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Restriction
Island County Washington

4229977

When Recorded Return to:

RSM Development, Inc.
Post Office Box 2506
Oak Harbor, WA 98277

**DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF LYLE RIDGE**

Grantor: RSM DEVELOPMENT, INC., a Washington corporation
Grantee: RSM DEVELOPMENT, INC., a Washington corporation
Legal Description: Ptn GL 5 Sec. 22-32-1
Additional legal is on Page 24 (Exhibit A) of document.
Assessor's Tax Parcel Number: R13222-218-3050; Key 24510
Reference Numbers of Documents Assigned or Released: N/A

THIS DECLARATION is made on the date hereinafter set forth by RSM Development Corporation, a Washington corporation ("Declarant"), who is the owner of certain land situated in the state of Washington, County of Island, more particularly described in Exhibit A attached hereto ("the Property") and commonly known as the Plat of Lyle Ridge, recorded on JUNE 4 2008 in the records of Island County, State of Washington, under Recording No. 4229977 ("the Plat").

This Declaration shall be binding upon the following portions of the Plat:

Lots 1 through 41, inclusive as described in the Plat and more particularly described in Exhibit A attached hereto and incorporated herein by this reference, all Common Areas (as defined below), and such additions thereto as may be hereafter brought within the jurisdiction of the Association (collectively the "Development" or "Lyle Ridge"). Declarant is the current owner of Lots 1 through 41.

Declarant agrees and covenants that the Development and improvements now existing or hereafter constructed thereon shall be held, sold, conveyed subject to, and burdened by the following covenants, conditions, restrictions, reservations, limitations liens and easements, all of which are the purpose of enhancing and protecting the value, desirability and attractiveness of such property for the benefit of all of the owners thereof and their heirs, successors, grantees and assigns. All provisions of this Declaration shall be binding upon all parties having any right, title or interest in the Plat, or any portion thereof, and shall inure to the benefit of each owner thereof and to the benefit of the Lyle Ridge Homeowners Association and shall otherwise in all respects be regarded as covenants running with the land.

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ARTICLE I

Definitions

For the purposes of this Declaration, certain words and phrases shall have particular meanings as follows:

Section 1. "Association" shall mean the Lyle Ridge Homeowners Association, a Washington nonprofit corporation, and its successors and assigns.

Section 2. "Board" shall mean and refer to the Board of Directors of the Association, as provided for in Article III. For purposes of exercising the powers and duties assigned in this Declaration to the Board, this term shall also mean the "Temporary Board" of "Declarant" as provided in Article II, unless the language or context clearly indicated otherwise.

Section 3. "Plat" shall mean and refer to the Plat of Lyle Ridge, as recorded in the records of Island County, State of Washington, on the date and under the Recording Number indicated in the introductory paragraph of this Declaration on page 1 above.

Section 4. "Development" shall mean Lots 1 through 41 as described in the Plat, and such additions thereto as may be hereafter brought within the jurisdiction of the Association.

Section 5. "Declarant" shall mean RSM Development Inc., a Washington corporation, and its successors and assigns, if such successors and assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 6. "Common Area" shall mean those portions of all real property (including the improvements thereto) designated in the Plat as common areas, private roads, sensitive areas, recreation/storm drain, swales, green belts or otherwise owned, used and maintained by the Association for the benefit of its members. The areas to be maintained by the Association at the time of recording this Declaration include but are limited to the entry monuments, gate, lighting and landscaping.

Section 7. "Lot" shall mean and refer to any parcel of land shown upon the Plat.

Section 8. "Owner" shall mean the record owner, whether one or more persons or entities and specifically including the Declarant; of the fee interest in a Lot or Lots which are a part of the Development, but shall not include a contract seller or a mortgagee. Purchasers or assignees under recorded real estate contracts shall be deemed Owners as against their respective sellers or assignors.

Section 9. "Member" shall mean every person or entity that holds a membership in the Association.

Section 10. "Architectural Control Committee" or "ACC" shall mean that duly appointed or elected committee of the Board of Directors as outlined in Article X of this Declaration.

