association, whichever is more extensive, that is damaged or destroyed must be repaired or replaced promptly by the Association unless:

- a. The Common Interest Community is terminated pursuant to AS 34.08.260;
- b. Repair or replacement would be illegal under a statute or municipal ordinance governing health or safety; or
- c. Eighty percent (80%) of the Unit Owners, including each Unit Owner of a Unit that will not be rebuilt, vote not to rebuild.

Section 22.2. PLANS.

The Property must be repaired and restored in accordance with either the original plans and specifications or other plans and specifications which have been approved by the Executive Board, a Majority of Unit Owners, and fifty-one percent (51%) of Eligible Mortgagees.

Section 22.3. PARTIAL RESTORATION OF THE 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 are not rebuilt must be distributable 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 interests may appear, in proportion to the common interests of all the Units;

c. If the Unit Owners including each Unit Owner of a Unit that will not be rebuilt, 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 AS 34.08.740(a) of the Act, and the Association shall promptly prepare, execute, and record an amendment to the Declaration reflecting the reallocations.

Section 22.4. COST.

If the cost of repair or replacement exceeds insurance proceeds and the Association's reserves, it shall be a Common Expense.

Section 22.5. INSURANCE TRUSTEE.

If an insurance Trustee is designated in any insurance policy, the Trustee may have exclusive authority to negotiate losses under such policies and to perform other functions as are necessary to accomplish this purpose. The insurance Trustee may also be designated by the owners' Association as attorney-in-fact for purpose of purchasing and maintaining insurance, collecting and disposing of insurance proceeds, negotiating losses, executing releases of liability, executing other necessary documents, and performing all other acts necessary to accomplish this purpose.

Section 22.6. INSURANCE PROCEEDS.

The insurance Trustee, or if there is no insurance Trustee, then the Executive Board 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 22.1, the proceeds shall be disbursed first for the repair or restoration of the damaged Property. The Association, Unit Owners, and lien holders are not entitled to receive payment of a portion of the proceeds unless there is a surplus of proceeds after the Property has been completely repaired or restored or unless the Common Interest Community is terminated.

Section 22.7. CERTIFICATIONS.

If a Trustee has been designated by the Executive Board, such Trustee may rely on the following written certifications made by the Executive Board:

a. Whether damaged and/or destroyed Property is to be repaired and/or restored;

b. The amount(s) to be paid for repairs and/or restoration of the damaged Property, and the names and addresses of the parties to whom such amounts are to be paid.

Section 22.8. ATTORNEY OR TITLE COMPANY CERTIFICATION.

If payments pursuant to this Article are to be made to Unit Owners or Mortgagees, the Executive Board or its designated Trustee shall obtain and may rely on a title insurance company's certificate of title, an attorney's certificate of title, or a title insurance policy. The certificate of title or title insurance policy must be based on a search of the records of the Anchorage Recording District, Third Judicial District, State of Alaska, from the date of the recording of the original Declaration, and must state the names of the Unit Owners and the Mortgagees.

ARTICLE 23.
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 AS 34.08.740.

ARTICLE 24.
RIGHTS OF NOTICE, COMMENT, AND APPEALSection 24.1. NOTICE AND HEARING.

Whenever the Documents or Executive Board require that an action be taken only after "Notice and Hearing," the entity proposing the action shall give written notice of the proposed action to all Unit Owners no less than ten (10) days before the hearing. The notice shall include a general statement of the proposed action and the date, time, and place of the hearing. At the hearing, any interested Unit Owner may, personally or by a representative, give written and/or oral testimony, subject to reasonable rules of procedure established by the Executive Board to ensure a prompt and orderly resolution of the issues. Any testimony offered in such a hearing does not bind the decision makers. All Unit Owners shall be notified of the decision in the same manner in which notice of the meeting was given.

Section 24.2. NOTICE AND COMMENT.

Whenever an amendment to the Association's Bylaws and/or Rules is proposed, whenever the Documents require "Notice and Comment," or whenever the Executive Board determines that "Notice and Comment" is otherwise appropriate, the Unit Owners have the right to receive notice of the proposed action(s) and the right to comment orally or in writing on the proposed action(s). Notice to each Unit Owner shall be effected by personal delivery or by the U.S. Postal Service, delivered or mailed to each Unit Owner's last known address. The notice shall be given not less than ten (10) days before the proposed action is to be taken or a hearing on the matter is scheduled. The Notice shall invite written or oral comments to the Executive Board on the proposed action(s) prior to the scheduled hearing. The rights described in this section do not entitle a Unit Owner to be heard at any hearing or meeting called by the Association.

Section 24.3. APPEAL.

Any interested Unit Owner having a right to Notice and Hearing shall have the right to appeal to the Executive Board from a decision of entities other than the Executive Board by filing a written notice of appeal with the Executive Board within ten (10) days after being notified of said decision. The Executive Board shall conduct a hearing within thirty (30) days of receiving the written notice of appeal, giving the same notice and observing the same procedures as described in the preceding sections of this Article.

ARTICLE 25.
EXECUTIVE BOARD

Section 25.1. POWERS AND DUTIES.

Except as otherwise limited by the Documents or the Act, the Executive Board may act in all instances on behalf of the Association. The Executive Board shall have, subject to said limitations, the powers and duties necessary for the administration of the affairs, operations, and governance of the Association and of the Common Interest Community including, but not limited to, the power to:

- a. adopt and amend Bylaws, Rules, regulations, budgets for revenues, expenditures, and reserves;
- b. collect assessments for Common Expenses from Unit Owners;

c. hire and discharge employees, agents, managing agents, and independent contractors;

d. institute, defend, or intervene in litigation or administrative proceedings in the Association's name on behalf of the Association or on behalf of two or more Unit Owners on matters affecting the Common Interest Community;

e. make contracts and incur liabilities;

f. govern the use, maintenance, repair, replacement, and modification of the Common Elements;

g. cause any additional Improvements by the Association to be held as a part of the Common Elements;

h. acquire, hold, encumber, and convey in the Association's name any right, title, or interest to real property or personal property, provided that Common Elements may be conveyed or subject to a Security Interest only pursuant to AS 34.08.430 of the Act and Article 19 of this Declaration;

i. grant easements for public utilities or for other public purposes consistent with the intended use of the Common Elements, and grant leases, licenses, and concessions for no more than one year, through or over the Common Elements;

j. impose and receive payments, fees, or charges for the use, rental, or operation of the Common Elements, other than Limited Common Elements, and for services provided to Unit Owners;

k. impose fees, penalties, fines, late charges, interest, and collection costs, or a combination thereof for late payment of assessments and, after Notice and Hearing, levy reasonable fines, fees, and/or penalties for violations of this Declaration, the Bylaws, Rules, and/or regulations of the Association;

l. impose reasonable charges for the preparation and recordation of amendments to this Declaration, any resale certificates that may be required by AS 34.08.590, and/or any statements of unpaid assessments;

m. provide for the indemnification of the Association's officers and Executive Board and maintain Directors' and officers' liability insurance;

n. assign the Association's right to future income, including the right to receive Common Expense assessments;

o. exercise any other powers conferred by this Declaration or the Bylaws;

p. exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;

q. designate, by resolution, a representative (or representatives) to the Southport Master Association Executive Board; and

r. establish, by resolution, committees of Directors, permanent and standing, to perform any of the above functions under specifically delegated administrative standards, as designated in the resolution establishing such committees. All committees must give written notice, by the U.S. Postal Service or personal delivery, of their actions or decisions to Unit Owners and the Executive Board within fifteen (15) days of said actions or decisions. Such committee actions or decisions must be ratified, modified, or rejected by the Executive Board at its next regular meeting.

Section 25.2. LIMITATIONS ON THE EXECUTIVE BOARD.

The Executive Board may not act on behalf of the Association to amend this Declaration, to terminate the Common Interest Community, to elect members of the Executive Board to full terms, or to determine the qualifications, powers, 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. Neither the Executive Board nor its Directors shall receive compensation for services performed pursuant to this Declaration.

Section 25.3. MINUTES.

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 ten (10) days after any such meeting.

Section 25.4. MEETINGS.

a. Association Meetings.

The Executive Board shall call a meeting of the Association at least once each year. A special meeting of the Association may be called by the president of the Board, by a majority of the members of the Executive Board, or by Unit Owners comprising at least twenty percent (20%) of the votes in the Association. Not less than ten (10) nor more than sixty (60) days in advance of the meeting, an officer designated by the Executive Board shall cause notice to be hand delivered or mailed by the U.S.

Postal Service to the last known address of each Unit Owner. The notice of the meeting must state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Documents, budget changes, and any proposal to remove an officer or member of the Executive Board.

b. Executive Board Meetings.

All Association members shall have the right to attend all meetings of the Executive Board at which action is to be taken by vote of the directors. Notice of such meetings shall be given not less than twenty-four (24) hours prior to the time set for such meeting, by posting such notice in a conspicuous location in the Common Interest Community and/or by hand delivering notice to each Unit. If an emergency situation requires an immediate meeting of the Executive Board, no such notice is required.

ARTICLE 26.
TERMINATION

The Common Interest Community may be terminated only in conformity with AS 34.08.260 of the Act.

ARTICLE 27.
MISCELLANEOUS

Section 27.1. SECURITY.

The Association may, but shall not be obligated to, maintain or support certain activities within the Common Interest Community designed to make the Properties safer than they otherwise might be. NEITHER THE ASSOCIATION, THE DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE COMMON INTEREST COMMUNITY, NOR SHALL ANY OF THEM BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR OF INEFFECTIVENESS OF ANY SECURITY MEASURE UNDERTAKEN. EACH UNIT OWNER ACKNOWLEDGES, UNDERSTANDS AND COVENANTS TO INFORM ITS TENANTS THAT THE ASSOCIATION, ITS EXECUTIVE BOARD AND COMMITTEES, DECLARANT, AND ANY SUCCESSOR DECLARANT ARE NOT INSURERS AND THAT EACH PERSON USING THE COMMON INTEREST COMMUNITY ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO UNITS AND TO THE CONTENTS OF UNITS RESULTING FROM ACTS OF THIRD PARTIES.