Section 11. "Development Period" shall mean that period of time beginning on the date of recording this Declaration and ending at the earlier of: (i) five (5) years following the date of recording this Declaration, (ii) the thirtieth (30th) day after Declarant has transferred title to fifty-

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one percent (51%) of the Lots to individual residential owners, or (lii) on the date specified in a written notice from the Declarant to the Association in which the Declarant elects to terminate the Development Period, at the sole discretion of the Declarant.

Selection 12. "Residence" shall mean the single-family residence occupying any Lot which shall be subject to the limitations set forth in Article IX and X below.

ARTICLE II

Development Period

Section 1. Management by Declarant. Until termination of the Development Period, either upon the sale of the required number of Lots, the expiration of (5) years, or the election of the Declarant by written notice to the Association, as provided above in section 11 of Article I, the Development shall be managed and the Association shall be organized at the sole discretion of the Declarant. Management by the Declarant during the Development Period is for the purpose of ensuring that the Development is adequately administered in the initial state of development and that there is an orderly transition to Association operations. Each Owner accepts this management authority in Declarant. Notwithstanding anything to the contrary herein, or in the Bylaws of the Association, undeveloped Lots owned by Declarant shall not be subject to any Assessments (as defined in Section 1 of Article IV below) prior to development and the future development of any such Lots owned by Declarant shall not be subject to review by or approval of the Architectural Control Committee until any such Lots are sold or otherwise transferred by the Declarant.

Section 2. Temporary Board. Declarant may, in its sole discretion, and at such times as the Declarant deems appropriate, appoint three persons who may be Lot Owners or who may be representatives of corporate entities or other entities which are Lot Owners, as a "Temporary Board". This Temporary Board shall have full authority and all rights, responsibilities, privileges and duties to manage the Development under this Declaration and shall be subject to all provisions of this Declaration, and the Articles of Incorporation, the Bylaws and the rules, regulations and Assessments of the Association, provided that after selecting a Temporary Board, the Declarant, in the exercise of its sole discretion, may at any time terminate the Temporary Board and resume its management authority or select a new Temporary Board.

Section 3. Management Authority. If Declarant does not appoint a Temporary Board, Declarant or a managing agent selected by the Declarant shall have the power and authority to exercise all the rights, duties and functions of the Board of Directors of the Association and generally exercise all powers necessary to carry out the provisions of this Declaration, including but not limited to, enacting responsible administrative rules, contracting for required services, obtaining property and liability insurance, executing any and all covenants, easements, or other necessary documentation related to the Common Area; and collecting and expending all Assessments and Association funds. Any such managing agent or the Declarant shall have the exclusive right to contract for all goods and services, payment for which is to be made from any monies collected from Assessments.

Section 4. Expenditures During the Development Period. During the Development Period, Declarant shall have the sole discretion to use and consume all or so much of the Assessments provided for herein as in Declarant's judgment is necessary or expedient in maintaining the Common Area and carrying of the other functions of the Association, including



but not limited to, management fees and any legal fees associated with Declarant carrying out any duties during the Development Period, including all costs associated with transferring management to the Association after the expiration of the Development Period.

Section 5. Expiration of Development Period. Upon termination of the Development Period, Declarant shall deliver any funds remaining to the Association. Declarant shall not be liable to the Association or any Owner for monetary damages for conduct as the Declarant and shall be indemnified and held harmless by the Association from any and all legal actions brought by the Association or any owner for the management of the Development or administration of the Association prior to expiration of the Development Period. After the expiration of the Development Period, it shall be the responsibility of the Lot Owners to provide for the operation of the Association.

ARTICLE III

Homeowners' Association

Section 1. Formation. The Association shall be a non-profit corporation incorporated under the laws of the State of Washington.

Section 2. Membership. Every person or entity who is the contract purchaser or Owner of any Lot or Lots in the Development is and shall be a Member of the Association, provided, however that if any Lot is held jointly by two (2) or more persons or entities, the several Owners of such interest shall designate one (1) of their number as the "Member." The foregoing is not intended to include persons or entities that hold an interest merely as security for the performance of an obligation.