Section 27.2. CHANGES IN THE ACT.

Many provisions of this Declaration and in the Bylaws repeat exactly or substantially the same rule or outcome in a particular instance as that required by the Act on the date this Declaration was recorded, or repeat the same rule which the Act would impose as a default rule if the Declaration or Bylaws were silent on that subject.

The Declarant anticipates the possibility that the Act will be amended from time to time to reflect contemporary thinking and experience regarding the structure and governance of common interest communities. The Declarant believes it is in the best interest of the Unit Owners at Hidden Cove Phase III (A Planned Community Within Southport) that the Property might always be governed in accordance with the most current provisions of the Act, subject to the right in any particular case of the Unit Owners and the Executive Board to vary that outcome by adopting a rule or amendment to the Declaration in the manner provided for such amendments.

Accordingly, this Section directs that, in the future and from time to time, in all instances where this Declaration or the Bylaws contain language that precisely or substantially tracks the Act on the date that Hidden Cove Phase III (A Planned Community Within Southport) is declared, this Declaration and the Bylaws shall be automatically amended in accordance with the amended cognate language of the Act which may be adopted by the State of Alaska, unless the particular language of the Declaration or Bylaws, either as initially adopted or as amended at any subsequent time by the Association, is substantially at variance with the amended text of the Act.

Section 27.3. CAPTIONS.

The captions in this Declaration are inserted for convenience of reference only, do not constitute a part of this Declaration, and in no way define, describe, or limit the scope or intent of this Declaration or any of the provisions hereof. The exhibits referred to as being attached to this Declaration are intended to be incorporated in this Declaration by such reference.

Section 27.4. INVALIDITY.

If any term, covenant, or condition of this Declaration is held to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision hereof and this Declaration shall be construed as if such invalid or unenforceable provision had never been contained herein.

Section 27.5. WAIVER.

No delay in exercising any right or remedy of any of the parties hereunder shall constitute a waiver thereof, and no waiver by the parties of the breach of any covenant of this Declaration shall be construed as a waiver of any preceding or succeeding breach of the same or any other covenant or condition of this Declaration.

Section 27.6. GENDER.

As used herein, each of the masculine, feminine, and neuter genders shall include the other genders, the singular shall include the plural, and the plural shall include the singular, wherever appropriate to the context.

Section 27.7. RIGHT OF ACTION.

The Declarant, Association, Carr-Gottstein Properties, GP, LLC, and/or any aggrieved Unit Owner is granted the right of action against Unit Owner(s) who fail to comply with the provisions of the documents or the decisions made by the Association.

In an action to enforce this Declaration's provisions, the prevailing party shall be entitled to recover court costs and actual attorneys' fees.

Section 27.8. CONFLICT.

Declarant intends that the Documents comply with the requirements of the Act and Alaska Statutes governing nonprofit corporations, AS 10.20, et seq. If the Documents conflict with any statutes, the conflicting terms of the statutes shall control. If the Declaration conflicts with any other document, the Declaration shall control.

Section 27.9. LIQUIDATED DAMAGES.

Since it is difficult to determine damages for the violation of Declaration provisions, except where this Declaration provides some other figure, the prevailing party in any action to enforce the provisions of this Declaration shall be entitled to recover liquidated damages in the amount of \$30.00 per day for each day the condition, which is the subject matter of the action to enforce, exists. Each violation of the Declaration shall give rise to a separate liquidated damage recovery. This liquidated damage award shall increase, but not decrease, every five (5) years from the date of this Declaration to match the equivalent increase, if any, in the Consumer Price Index for Urban Wage Earners and Clerical Workers: U.S. City Average, All Items 1967 equal \$100.00, issued by the Bureau of Labor Statistics for the United States Department of Labor with the index for December 1998 as the price index figure.

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

DISCOVERY CONSTRUCTION, INC.

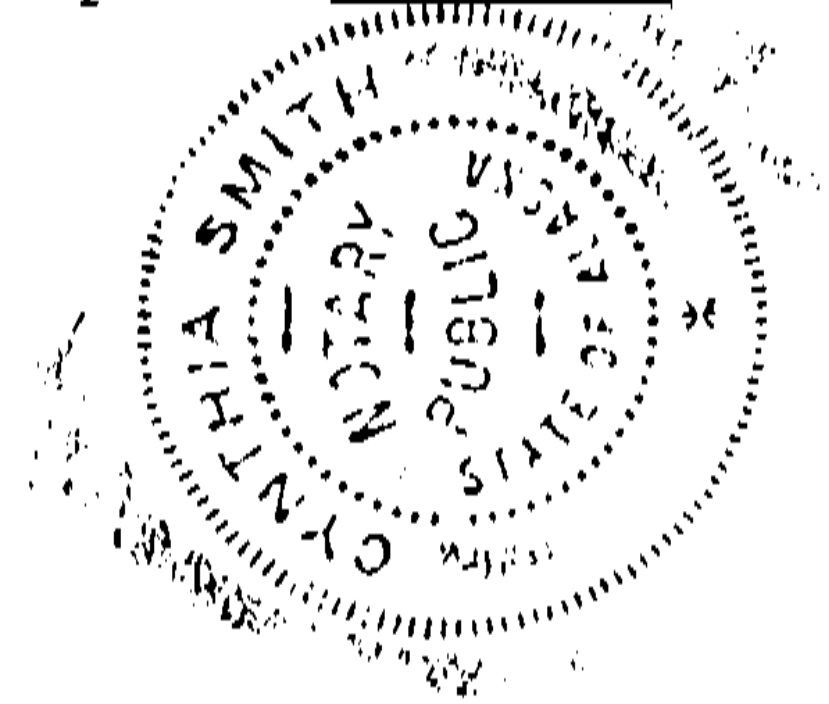
By: [Signature]
Lee Baker
President

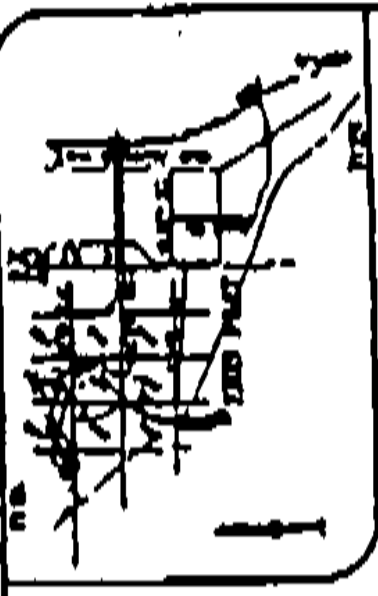
STATE OF ALASKA)
) ss.
THIRD JUDICIAL DISTRICT)

THIS IS TO CERTIFY that on this 16th day of July, 2001 before me, the undersigned, a Notary Public in and for the State of Alaska, personally appeared LEE BAKER, President of Discovery Construction, Inc., known to me to be the individual named herein and who executed the foregoing instrument, and acknowledged the execution thereof to be his free and voluntary act and deed on behalf of the corporation for the uses and purposes therein set forth.

WITNESS my hand and notarial seal the day and year first hereinabove written.

Cynthia Smith
Notary Public in and for Alaska
My Commission Expires: 11-7-03





PROPERTY INFORMATION

OWNER: [Name]

ADDRESS: [Address]

LEGAL DESCRIPTION: [Description]

CONCEPT OF CONSTRUCTION & MATERIALS

CONSTRUCTION: [Details]

MATERIALS: [Details]

PROPERTY INFORMATION

OWNER: [Name]

ADDRESS: [Address]

LEGAL DESCRIPTION: [Description]

PROPERTY INFORMATION

OWNER: [Name]

ADDRESS: [Address]

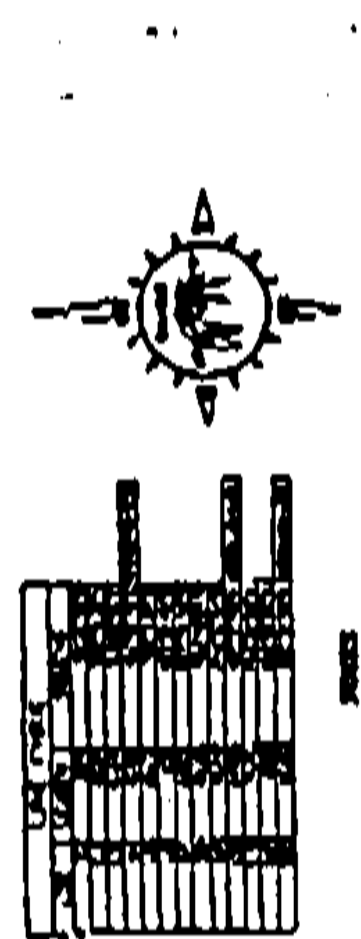
LEGAL DESCRIPTION: [Description]

Hiddens Cove Subdivision

Phase III

Lots 1 thru 41

A Subdivision of Lots 154-164 & 165-174, according to the Subdivision Map, Phase I, recorded in the Public Records Office of the State of Virginia, County of Loudoun, Book 11, Page 11, and the Subdivision Map, Phase II, recorded in the Public Records Office of the State of Virginia, County of Loudoun, Book 11, Page 12.