No Lot shall have more than one (1) membership. Membership shall be appurtenant to and may not be separated from ownership of or the contract purchaser's interest in any Lot which is subject to Assessment by the Declarant or the Association. Upon transfer of the fee interest to, or upon the execution and delivery of a real estate contract for the sale of (or of an assignment of a contract purchaser's interest in) any Lot, the membership in the Association shall inso facto be deemed to be transferred to the transferee, grantee, contract purchaser or new contract purchaser. Membership voting rights and the right to use the Common Area and facilities may be suspended in the event of default in the payment of any Assessments or violation of any provisions of this Declaration, the Bylaws, or of any rules and regulations adopted in accordance with authority of the Bylaws of the Association. In the event of suspension of such rights, such Member shall continue to incur and remain liable for any and all obligations set forth in this Declaration, and in the Bylaws and rules and regulations of the Association, including but not limited to monthly, annual and special Assessments.

Section 3. Classes and Voting Rights. The Association shall have the following two (2) classes of voting membership:

3.1 Class A. Class A Members shall be all Owners of Lots, with the exception of Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members entitled to one aggregate vote for each such Lot owned.

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3.2 Class B. The Class B Member shall be the Declarant, which shall be entitled to a total of Twenty (20) votes, regardless of the number of Lots owned by Declarant. The Class B membership shall cease on the earlier of the following: (1) the sale of last lot owned by Declarant, or (ii) five (5) years following the date of recording this Declaration.

For all matters to be voted upon by the Members, voting shall be as a single group consisting of all Members, and no Members shall be entitled to vote as a class. In the event Declarant owns any Lots on the date that is five (5) years following the date of recording this Declaration, Declarant shall become a Class A Member with respect to each such Lot as prescribed above.

Notwithstanding anything to the contrary herein, during the Development Period, Class A Members shall not be entitled to vote on any matters and the Development shall be managed by the Declarant, and as provided in Article II of this Declaration, Declarant may, in its sole discretion, take any action on behalf of the Association without a vote of the Members of the Association.

Section 4. Meetings of Members. Subject to the provisions of this Declaration, meetings of Members shall be held and conducted in accordance with the provisions of the Bylaws of the Association. The presence at the meeting, or by proxy as authorized in the Bylaws of the Association, of Members entitled to cast thirty-four percent (34%) of the votes of the entire membership shall constitute a quorum for any action, except as otherwise provided in the Articles of Incorporation, the Bylaws, or this Declaration. Except as otherwise provided in the Articles of Incorporation, the Bylaws, or of this Declaration, passage of any matter submitted to vote at a meeting or adjourned meeting duly called, where a quorum is in attendance in person or by proxy (or by electronic transmission if authorized in the Bylaws of the Association) shall require the affirmative vote of at least sixty five percent (65%) of the total votes present in person or by proxy.

Section 5. Board of Directors. Upon expiration of the Declarant's management authority under Article II, all administrative power and authority shall vest in a Board of three (3) Directors who shall be nominated and elected in accordance with, and serve for the terms set forth in, the Bylaws of the Association. The Association, by amendment of the Bylaws, may increase the number of Directors. The Board, for the benefit of the Development and all of the Owners, shall enforce the provisions of this Declaration and the Bylaws. Meetings of the Board of Directors shall be held and conducted in accordance with the provisions of the Bylaws and any resolution of the Association that may be hereafter adopted. Without limiting the generality of the foregoing, the Board shall have the power and be responsible for each of the following:

- a. Insurance. Obtain policies of liability insurance.
- b. Legal and Accounting Services. Obtain legal and accounting services as deemed necessary by the Board for the administration of Association affairs, administration of the Common Area, or the enforcement of this Declaration.
- c. Maintenance. Pay all costs of maintaining the Common Areas.
- d. Maintenance of Lots. If necessary, maintain any Lot if such maintenance is reasonably necessary in the judgment of the Board to: (1) protect the Common Area, or (ii) preserve the appearance and value of the Development or the Lot. The Board may authorize such maintenance activities if the Owner of the Lot has failed or refused to perform maintenance within thirty (30) days (or three (3) days in the case of emergency) after written notice of the necessity of such maintenance has been delivered by the Board to the Owner of such Lot, provided that the Board shall levy a special Assessment against the Owner of such Lot for the cost of such maintenance.

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- e. Discharge of Liens. Pay any amount necessary to discharge any lien or encumbrance levied against the entire Development or any part thereof which is claimed or may, in the opinion of the Board, constitute a lien against the Development or against the Common Area rather than merely against the interest therein of particular Owners. Where one or more Owners are responsible for the existence of such liens, such Owners shall be jointly and severally liable for the cost of discharging such liens and any costs or, expenses, including reasonable attorney's fees and costs of title search incurred by the Board by reason of such lien or liens. Such fees (and costs) shall be assessed against the responsible Owners and their respective Lots, to the extent of their respective responsibility.
- f. Utilities. Pay utilities charges attributable to Common Area.
- g. Security. Pay all costs deemed appropriate by the Board to ensure adequate security for the Lots and Common Area.
- h. Right to Contract. Have the exclusive right to contract for all goods, services, maintenance, and capital improvements deemed appropriate by the Board for the administration of Association affairs and the administration of the Common Area.
- i. Improvement of Common Area. Improve the Common Area with capital improvements to such Common Area; provided that for those capital improvements exceeding \$10,000, sixty five percent (65%) of the Owners must approve the addition of such capital improvements to the Common Area.
- j. Right of Entry. Enter any Lot or Residence, when reasonably necessary, in the event of emergencies or in connection with any maintenance, landscaping or construction for which the Board is responsible. Except in cases of emergencies, the Board, its agents or employees shall attempt to give notice to the Owner or occupant of any Lot or Residence twenty-four (24) hours prior to such entry. Such entry must be made with as little inconvenience to the Owners as practicable, and the Board shall repair any damage caused thereby if the entry was due to an emergency (unless the emergency was caused by the Owner of the Lot entered, in which case the cost shall be specially assessed to the Lot). If the repairs or maintenance activities were necessitated by the Owner's neglect of the Lot, the cost of such repair or maintenance activity shall be specially assessed to that Owner and Lot. If the emergency or the need for maintenance or repair was caused by the Owner of another Lot, the cost thereof shall be specially assessed against the Owner of the other Lot.
- k. Retain Services of Manager, Contractors and Employees. Retain the services of a manager, independent contractors or employees, as the Board deems necessary and prescribe the duties of such persons.
- l. Payment for Goods and Services. Pay for all goods and services required for proper functioning of the Common Areas.
- m. Impose Assessments. Impose annual and special Assessments.
- n. Bank Account. Open bank accounts on behalf of the Association and designate the signatories required.
- o. Easements. Execute any and all covenants, easements, or other necessary documentation relating to the use of Common Area.
- p. Exercise of Powers, Duties and Authority. Exercise for the Association and the membership of the Association, all of the powers and authority set forth in the Bylaws, Articles of Incorporation, and this Declaration and permitted to it by law. However, nothing herein contained shall be construed to give the Board authority to conduct a business for profit on behalf of all the Owners or any of them.

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ARTICLE IV

Assessments

Section 1. Personal Obligations and Creation of Lien Assessments. Subject to the provisions of Section 2 below, each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (or to Declarant or any designated managing agent during the Development Period) (i) annual or monthly Assessments or charges and (ii) special assessments, as authorized herein or in the Bylaws of the Association ("Assessments"). The Assessments, together with such interest thereon and cost of collections thereon, as hereinafter provided, shall be a continuing lien upon the Lot against which each such Assessment is made and shall run with the land. Each such Assessment, together with interest thereon and cost incurred in collecting the Assessment (including reasonable attorneys' fees) shall also be the personal obligation of the person who was the Owner or contract purchaser of such property at the time when the Assessment fell due. No Owner or contract purchaser shall be relieved of liability for the Assessments by non-use of the Common Area or abandonment of any Lot. The personal obligation for delinquent Assessments shall not pass to successors in the title unless expressly assumed by them. The Association may take any action deemed appropriate to effectuate collection of unpaid Assessments.

Section 2. Common Area and Declarant Lots Exempt. The Common Area and all portions of the Property dedicated to and accepted by a government or public authority, and all Lots owned by Declarant shall be exempt from Assessments by the Association.