FOUNDATION

FOUNDATION: [Details]

FOOTING: [Details]

FOUNDATION

FOUNDATION: [Details]

FOOTING: [Details]

FOUNDATION

FOUNDATION: [Details]

FOOTING: [Details]

FOUNDATION

FOUNDATION: [Details]

FOOTING: [Details]

FOUNDATION

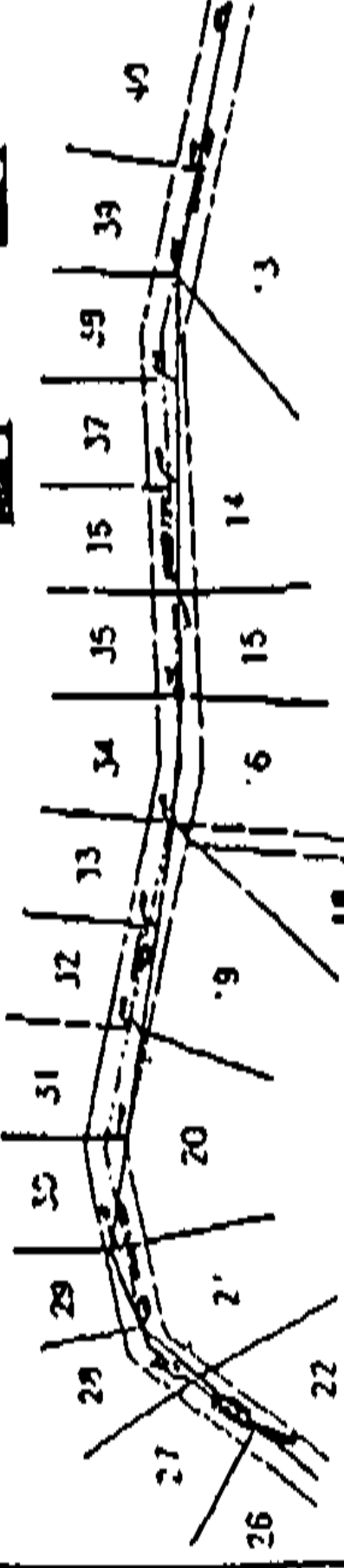
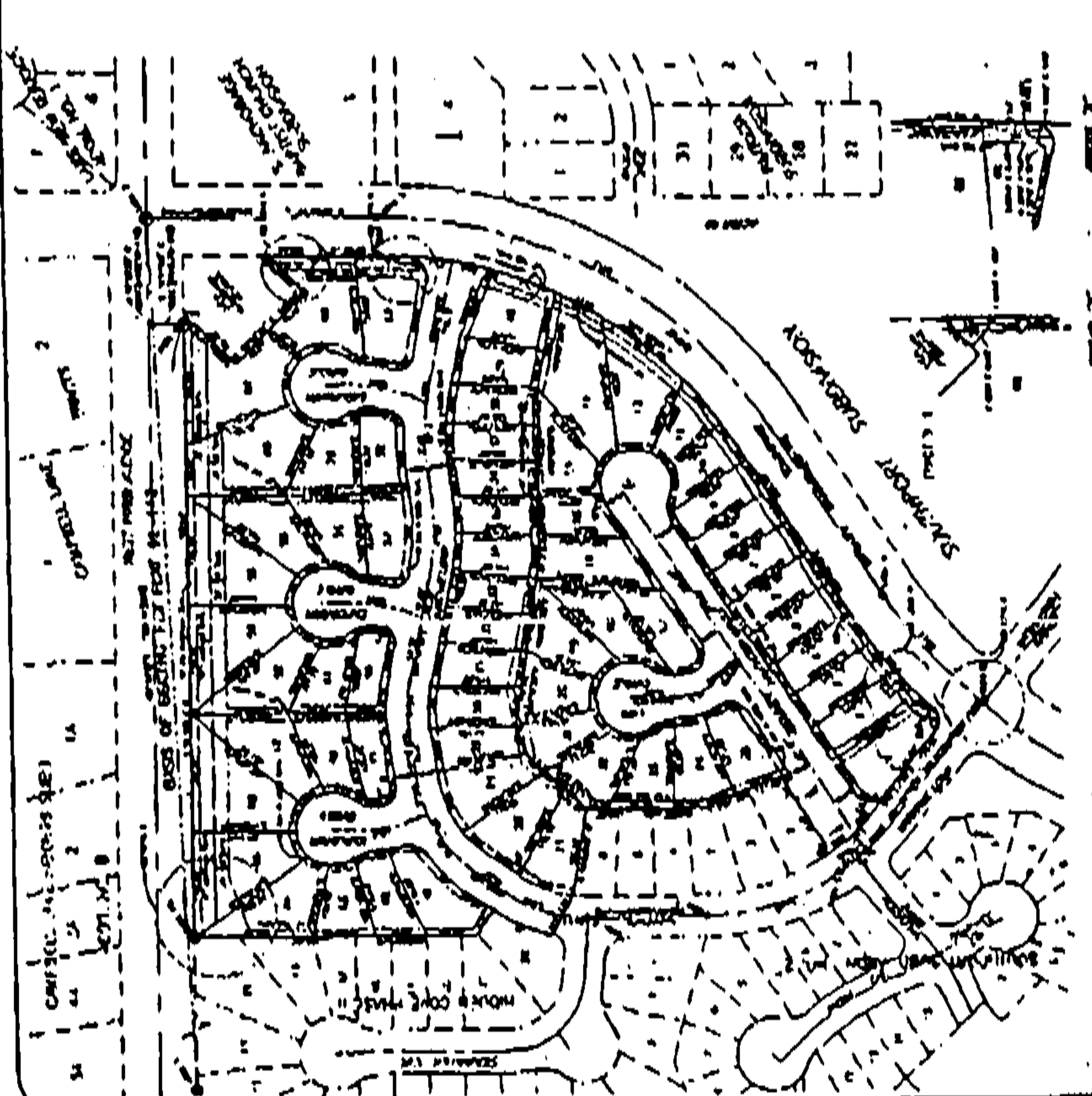
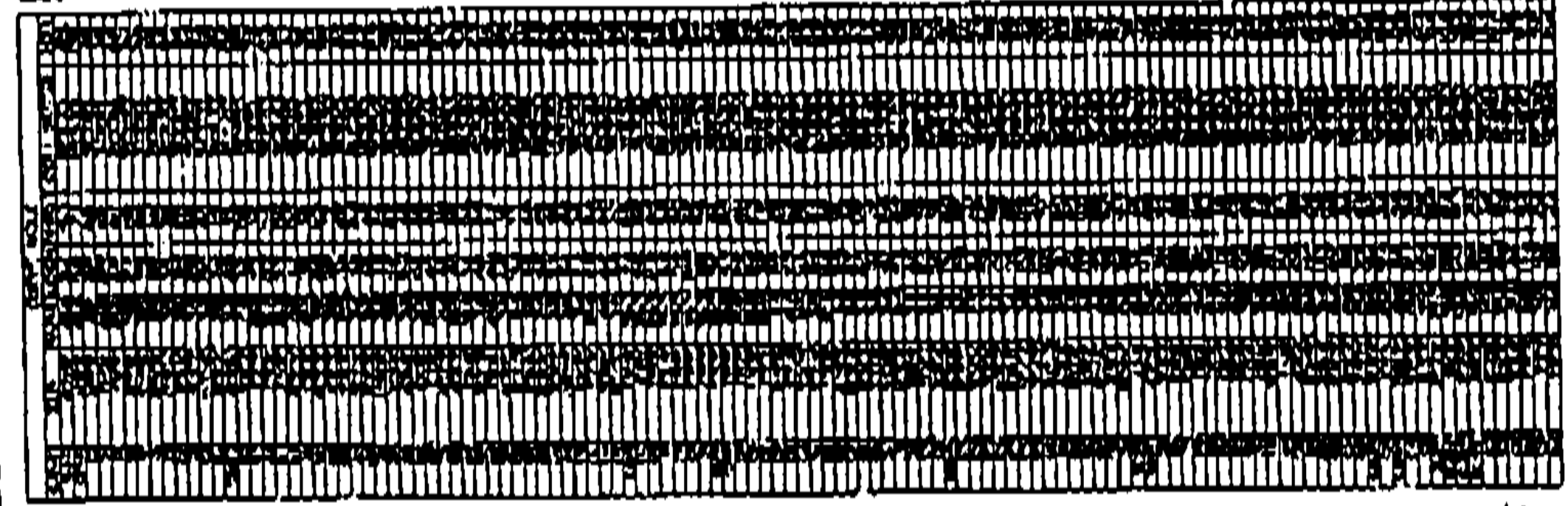
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FOOTING: [Details]

FOUNDATION

FOUNDATION: [Details]