Section 3. Purpose of Assessments. The Assessments shall be used for the purpose of promoting the recreation, health, safety and welfare of the Owners and/or their guests, including without limitation; the construction, establishment, improvement, repair maintenance and other expenses of the Common Area and the services and facilities related to the use and enjoyment of the Common Area; the payment of utility charges, taxes, and insurance; maintenance of sensitive areas, open space and native growth protection easements and other obligations related thereto, if any, as set forth in the Plat or otherwise required of the Declarant and or the Association by governmental agencies; installation and maintenance of any properties, screening, landscaping or improvements desired or required in the Plat or this Declaration; and other items deemed necessary and proper by the Declarant or the Association to keep the Development in a good, clean, attractive and safe condition and in compliance with all applicable codes, laws, rules and regulations. Assessments may also be levied to pay for any professional services, advice or consultation incurred by the Declarant or by the Association in carrying out its duties.

Section 4. Establishing Assessments. The regular budget and any revised or special budget of the Association, including any reserves, annual, monthly and special Assessments relating thereto and as provided herein, shall be adopted by the Board of Directors and shall be ratified by the Members of the Association as set forth herein or otherwise permitted under Washington law. Within thirty (30) days after adoption by the Board of Directors of any proposed regular or special budget and related Assessments, the Board shall set a date for a meeting of the Members to consider ratification of the budget and related Assessments. Written notice of the meeting shall be sent to all Owners not less than fourteen (14) days, nor more than sixty (60) days in advance of the meeting, setting forth the purpose of the meeting. Unless at the meeting, a majority vote of the voting power of the Members who are present, in person or by proxy, and entitled to vote at such meeting rejects the budget, the budget and related Assessments shall be

deemed ratified, whether or not a quorum is present. During the Development Period, the approval of the Declarant shall be required for ratification of any proposed budget. The Board shall cause the ratified budget and the Assessments to be levied against each Lot for the following year to be delivered to each Member at least thirty (30) days prior to the end of the current fiscal year. In the event the proposed budget and related Assessments are not ratified or the Board fails for any reason to determine the budget and related Assessments for the succeeding year, then and until such time as a budget and related Assessments shall have been determined, as provided herein, the budget and Assessments in effect for then current year shall continue for the succeeding year.

Section 5. Annual and Monthly Assessments. Beginning on January 1, 2009, the annual Assessment is estimated to be Four Hundred Dollars (\$400.00) per Lot, twenty percent (20%) of which, or such higher percentage as may be established as provided herein, shall be allocated and paid to the Declarant for management services provided to the Association by the Declarant or by a professional management firm. Such allocation of funds to the Declarant shall cease when the Development Period expires and the Association assumes collection costs, bookkeeping, and other management responsibilities for each and every lot. Any annual Assessment will be due and payable on or before January 1 each year, or such other date as may be established by the Board. The annual Assessment may be changed from time to time, or replaced or supplemented by monthly Assessments, in accordance with section 4 above.

Section 6. Special Assessments. In addition to the annual Assessments authorized above, the Association may levy special Assessments through the use of a special budget adopted by the Board of Directors and ratified by the Members in accordance with Section 4 above. The special Assessments may be used to cover: (i) unanticipated financial shortfalls, maintenance or liability expenses, including without limitation the costs of legal fees and costs incurred in legal actions in which the Association is a party, or in which a member, the Board or the ACC is named as a party as a result of a decision made or action performed while acting on behalf of the Association, (ii) extraordinary expenses such as the cost of any construction, reconstruction, repair or replacement of a capital improvement of the Common Area, and other property, street lighting, fixtures or improvements of the Association, including repairs or renovation, or (iii) any other reasonable expenses incurred by the Association. Declarant shall have the right and option during the Development Period to assess Owners for actual costs of maintaining the Common Area and other properties of the Association, and for the Declarant's management fee, as provided in Section 5 above.

Section 7. Reserves for Repair or Replacement. As a common expense and as a part of any regular or special budget of the Association, the Declarant or the Association may establish and maintain a reserve fund for repair or replacement of improvements of the Common Area, and other property, street lighting, fixtures or improvements of the Association. The reserve fund shall be expended only for the purpose of repair, replacement or improvement to the Common Area and any improvements and community facilities for which the Association is responsible, and for start up expenses and operating contingencies of a nonrecurring nature. The proportional interest of any Owner in any such reserve shall be considered an appurtenance of such Owner's Lot and shall be deemed to be transferred with such Lot in the event of a transfer or sale.

Section 8. Uniform Rate. All Assessments shall be fixed at a uniform rate for all Lots subject to Assessment; provided however, that pursuant to section 2 above, Lots owned by the Declarant are not subject to any Assessment or charge.

Section 9. Date of Commencement of Assessments; Due Dates. The Assessments provided for herein shall not commence prior to the first day of the month following the conveyance of the first Lot from the Declarant. As to each particular Lot involved, the liability for the Assessments shall begin on the first day of the calendar month following the date that any deed or real estate contract for the Lot is transferred or recorded, or on the first day of the calendar month following occupancy of the premises, whichever is earlier. Said Assessment shall be due and payable on such date and on the first day of each calendar month thereafter, or on a monthly quarterly or annual date designated by the Declarant or the Board of Directors. Annual Assessments shall be prorated from the date that any deed or real estate contract for the Lot is transferred or recorded, or the first day that any deed or real estate contract for the Lot is transferred or recorded or the first day of the calendar month following occupancy of the premises, whichever is earlier.

After the Development Period expires, the Board of Directors shall fix the annual or monthly Assessment. Written notice of the annual or monthly Assessment shall be sent to every Owner subject to such Assessments. The Board of Directors shall establish the due date. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessment on the specified Lot has been paid. A properly executed certificate of the Association as to the status of Assessments on a Lot is binding upon the Association as of the date of issuance.

Section 10. Effect of Non-Payment of Assessments; Remedies. If any Assessment is not paid within fifteen (15) days after it was first due and payable, the Assessment shall bear interest from the date on which it was due at the rate of eighteen percent (18%) per annum or the highest rate permitted by law whichever is less. Unpaid Assessments, plus interest, costs and attorney fees incurred by the Association in collecting Assessments, filing and recording liens, enforcing the provisions of the Bylaws and this Declaration, or defending itself in any litigation shall constitute a lien on the Lot as provided in the Bylaws and this Declaration. The Association may bring an action against the one personally obligated to pay the same and /or foreclose the lien against the Lot, and interest, costs and reasonable attorney's fees of any such action shall be included in any judgment or decree entered in such suit. Each Owner hereby expressly vests in the Association or its agents the right and power to bring all actions against such Owner personally for the collection of such Assessments as debts and to enforce lien rights of the Association by all methods available for the enforcement of such liens, including foreclosures by an action brought in the name of the Association in like manner as a mortgage of real property. Such Owner hereby expressly grants to the Association the power of sale in connection with such liens, and such Owner shall be responsible for payment of all attorneys' fees and costs incurred in collecting past due Assessments or enforcing the terms of Assessment liens in accordance with the terms of the Declaration. The liens provided for in this Section shall be in favor of the Association and shall be for the benefit of the Association. The Association shall have the power to tender a bid at any foreclosure sale and to acquire, hold, lease, mortgage and convey any interest acquired by the Association at such sale. No Owner may waive or otherwise escape liability for the Assessments provided herein by non-use of the Common Areas or abandonment of his or her Lot. The Association shall have the right to suspend the voting rights of an Owner for any period during which any Assessment against the Owner's Lot remains unpaid.

Section 11. Subordination of the Lien to First Mortgages. The lien of the Assessment provided for herein shall be subordinate to the lien of any first mortgage (and to the lien of any second mortgage given to secure payment of the purchase price) now or hereafter placed on the Lot, only in the event that the lien for delinquent Assessments has not been recorded with the Island County Auditor at the time of the recording of such mortgage lien. The sale or transfer of

any Lot shall not affect any Assessment lien. No sale or transfer shall relieve such Lot from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 12. Budget Deficits During Development Period. During the Development Period, Declarant may: (i) advance funds to the Association sufficient to satisfy the deficit, if any, between the actual operating expenses of the Association (but specifically not including an allocation for capital reserves), and the sum of the annual and special Assessments (including reserves) collected by the Association in any fiscal year, and such advances shall be evidenced by promissory notes from the Association in favor of the Declarant and shall be repaid by initial Assessments against each Lot at the time that any deed or real estate contract for the Lot is transferred or recorded; or (ii) cause the Association to borrow such amount from a commercial lending institution at the then prevailing rates for such a loan. The Declarant in its sole discretion may guarantee repayment of such loan, if required by the lending institution, but shall not mortgage or grant any security interest in the Common Area or any of the improvements maintained by the Association in connection with any such loan.