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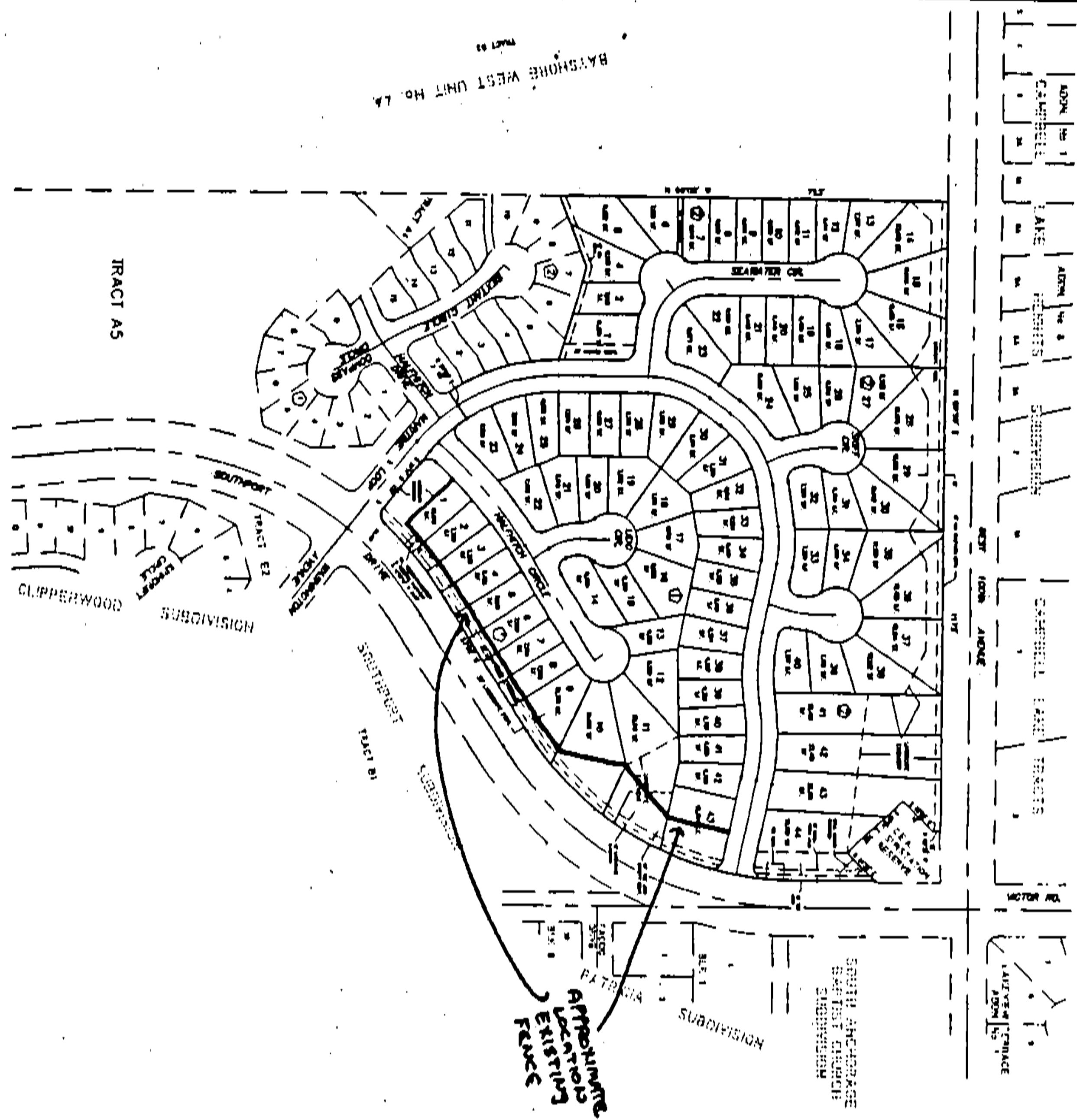


EASEMENT DETAIL

SCALE: 1" = 10'

UTILITIES: [Details]

EASEMENT: [Details]



LEGEND

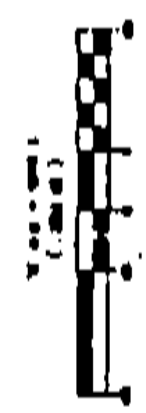


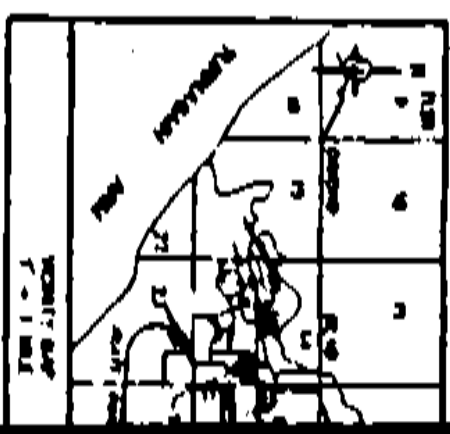
TABLE OF CONTENTS

ALL THE PROPERTY SHOWN ON THIS PLAN IS THE PROPERTY OF THE SOUTHPORT SUBDIVISION, INC. AND IS NOT TO BE USED FOR ANY OTHER PURPOSES WITHOUT THE WRITTEN CONSENT OF THE SOUTHPORT SUBDIVISION, INC. THIS PLAN IS A PRELIMINARY PLAN AND IS NOT TO BE USED FOR ANY OTHER PURPOSES WITHOUT THE WRITTEN CONSENT OF THE SOUTHPORT SUBDIVISION, INC.

APPROVED: _____

PLANNING OFFICER: _____

LANDING SERVICE: _____



GENERAL NOTES

1. THE SOUTHPORT SUBDIVISION, INC. HAS BEEN APPROVED BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO, CALIFORNIA, AND IS SUBJECT TO THE TERMS AND CONDITIONS OF THE APPROVAL. THIS PLAN IS A PRELIMINARY PLAN AND IS NOT TO BE USED FOR ANY OTHER PURPOSES WITHOUT THE WRITTEN CONSENT OF THE SOUTHPORT SUBDIVISION, INC.

LANDING SERVICE

LANDING SERVICE, INC. is a professional engineering and architectural firm located at 10000 San Diego Avenue, San Diego, California 92131. The firm is responsible for the preparation and submission of this plan to the Board of Supervisors.

APPROVED BY: _____

DATE: _____

EXHIBIT A

UNITS AND COMMON ELEMENTS SUBJECT TO DECLARATION

Lots One (1) through Sixty-three (63), HIDDEN COVE SUBDIVISION, PHASE III, according to the official plat thereof, filed under Plat No. 2001-50, records of the Anchorage Recording District, Third Judicial District, State of Alaska

BK 893PG0610

EXHIBIT B

DEVELOPMENT PLAN/PLAT

EXHIBIT CTABLE OF INTEREST

<u>Unit No.</u>	<u>Percentage Interest</u>	<u>Votes in Association</u>
Lot 1	1.587%	1
Lot 2	1.587%	1
Lot 3	1.587%	1
Lot 4	1.587%	1
Lot 5	1.587%	1
Lot 6	1.587%	1
Lot 7	1.587%	1
Lot 8	1.587%	1
Lot 9	1.587%	1
Lot 10	1.587%	1
Lot 11	1.587%	1
Lot 12	1.587%	1
Lot 13	1.587%	1
Lot 14	1.587%	1
Lot 15	1.587%	1
Lot 16	1.587%	1
Lot 17	1.587%	1
Lot 18	1.587%	1
Lot 19	1.587%	1
Lot 20	1.587%	1
Lot 21	1.587%	1
Lot 22	1.587%	1
Lot 23	1.587%	1
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Lot 27	1.587%	1
Lot 28	1.587%	1
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Lot 30	1.587%	1
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Lot 33	1.587%	1
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Lot 35	1.587%	1
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Lot 38	1.587%	1
Lot 39	1.587%	1
Lot 40	1.587%	1
Lot 41	1.587%	1
Lot 42	1.587%	1
Lot 43	1.587%	1
Lot 44	1.587%	1

Lot 45	1.587%	1
Lot 46	1.587%	1
Lot 47	1.587%	1
Lot 48	1.587%	1
Lot 49	1.587%	1
Lot 50	1.587%	1
Lot 51	1.587%	1
Lot 52	1.587%	1
Lot 53	1.587%	1
Lot 54	1.587%	1
Lot 55	1.587%	1
Lot 56	1.587%	1
Lot 57	1.587%	1
Lot 58	1.587%	1
Lot 59	1.587%	1
Lot 60	1.587%	1
Lot 61	1.587%	1
Lot 62	1.587%	1
Lot 63	<u>1.587%</u>	<u>1</u>
Total:	100.000%	63

EXHIBIT D

EASEMENTS, COVENANTS AND/OR LICENSES
FOR
HIDDEN COVE PHASE III
(A Planned Community Within Southport)

1. Reservations and exceptions as contained in the United States Patent.
2. Subject to all limitations, conditions, restrictions, terms and effects of the Uniform Common Interest Ownership Act, AS 34.08.010 et. seq., including any lien for future common assessments created pursuant to AS 34.08.470.
3. Unpaid assessments, if any, currently due the common interest community.
4. Easement for electric lines or system and/or telephone lines, including the terms and conditions thereof, granted to CHUGACH ELECTRIC ASSOCIATION, INC., recorded July 25, 1952 in Book 76 at Page 95. (Blanket Easement)
5. Easement for telephone lines, including the terms and conditions thereof, granted to CITY OF ANCHORAGE, recorded January 30, 1957 in Book 1 at Page 81 (Easement records). (Blanket Easement)
6. Reservation of oil, gas and mineral rights as set forth in deed, granted to PAUL K. MCKINNEY and THELMA C. MCKINNEY, recorded March 26, 1965 in Book 298 at Page 236. (Language Setting Out Reservation: Excepting 75% of all oil, gas and mineral rights). Amended by instrument recorded June 8, 1970 in Book 189 at Page 341 (Misc. records)
7. Covenants, conditions and restrictions, including the terms and provisions thereof, as contained in instrument recorded March 26, 1965, in Book 298 at Page 236.
8. Reservation of oil, gas and mineral rights as set forth in deed, granted to LESLIE J. KELM and BERNICE R. KELM, recorded May 24, 1965 in Book 302 at Page 212. (Language Setting Out Reservation: Grantors reserve oil, gas and mineral rights in the above property without any right of surface entry).
9. Declaration of Environmental Restrictions and Related Requirement in the Department of Army Permit pertaining to Klatt Bog 2, by Bayshore Corporation, recorded on June 19, 1985 in Book 1282 at Page 576. Amended by instrument recorded June 27, 2000 in Book 3653 at Page 218.