ARTICLE V

Common Areas

Section 1. Conveyance of Common Area. Declarant hereby transfers and conveys to the Association for the common use and enjoyment of the Association and the Owners, the Common Area, as defined in Article 1, Section 6 above.

Section 2. Association to Maintain Common Areas and Screening. The Association shall have the obligation of maintaining and preserving the character and functions of the Common Area, and shall pay the actual costs of the same from annual or special Assessments as appropriate. All private streets and roads, signs, walls, fences, gates, lighting, trees and other screening and landscaping planted adjacent to streets and roads within the Development, or within screening areas as shown on the Plat, shall be maintained by the Association.

Section 3. Use of the Common Area. Nothing shall be altered or constructed in, or removed from the Common Area except upon prior approval of the Board of Directors, Architectural Control Committee, or the Declarant during the Development Period. No trash, plant or grass clippings or other debris of any kind shall be dumped, deposited or placed on or within the Common Area. No structures of any kind, including fences and walls may be built or placed within any right-of-way or easement delineated on the Plat except as deemed appropriate by the Architectural Control Committee, or the Declarant during the Development Period, and Island County.

Section 4. Maintenance of Roads. The Board of Directors will be responsible for maintaining all private rights-of-way within the Development and the private streets and roads themselves.

Section 5. Repair of Common Area. Any damages to the Common Area for improvements thereon, including landscape plantings, sprinkler systems, walls, fences, gates, signs, lighting, berms, etc., by any of the Owners or their respective guests shall be repaired within one week by the Owner (or the Owner of the guest) who caused the Common Area or any improvements thereon to be damaged. If such repairs are not made timely by the Owner, the Association shall execute the repair and the Owner shall be obligated to immediately remit all

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funds necessary to pay for all of the costs of repair of such damage. If the Owner fails to promptly make payment for such repairs, the Owner shall be charged interest at the rate of eighteen (18%) per annum or the highest rate permitted by law whichever is less, on the unpaid portion of the costs of repair incurred by the Association.

Section 6. Management. Each Owner expressly covenants that the Board of Directors and Declarant during the Development Period, may delegate all or any portion of their management authority to the managing agent, manager or officer of the Association and may enter into management contracts or other service contracts to provide for maintenance and the operation of Common Area and any portion thereof. Each Owner is bound to observe the terms and conditions of any such management agreement or employment contract, all of which shall be made available for inspection by an Owner on request.

Section 7. Easement for Association. The Association and its agents and contractors shall have an easement for access to each Lot and to the exterior of any building located thereon during reasonable hours as may be necessary for the following purposes: (i) maintenance, repair, replacement, or improvement of any Common Area accessible from that Lot; (ii) emergency repairs necessary to prevent damage or injury to the Common Area or to another Lot, or the improvements thereon; and (iii) cleaning, maintenance, repair, or restoration work which the Owner is required to do but has failed or refused to do. Except in an emergency where advanced notice is not possible, these easements shall be exercised only after fifteen (15) days written notice to the Lot Owner.

ARTICLE VI

Stormwater Drainage and Utility Easements

Section 1. Storm Water Drainage System. The Declarant has constructed certain storm water and drainage systems within the Plat and related easements (hereinafter collectively referred to as "the Drainage System"). The Drainage System and related Drainage System easements ("Drainage System Easements") are hereby conveyed, transferred and assigned to Association for the benefit and use of the owners of the Lots. The Declarant hereby grants and conveys to the Association a non-exclusive easement and right to discharge storm water, natural surface water and related drainage from the Plat and the Lots, Common Areas and the private roadways located within the boundary of the Plat as designated on the face of the Plat.