10. Easement for electric lines or system and/or telephone lines, including the terms and conditions thereof, granted to CHUGACH ELECTRIC ASSOCIATION, INC., recorded July 5, 1991 in Book 2168 at Page 978. (Blanket Easement)
11. Utility easement dedicated or delineated on the face of Plat No. 98-122.
12. Slope Easement as reserved on Plat No. 98-122 for the purpose of providing and maintaining lateral support of the constructed street.
13. Effect of the notes as shown on Plat No. 98-122.
14. Easement for electric lines or system and/or telephone lines, including the terms and conditions thereof, granted to CHUGACH ELECTRIC ASSOCIATION, INC., recorded October 12, 1992 in Book 2328 at Page 321. (Blanket Easement)
15. Covenants, Conditions and Restrictions, including the terms and provisions thereof, as contained in instrument recorded August 18, 1994 in Book 2694 at Page 910.
16. Notice of Subdivision Agreement, including the terms and conditions thereof, executed by CARR-GOTTSTEIN PROPERTIES and THE MUNICIPALITY OF ANCHORAGE, dated March 19, 1998 and recorded April 3, 1998 in Book 3223 at Page 840. (Said agreement states that it does not create a lien.)
17. Covenants, Conditions and Restrictions, including the terms and provisions thereof, as contained in instrument recorded December 29, 1998 in Book 3397 at Page 1.
18. Deed of Trust, including the terms and conditions thereof, in the amount of \$2,096,100.00 (plus interest thereon), between Discovery Construction, Inc. as Trustor, Pacific Northwest Title of Alaska, Inc. as Trustee, and National Bank of Alaska as Beneficiary, dated May 1, 2000 and recorded on May 2, 2000 in Book 3627 at Page 233.
19. Notice of Right to Lien executed by D&S Concrete, Inc., recorded on July 17, 2000 in Book 3662 at Page 23.
20. Notice of Subdivision Agreement, including the terms and conditions thereof, executed by DISCOVERY CONSTRUCTION, INC. and THE MUNICIPALITY OF ANCHORAGE, dated July 19, 2000 and recorded July 21, 2000 in Book 3664 at Page 499. (Said agreement states that it does not create a lien.)
21. Water Main Extension Agreement, including the terms and conditions thereof, executed by DISCOVERY CONSTRUCTION, INC.

and THE MUNICIPALITY OF ANCHORAGE, dated August 1, 2000 and recorded September 25, 2000 in Book 3696 at Page 560.

22. Sanitary Sewer Extension Agreement, including the terms and conditions thereof, executed by DISCOVERY CONSTRUCTION, INC. and THE MUNICIPALITY OF ANCHORAGE, dated August 1, 2000 and recorded September 25, 2000 in Book 3696 at Page 582.
23. Claim of Lien for labor and/or materials as filed by CEF, Inc., d/b/a Sonshine JV, in the amount of \$1,143,727.13, plus interest and costs, recorded on October 20, 2000 in Book 3709 at Page 504.
24. Claim of Lien for labor and/or materials as filed by General Concrete Company, Inc., in the amount of \$21,158.86, plus interest and costs, recorded on October 23, 2000 in Book 3710 at Page 734.
25. Claim of Lien for labor and/or materials as filed by ROK Services, in the amount of \$145,642.41, plus interest and costs, recorded on October 24, 2000 in Book 3711 at Page 342.
26. Easement for electric lines or system and/or telephone lines, including the terms and conditions thereof, granted to CHUGACH ELECTRIC ASSOCIATION, INC., recorded December 27, 2000 in Book 3740 at Page 588. (Blanket Easement)

EXHIBIT EARCHITECTURAL CONTROLS
FOR
HIDDEN COVE PHASE III
(A Planned Community Within Southport)Section 1. General.

No structure shall be placed, erected, or installed upon any Unit, and no improvements (including staking, clearing, excavation, grading and other site work, exterior alteration of existing improvements, and planting or removal of landscaping materials) shall take place except in compliance with this Exhibit E and the Design Guidelines and upon approval of the appropriate committee under Section 2 below.

Any Unit Owner may remodel, paint or redecorate the interior of structures on his Unit without approval. However, modifications to the interior of screened porches, patios, and similar portions of a Unit visible from outside the structures on the Unit shall be subject to approval. No approval shall be required to repaint the exterior of a structure in accordance with the originally approved color scheme or to rebuild in accordance with originally approved plans and specifications.

All dwellings constructed on any portion of the Common Interest Community shall be designed by and built in accordance with the plans and specifications of a licensed architect or licensed building designer.

Section 2. Architectural Review.

Responsibility for administration of the Design Guidelines, as defined below, and review of all applications for construction and modifications under this Exhibit E shall be handled by the two committees as described in subsections 2.a. and 2.b. The members of the Committees need not be Unit Owners or representatives of Unit Owners, and may, but need not, include architects, engineers or similar professionals, whose compensation, if any, shall be established from time to time by the Executive Board. The Executive Board may establish and charge reasonable fees for review of applications hereunder and may require such fees to be paid in full prior to review.

a. Initial Construction Committee. The Initial Construction Committee ("ICC") shall consist of one to three persons and shall have exclusive jurisdiction over all original construction on any portion of the Common Interest Community. Until 100% of the Common Interest Community has been developed and conveyed to Unit Owners other than Builders or Dealers, the

Declarant retains the right to appoint all members of the ICC who shall serve at the Declarant's discretion. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration of such right, the Executive Board shall appoint the members of the ICC, who shall serve and may be removed in the Executive Board's discretion.

b. Modifications Committee. The Executive Board may establish a Modifications Committee ("MC") to consist of at least three and no more than five persons, all of whom shall be appointed by and shall serve at the discretion of the Executive Board. The MC, if established, shall have exclusive jurisdiction over modifications, additions, or alterations made on or to existing structures on Units or containing Units and any common elements. The ICC shall have the right to veto any action taken by the MC which the ICC determines, in its sole discretion, to be inconsistent with the Design Guidelines.

Section 3. Guidelines and Procedures.

The Declarant shall prepare the initial design and development guidelines and application and review procedures (the "Design Guidelines") which shall apply to all construction activities within the Common Interest Community. The Design Guidelines may contain general provisions applicable to all Units, as well as specific provisions which vary from Unit to Unit depending upon location, unique characteristics, and intended use.

The ICC shall adopt such Design Guidelines at its initial organizational meeting and thereafter shall have sole and full authority to amend them. Any amendments to the Design Guidelines shall apply to construction and modifications commenced after the date of such amendment only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced.

The ICC shall make the Design Guidelines available to Unit Owners, builders, and Dealers who seek to engage in development or construction within the Common Interest Community and all such Persons shall conduct their activities in accordance with such Design Guidelines. In the Declarant's discretion, such Design Guidelines may be recorded in the Anchorage Recording District, Third Judicial District, State of Alaska, in which event the recorded version, as it may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Design Guidelines was in effect at any particular time.

The MC may adopt detailed procedures and standards governing its area of responsibility, consistent with those set forth in the Design Guidelines and subject to review and approval or disapproval by the ICC.

Section 4. Submission of Plans and Specifications.

a. No construction or improvements shall be commenced, erected, placed or maintained on any Unit, nor shall any exterior addition, change or alteration be made thereto, until the plans and specifications ("building plans") showing site layout, structural design, exterior elevations, exterior materials and colors, signs, landscaping, drainage, lighting, irrigation, utility facilities layout, and screening therefor shall have been submitted to and approved in writing by the ICC or MC, as appropriate. The Design Guidelines shall set forth the procedure for submission of the building plans.

b. In reviewing each submission, the ICC or MC, as appropriate, may consider visual and environmental impact, ecological compatibility, natural platforms and finish grade elevation, harmony of external design with surrounding structures and environment, and location in the relation to surrounding structures and plant life. The committees may require relocation of native plants within the construction site as a condition of approval of any submission.

The ICC or MC, as appropriate, shall, within 45 days after receipt of each submission of the building plans, advise the party submitting the same, in writing, at an address specified by such party at the time of submission, of (i) the approval of building plans, or (ii) the segments or features of the building plans which are deemed by such committee to be inconsistent or not in conformity with this Declaration and/or the Design Guidelines, the reasons for such finding, and suggestions for the curing of such objections. In the event the appropriate committee fails to advise the submitting party by written notice within the time set forth above of either the approval or disapproval of the building plans, the building plans shall be deemed disapproved. Notice shall be deemed to have been given at the time the envelope containing such notice, properly addressed, and postage prepaid, is deposited with the U.S. Postal Service, registered or certified mail, return receipt requested. Personal delivery of such written notice shall, however, be sufficient and shall be deemed to have been given at the time of delivery.

c. If construction does not commence on a project for which building plans have been approved within 12 months of such approval, such approval shall be deemed withdrawn, and it shall be necessary for the Unit Owner to resubmit the building plans to the Declarant for reconsideration.

d. Any Unit Owner who submits a design for approval should also submit a statement of assurance on the financial arrangements associated with the design. If the total construction of the house is not being financed with a commercial bank, the Declarant or ICC will require that there be a performance bond posted by the builder for the portion of the work that is not financed. Collateral posting for completion of the building by the Unit Owner may be acceptable in the alternative, but only at the sole discretion of the Declarant.

Section 5. No Waiver of Future Approvals.

Each Unit Owner acknowledges that the members of the ICC and the MC will change from time to time and that interpretation, application and enforcement of the Design Guidelines may vary accordingly. Approval of proposals, plans and specifications, or drawings for any work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar proposals, plans and specifications, drawings, or other matters subsequently or additionally submitted for approval.

Section 6. Variance.

The ICC may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing; (b) be contrary to this Declaration; or (c) estop the ICC from denying a variance in other circumstances. For purposes of this Section, the inability to obtain approval of any governmental agency, the issuance of any permit, the cost of compliance, or the terms of any financing shall not be considered a hardship warranting a variance.

Notwithstanding the above, no variance shall be effective until approved in writing by Carr-Gottstein Properties, GP, LLC, whose current address shall be available from the ICC.

Section 7. Limitation of Liability.

Review and approval of any application pursuant to this Exhibit E is made on the basis of aesthetic considerations only and neither the ICC, Carr-Gottstein Properties, GP, LLC, nor the MC shall bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the Declarant, the Association, the Executive Board, any committee, or member of any of the foregoing shall be held liable for any injury, damages, or loss arising out

of the manner or quality of approved construction on or modifications to any Unit.

Section 8. Enforcement.

Any structure or improvement placed or made in violation of this Exhibit E shall be deemed to be nonconforming. Upon written request from the Executive Board, Carr-Gottstein Properties, GP, LLC, or the Declarant, Unit Owners shall, at their own cost and expense, remove such structure or improvement and restore the land to substantially the same condition as existed prior to the nonconforming work. Should a Unit Owner fail to remove and restore as required, the Executive Board or its designees shall have the right to enter the Unit, remove the violation, and restore the property to substantially the same condition as previously existed. All costs, together with the interest at the maximum rate then allowed by law, may be assessed against the benefitted Unit and collected as a special assessment.

Any contractor, subcontractor, agent, employee, or other invitee of a Unit Owner who fails to comply with the terms and provisions of this Exhibit E and the Design Guidelines may be excluded by the Executive Board from the Common Interest Community. In such event, neither the Association, its officers, its committees, nor its directors shall be held liable to any Person for exercising the rights granted by this paragraph.

In addition to the foregoing, the Association shall have the authority and standing to pursue all legal and equitable remedies available to enforce the provisions of this Exhibit E and the decisions of the ICC and MC.

Section 9. Application; Amendment.

This Exhibit E shall not apply to the activities of the Declarant, nor to improvements to the Common Elements by or on behalf of the Association.

This Exhibit E may not be amended without the Declarant's written consent so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

EXHIBIT F

OCCUPANCY RESTRICTIONS
FOR
HIDDEN COVE PHASE III
(A Planned Community Within Southport)

1. Newspaper Delivery receptacles. Newspaper stands and receptacles on individual Units for the purpose of newspaper delivery are not permitted.

2. Private Landscaping Easements. No dog run, shed, greenhouse, wood-pile, play equipment, or any other similar structure shall be placed in private landscape easements.

3. Fencing Easement. Declarant hereby reserves to itself an easement upon all Lots to construct fencing compatible with the standards set forth in Section 8 ("Fences") of the Design Guidelines, as referenced in Exhibit G. The Declarant may construct, repair and maintain fencing on the edge of the property line or within or on the interior line of any utility easements on any of the Lots even if a landscape easement is not designated on the Lot on Plat No. 2001-50.

Declarant shall have the right of entry upon the Lots for the purposes of construction, installation, repair and maintenance of fencing and landscaping, including the right of access to the area where the fence or landscaping is to be installed, the transportation of labor and materials, and the right to undertake such brushing, clearing, or grading as is necessary, at Declarant's sole discretion, to install the fencing or landscaping.

4. Utility Lines, Aerials and Antennas. All electrical service, telephone lines and television cable shall be placed underground. No short wave antennas, transmitters, or base stations for amateur radio transceivers or other radios shall be permitted. Television antennas will be allowed provided:

a. The Unit Owner provides written notice to the Declarant, or designated representative, of its plans to install a television antenna or satellite dish prior to the actual installation of the same.

b. Antennas shall be no larger than, nor installed higher than, absolutely necessary for reception of quality signal and must be placed in the least obtrusive and least visible place (i.e., not seen from the street) providing reception quality. (Normally, the back yard has the same quality reception as the front yard.)

c. If a television antenna must be installed on a house to receive a quality signal, then it cannot exceed twelve (12) feet in height above the highest point of the roof, unless a permit is obtained from the Municipality of Anchorage. A copy of the permit must be supplied to the Declarant.

d. Antennas situated on the ground and visible from the street or from the other Lots must be camouflaged by existing landscaping or fencing, if an acceptable quality signal may be received from such placement. If no such existing landscaping or screening exists, the Declarant may require antennas to be screened by new landscaping or screening at reasonable cost to the Unit Owner.

5. Water and Sewer. No individual well or water system or sewage disposal system shall be installed on any Unit.

6. Sight Distance. No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two and one half (2-1/2) feet and eight (8) feet above the roadways shall be placed or permitted to remain on any corner Unit within the triangular area formed by the street property lines and a line connecting them at points thirty (30) feet from the intersection of the street lines or, in the case of a rounded property corner, from the intersection of the street property lines extended. The exception to this rule is a tree which is trimmed so that the trunk is bare to a height of eight (8) feet as measured from the higher of the nearest curb or street centerline grade. The same sight line limitations shall apply on any Unit within ten (10) feet from the intersection of a street property line with the edge of a driveway or alley. No trees shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of sight lines.

7. Temporary Structures. No temporary structure, boat, truck, trailer, camper, or recreational vehicle of any kind shall be used as a living area while located in the planned community; however, trailers or temporary structures for use incidental to the initial construction of improvements on a Unit may be maintained thereon but shall be removed within a reasonable time after completion of construction of the project.

8. Additional Vehicle Restrictions. No repair or restoration of any motor vehicle, boat, trailer, aircraft, or other vehicle shall be permitted on any portion of any Unit except for emergency repairs thereto, and then only to the extent necessary to enable movement thereof to a proper repair facility. No vehicles or equipment shall be parked or placed in a public right-of-way for more than twenty-four (24) hours. No vehicle or equipment owned by or under the control of a resident or Unit Owner shall be placed on

a public street within the planned community for more than forty-eight (48) cumulative hours in any week.

9. Nuisances. All residences are entitled to the peaceful and quiet enjoyment of their premises between 10:00 p.m. and 8:00 a.m. All residents and guests shall have due regard for others. During this quiet time, televisions, stereos and/or musical equipment should be played at a substantially reduced volume. Activities such as snow blowing, lawn mowing, skateboarding, playing basketball, etc. should be curtailed.

10. Commercial Vehicles. With the sole exception of marked police patrol vehicles in active service, no commercial or governmental vehicles, or commercial or construction equipment, shall be parked, placed, erected, or maintained on any Unit for any purpose except during the period of construction.

11. Vehicles, Boats, Campers, etc. All vehicles, inoperable or otherwise, including but not limited to automobiles, trucks, campers, boats, recreational vehicles, snow machines, or other machinery, shall be kept in a garage or other closed structure, or screened so that the item is not visible from the public streets, adjoining lots or nearby houses. The purpose of this provision is to keep all vehicles and equipment, whether frequently used or unused, out of sight. However, clearly marked sedan-type patrol vehicles, in active service, excluding unmarked patrol vehicles, may be parked on the driveway at any time.

12. Pets, Livestock, and Poultry. No Unit Owner, resident or guest may permit an animal which he or she owns to annoy another Unit Owner, resident or guest by interfering with the latter's sleep, work or reasonable right to peace or privacy by the animal making repeated and continued noise.

A Unit Owner, resident or guest who owns an animal shall maintain all structures, pens and yards where he or she keeps the animal, and all areas adjacent thereto, in a clean and sanitary condition and free from objectionable odor.

All pets shall be chained, fenced or otherwise restrained at all times. No pet shall be allowed to run freely. Pets secured in the front yard where accessible by children should not be left unattended.

13. Additional Waste Restrictions. Except on the day of trash pick-up, all trash containers must be screened. All equipment for the storage or disposal of such trash, garbage, or other waste shall be kept in a clean and sanitary condition. There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles therefor.

No materials, debris, equipment or similarly described items shall be stored at the front or side of a house on a Lot where such garbage and refuse is visible from the street or other Lots. All such items stored shall be removed or screened.

14. Natural Resource Extraction. No natural resource extraction operation of any nature shall be permitted upon or in any Unit, nor shall wells, tanks, tunnels, mineral excavations, or shafts be permitted upon or in any Unit. No derrick or other structure designed for use in oil or natural gas drilling shall be erected, maintained, or permitted upon any Unit.

15. Windows and Facades. No garments, rugs, or other objects shall be hung from the windows or facades of the improvements to a Unit, nor shall any garments, rugs, or other objects be dusted, shaken, or beaten from, about, or upon such windows or facades. Only customary curtains, shades, draperies, or some combination thereof, which are visible from the exterior of the improvements to a Unit, shall be used. Pursuant to and without limiting the foregoing, no newspaper, metal foil, sheets, blankets, or similar materials shall be used as window coverings.

EXHIBIT G

DESIGN GUIDELINES
FOR
HIDDEN COVE PHASE III
(A Planned Community Within Southport)

1. Structure Type. No building or structure shall be erected, altered, placed, or permitted to remain on any Unit other than:

- a. one detached single-family dwelling;
- b. one garage (Every dwelling must have a garage capable of housing at least two automobiles. Larger garages may be permitted by the Initial Construction Committee ("ICC") on a case-by-case basis. Additional pavement beyond what is typical for the width of the garage shall require separate approval and usually will not be approved by the ICC. On Lots located at street corners, the garage must be placed on the side away from the street corner. Side entry doors to the garages are generally discouraged, except where the doors into the Lot.);
- c. fences, gates and associated structures;
- d. a greenhouse;
- e. a garden tool shed, children's playhouse, or like structure;
- f. a doghouse and/or pen; or
- g. any other accessory building, structure, or other item permitted by the ICC or Modifications Committee ("MC").

None of the items listed above may be constructed, installed, placed or made without the express written approval of the ICC or MC. No structure other than the primary residence shall have a footprint larger than eight (8) feet by ten (10) feet. A Unit owner shall not assume that any of the items listed in a. through g. above will be approved by the ICC or MC. They will be treated on a case-by-case basis, and the ICC or MC has in its sole discretion, the right to decide if the proposed improvement contributes to the appearance of the entire neighborhood.

2. Cost, Quality and Size. No dwelling smaller than 1,500 square feet of gross floor area for building/living space,

excluding porches, garages, covered patios, or sundecks shall be constructed on a Lot unless the ICC expressly waives the size requirement. Any such waiver will be granted only if the ICC, in its sole discretion, determining that the proposal substantially conforms with the intent of these Design Guidelines and the finished appearance contributes to the appearance of the entire neighborhood.

Dwellings to be constructed on any Lot shall have a market value in 2001 dollars of at least \$188,000, including the value of the lot. Adjustments to market value shall be made using the Consumer Price Index for all Urban Consumers, all items for Anchorage, Alaska (1967=100), hereinafter called the "Index," published by the Bureau of Labor Statistics of the United States Department of Labor. It is the intention and purpose of these standards to assure that all dwellings shall be of a quality of workmanship and materials substantially the same or better than that which can be produced on the date this Declaration is recorded. The ICC has the right to waive these dollar amounts in its sole discretion.

3. Building Height. Building height shall conform to the Municipality of Anchorage zoning requirements for Zoning District R-1. Accessory buildings can only be one (1) story and shall not exceed twelve (12) feet.

4. Exterior Appearance, Colors, and Materials. To ensure the development of Hidden Cove Phase III as a planned community of high standards, the ICC or MC shall be responsible for approving exterior colors to promote a pleasing and compatible neighborhood appearance. In doing so, the ICC or MC shall have the power to approve or disapprove any exterior color and/or trim before application. Such approval or disapproval shall be made by the determination of the appropriate committee designated in Exhibit E to the Declaration ("the approving committee"), in its sole discretion, as to whether the proposed color and/or trim adversely affect(s) the overall appearance of the neighborhood. Overly vibrant colors will be disallowed, as will color schemes that clash with the neighborhood's overall appearance.

Approval will usually not be granted by the approving committee, ICC or MC for any color(s) of a similar color scheme to that of another existing home within visual proximity of one another.

Similarly, the ICC or MC shall be responsible for approving the type of materials used on Unit exteriors. High maintenance exterior finishes, such as log oil or similar clear lacquer or varnish, shall not be allowed on the exterior of any structure. However, natural semi-transparent stains or other similar finishes which are designed to mimic clear finishes, which may have been manufactured to offer longer-term low maintenance, may be approved

on a case by case basis, at the sole discretion of the approving committee.

The exterior finish of any side of every home and accessory building shall be of a horizontally placed lap siding if it is: (i) a back wall of a house with a back yard that adjoins Southport Drive, or (ii) a front or side wall that faces any street. The exterior body, trim and roofing material color of any accessory building must match that of the primary residence. The lap siding shall be cedar, an approved wood composition lap siding, or a substantively similar equal finish as approved by the approving committee in its sole discretion. The ICC and MC will generally deny the use T1-11 siding or material of similar appearance, quality, cost, and/or composition on the side of a structure facing the street.

The remaining sides of the home may be constructed with T1-11 plywood siding installed vertically, an approved equal finish with grooves placed no wider than eight (8) inches apart, or an aesthetically equivalent or better finish, as may be approved by the Board in its sole discretion. The Unit Owner shall blend the paint, if necessary, while applying it to the structure's surfaces in order for the paint to appear the same color on all surfaces when dried. Other permitted exterior finishes are wood composition lap siding, real brick, real stone, designer block, stucco, or an approved equal finish. The application of stucco, however, is to be used only as an accent treatment and is limited to not more than 10% of the exterior surface area of any dwelling, unless this limitation is modified by the approving committee, in its sole discretion. Exterior colors shall be restricted to soft "earth tones" as determined by the approving committee, in its sole discretion. The exterior colors and materials must be approved by the approving committee prior to their application and installation.

Each house whose back faces Southport Drive shall have wood lap siding.

All roofs shall be of a material, color, and texture as approved by the ICC or MC. Flat roof construction shall not be permitted. The pitch of the roof must exceed five percent. No maximum or minimum pitch is otherwise specified; however, the approving committee's approval or disapproval will be based on the visual impact of the roof on the Lot or on neighboring Lots, dwellings, roads, and open spaces. The overall appearance of the dwelling shall be an important consideration.

No designer tile or designer block may be placed or permitted to remain on the roof or other projection of any structure on the Lot.

All projections including, but not limited to, chimney flues, vents, gutters, downpours, utility boxes, porches, railings and exterior stairways shall match the color of the surface from which they project, or shall be of any approved color. Any building projections must be contained within any setback restrictions.

Visual impact of garage doors shall be minimized by such measures as, but not limited to, location of the dwelling, protective overhangs or projections, special door-facing materials, design, and/or landscaping. Only raised panel wood or raised panel metal garage doors are allowed, unless expressly approved by the approving committee.

5. Placement of Structures. The location of any and all man-made structures is subject to the approval of the ICC. Structures, as defined in the Anchorage Municipal Code, may not encroach into the yard areas as required by the Anchorage Municipal Code. Minimum setback requirements are as follows:

Front yard:	25 feet
Side yard:	5 feet
Rear yard:	20 feet
To side street for use of corner Lot:	15 feet

unless the ICC approves the reduction of one or more of the setback requirements to the minimum as established by the Anchorage Municipal Code. Front yard setbacks are to be varied to avoid a uniform appearance and the ICC may require additional front yard setbacks.

No separate accessory building shall be erected closer than ten (10) feet to any principal structure on a Lot or any abutting Lot or tract.

No structure or apparatus serving as playground or recreation equipment for children which obstructs sight lines at elevations between two and one-half (2-1/2) and eight (8) feet above the roadways may be placed to remain on a Lot within the triangular area formed by the street property lines and a line connecting them at points thirty (30) feet from the intersection of the street property lines extended.

Basketball hoops may not be attached to the primary structure on a Lot. Ground mounted basketball hoops may not be installed in front or side yards where they are visible from the street unless they are screened by a six (6) foot wood fence. All portable basketball hoops must be placed and used in the driveway, not in the street or on a public sidewalk. All portable basketball hoops must be stored out of sight from the street or from the other Lots during the winter season.

6. Footing Drain Connection. Any and all dwellings in the Common Interest Community must include a footing and foundation drain that shall be connected to the footing drain stub located on the purchased lot. The sub-drain shall be constructed in such manner that the footing and foundation shall drain. This shall include at a minimum a 1% grade in the footing drain pipe, and be buried three (3) feet below the proposed finished grade of the lot. If the sub-drain is buried between four (4) feet and three (3) feet below the proposed finished grade of the lot, the purchaser shall provide insulation one (1) foot above and two (2) feet either side of the sub-drain pipe. If the pipe is buried more than four (4) feet, no insulation shall be required. The contractor for construction of the building shall furnish all necessary drain rock, linings, coatings and pipe near the foundation to ensure that water will drain away from the foundation to the constructed footing drain into the drain system.

7. Completion of Construction. Once commenced, any construction of a dwelling must be pursued to completion with diligence and continuity, and in no event shall such construction period exceed one year, except for certain interior unfinished areas previously approved by the ICC. During the course of construction, the Unit Owner or builder shall protect from damage contiguous pavements, curbs, walks, streets, shoulders, and utility structures in the vicinity of, or leading to the construction area, and shall keep pedestrian and road rights-of-way, as well as drives, reasonably clear of equipment, building materials, dirt, debris, and similar items. No buildings constructed elsewhere shall be moved to or placed on any Lot except with the approval of the ICC. No building shall be in any manner occupied while in the course of original construction or until it complies with all applicable requirements of the Declaration, the Municipality of Anchorage, and this Exhibit. All other improvements shall be completed within ninety days following commencement of construction.

8. Fences. No fence or wall shall be erected until after the plans for such fence or wall are approved in writing by the ICC. An approved six (6) foot wood fence must be installed to provide privacy screening prior to installing a shed, dog run, pens, garden enclosures, hot tub, play equipment, play house, firewood, extra large decks, etc. No fence or wall shall be erected or placed in the front yard of any Lot nearer to the street than the front of the residence unless otherwise approved by the ICC. ("Front of the residence" means the structural wall of the primary residence or structure and not the roof eaves, porch or deck.) No metal, plastic, chain link, processed wood, or wood link fences shall be allowed in the planned community. Only natural wood fences shall be permitted; however, posts and their brackets may be metal or processed wood with approval of the approving committee. All fences must be properly maintained as an attractive

addition to the Lot. Fences include dog runs, pens, garden enclosures, and any other visible exterior boundary dividers.

No fence may exceed six (6) feet in height, including any decorative lattice trim at the top of the fence. The approving committee may expressly waive, on a case-by-case basis for individual Unit Owners, the six (6) feet height limitation for decorative gate arbors and allow up to a maximum height of eight (8) feet.

All chain link dog runs must be covered with wood lattice that matches the color of the primary residence or structure on the Lot.

Alternating board fences usually will not be approved, especially on Lots located on street corners or where the fence is close to a street. This is because such fences do not provide adequate screening. Alternating board fences will be considered on a case-by-case basis for individual Unit Owners by the approving committee.

9. Landscaping. It is the intent of Declarant to require that landscaping be completed promptly after construction is completed. All homes substantially completed between and including the dates of July 1st and May 1st of the following year are to be landscaped no later than the first of August of that following year. Homes substantially completed after May 1st and on or before June 30th of the same year must be landscaped by August 15th of that same year. All walks, driveways, and parking areas shall be paved or similarly improved. Vegetable gardens are not permitted in the front yard of a Lot without the express written approval of the approving committee. All Unit Owners must submit their landscaping plans to the ICC for approval and all tree removal, tree thinning, vegetation removal, or planting of new trees or vegetation must be in accordance with an approved landscape plan.

No keystone block may be used by a Unit Owner for the purpose of private landscaping, nor may it be permitted to remain as part of the private landscaping on a Lot.

No shrubs which are artificially colored, or otherwise not composed of their natural color, may be used by a Unit Owner for purposes of private landscaping, nor may they be permitted to remain as part of the private landscaping on a Lot. The use of natural shrubs as part of private landscaping shall be conditioned upon the approval of the ICC.

No planters, trees or bushes are allowed in the front yard within thirty (30) feet from the center of a roadway. Flowers and plants will be considered for approval on a case-by-case basis.

Declarant shall construct and maintain a thirty-foot (30') landscaping easement and fence along 100th Avenue, in a style

consistent with the adjacent landscaping easement and fence, which construction shall be completed as soon as reasonably practicable, but in no event shall such construction be completed later than September 30, 2001, or until the construction of homes adjoining 100th Avenue begins, whichever is earlier. In addition to the work along 100th Avenue, Declarant shall also extend such fencing from the substation at the corner of 100th Avenue and Southport Drive to Maritime Loop, subject to reimbursement by Carr-Gottstein Properties, GP, LLC.

Declarant hereby imposes upon Lots One (1) through Thirteen (13), inclusive, Forty (40), Sixty-two (62), and Sixty-three (63), a fencing and landscaping easement, for the benefit of the Common Interest Community and Carr-Gottstein Properties, GP, LLC. The easement is located along the eastern perimeter of the real estate of the Common Interest Community adjacent to Southport Drive and is evidenced by the existing fencing and landscaping. The obligation to maintain and preserve the fence and landscaping shall be borne by Declarant for so long as the Declarant owns any of the Lots that are part of the Common Interest Community. Thereafter, this obligation and any expenses associated with it shall be borne by the Association.

The obligations of Declarant set forth in the above two paragraphs may not be amended. They may be assumed by a Transferee Declarant, but without release of Declarant. These obligations, and its rights of approval as set forth elsewhere in this Declaration, may be specifically enforced by Carr-Gottstein Properties, GP, LLC, without the requirement to post a bond, and without limitation to its other remedies allowed by law or the Declaration.

10. Trees. No Unit Owner shall be permitted to completely clear a Lot where standing trees of size and beauty exist. Space may be cleared for construction and trees may be thinned, so long as the maximum natural beauty and aesthetic values of such trees are retained. A minimum of two evergreen trees of not less than six (6) feet in height and one deciduous tree of not less than eight (8) feet in height and a minimum of four (4) shrubs not less than two (2) feet in height are to be maintained on the front portion of each Lot. The front portion of a Lot for the purpose of this section shall be limited to the area between the front of the building and the curb unless approved by the ICC. Trees and vegetation in the rear and sides of the Lot are not to be substituted for the vegetation required in this paragraph. Upon prior written request, the ICC may approve deviations from these requirements to accommodate lot size, shape and/or topography.

There shall be no variance granted from the evergreen-tree requirement for Lots the front yard of which faces the east/west portion of the street intersecting Southport Drive of West 100th Avenue.

11. Exterior Lighting. All exterior lighting fixtures shall:
(1) broadcast light downward and at no more than a 30 degree angle from the perpendicular line between the fixture and the ground, and
(2) not reveal any exposed light source beyond the lot line. This shall not prohibit accent and flood lighting that is directed towards the home so long as it does not shine directly beyond the lot. All other forms of lighting shall not be installed without prior written approval from the approving committee. Generally, mercury vapor lights, street-light style, and broadcast area lighting will not be approved for use. Low wattage entry bulbs may be approved on a case by case basis. Exterior lighting shall be identified on plans.

After Recording, Return To:

John H. Tindall, Esq.
Tindall Bennett & Shoup, P.C.
508 W. Second Avenue, Third Floor
Anchorage, Alaska 99501

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ANCHORAGE
RECORDING DISTRICT

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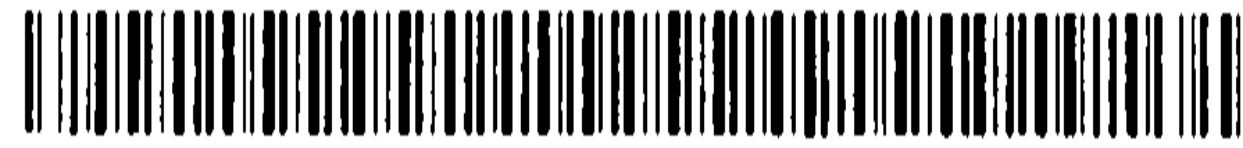
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REQUESTED BY

TINDALL
BENNETT &
SHOUP



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**FIRST AMENDMENT TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
HIDDEN COVE PHASE III--A Planned Community within Southport
(Keystone block to be permissible landscaping material)**

This is an Amendment to the Declaration of **HIDDEN COVE PHASE**, recorded July 17, 2001, in Book 3893, at Pages 551 through 634, inclusive, in the records of the Anchorage Recording District, Third Judicial District, State of Alaska.

HIDDEN COVER PHASE III is real property in the Third Judicial District, State of Alaska, described as Lots One (1) through Sixty-three (63), **HIDDEN COVE SUBDIVISION, PHASE III**, according to the official plat thereof, filed under Plat No. 2001-50, records of the Anchorage Recording District, Third Judicial District, State of Alaska.

The undersigned certify that this Amendment was adopted by approval of Owners owning in the aggregate not less than sixty-seven percent (67%) of the voting power, in accordance with the procedure set forth in Article 17 of the above-described original Declaration. Mortgageholder approval was not obtained, as this Amendment does not impact security interests and is not "material" from a lender's perspective. This Amendment replaces the original above-described Declaration with respect to the original Articles and Section numbers set forth below. All other terms and conditions of the original Declaration remain unchanged. In the event of a conflict between this Amendment and the original Declaration, this Amendment controls.

Exhibit G, Paragraph 9, "*Landscaping*", subparagraph 2, which reads:

"No keystone block may be used by a Unit Owner for the purpose of private landscaping, nor may it be permitted to remain as part of the private landscaping on a Lot."

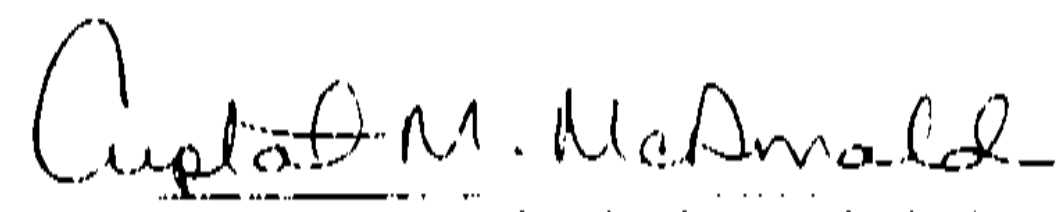
Is deleted in its entirety.

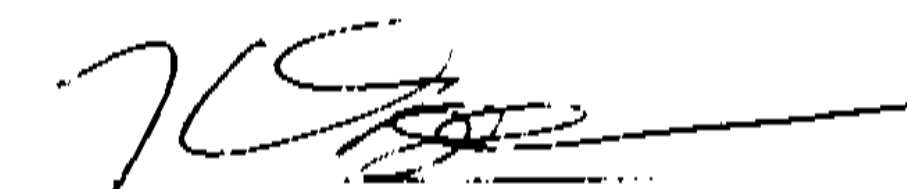
Dated this 23rd day of September, 2003

Marcus M Reed, President, Hidden Cove III Homeowners' Association

THIS IS TO CERTIFY that the foregoing instrument was acknowledged before me on this 23 day of September, 2003, by Marcus M Reed, the President of Hidden Cove III Homeowners' Association, an Alaska corporation, on behalf of the corporation.

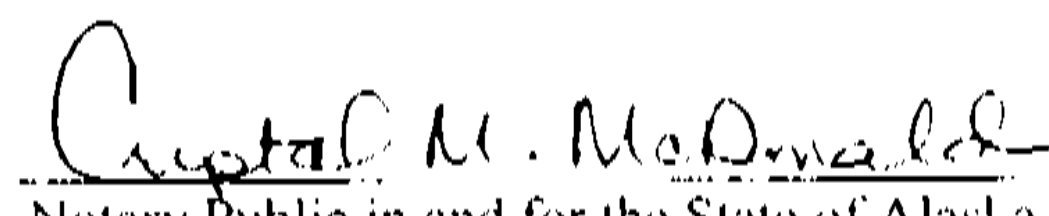
WITNESS my hand and notarial seal the day and year first hereinabove written.


Notary Public in and for the State of Alaska
My commission Expires: 3-2-07


Kris W Stephens, Secretary, Hidden Cove III Homeowners' Association

THIS IS TO CERTIFY that the forgoing instrument was acknowledged before me on this 23 day of September, 2003, by Kris W Stephens, the Secretary of Hidden Cove III Homeowners' Association, an Alaska corporation, on behalf of the corporation

WITNESS my hand and notarial seal the day and year first hereinabove written.


Notary Public in and for the State of Alaska
My commission Expires: 3-2-07

AFTER RECORDING, RETURN TO:

HIDDEN COVE III HOMEOWNERS' ASSOCIATION
PO BOX 92130
ANCHORAGE, AK 99509-2130