Section 2. Construction of Drainage System. Declarant has constructed the Drainage System in accordance with specifications approved by appropriate governmental officials and the Drainage System has been approved by Island County. Declarant shall be responsible for the initial costs of construction of the Drainage System required as a condition of the approval of the Plat by Island County. Upon the request of the Association, Declarant shall promptly provide the Association with as-built drawings of any facilities constructed by Declarant as a part of the Drainage System.

Section 3. Maintenance of Drainage System.

3.1. Responsibility for Work and Costs. The Association shall provide for any and all reasonable and necessary maintenance and repairs of the facilities which are a part of the Drainage System, at the sole cost and expense of the Association on behalf of the owners of the Lots who shall be responsible for all costs and expenses of operating and maintaining the Drainage System. The Drainage System and the Drainage System Easements and all related

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UNRECORDED COPY OF THIS DOCUMENT HAS BEEN FILED WITH THE CLERK OF SUPERIOR COURT FOR ISLAND COUNTY WASHINGTON ON 08/04/2008 AT 12:43:14 PM.

facilities identified in the Drainage Plan are on file with the Island County, and such facilities shall be operated and maintained by the Association on behalf of the owners of the Lots in accordance with the procedures and requirements set forth in the current operations and maintenance manual in effect from time to time "O & M Manual"). The Drainage System shall maintain functional facilities for the appropriate routing of storm water to prevent property or environmental damage.

3.2. Maintenance Facilitator. Lyle Ridge LLC is hereby designated as the Maintenance Facilitator until such time as the Declarant has sold all of the Lots of the Plat. At the expiration of the Development Period, Lyle Ridge LLC shall be immediately relieved of all responsibilities as the Maintenance Facilitator and the Association shall designate a successor Maintenance Facilitator. The Maintenance Facilitator shall be responsible for arranging inspections, maintenance and/or repair of the Drainage System and its component parts. The Maintenance Facilitator shall provide his/her/its name, address, and telephone number to the Island County Engineer and shall serve as the contact person to the Island County Engineer. The Maintenance Facilitator shall organize and maintain the records and maintenance logs of the Drainage System. Upon reasonable notice, the maintenance logs shall be available for review and inspection by the Association, the owners of the Lots and the Island County Engineer or his/her designee.

3.3. Obligations of Owners: Damages Caused by Extraordinary Use. No Lot Owner shall allow or permit any structure, fill or landscaping to be located, installed or grown upon the area subject to the Drainage System Easements which might in any way damage or interfere with the installation and operation of such utilities and systems. Each person utilizing any Drainage System Easements area shall restore such area to a condition as close to its original condition as reasonably practical after making such use. Each Lot Owner shall maintain the area of his or her Lot subject to the Drainage System Easements in a condition which will not interfere with the operation and maintenance of said utilities and systems and in compliance with the procedures and requirements set forth in the current O & M Manual in effect from time to time. No Lot Owner may relocate, remove or disturb any utilities, including utility boxes, without the express written consent of the Association and the current holders of the Drainage System Easements. In the event that any facility located within the Drainage System is damaged by extraordinary use, such as commercial or construction activity, or by abusive and/or destructive misuse of the Drainage System, which use is made by, or at the request of, or for the benefit of the owner of a Lot, then the owner of said Lot shall be solely responsible for the costs of repairing the damage caused to the Drainage System by such extraordinary use, or abusive and/or destructive misuse.

Section 4. Rights Reserved to Island County. Island County shall have the right, for the benefit of the County and public health, safety and welfare, to operate, maintain, repair or replace the drainage, storm water, water detention/retention and other related improvements serving the Plat, in the event the Association or the owners of the Lots shall fail to do so in a competent and/or timely manner. However, Island County shall have no duty or obligation to do or refrain from doing any act by virtue of this document. In the event Island County shall expend any funds, directly or indirectly, including the cost of its own equipment and employees to perform work described herein, the County shall have claim against the Association and the owners of the Lots for the cost thereof. This claim shall be secured by a lien against the real property described in the attached Exhibit A, which may be foreclosed in the same manner as a statutory mortgage. Said lien shall have the priority provided in Section 10 of Article IV above. The rights of Island County are cumulative, and shall be in addition to all other rights and privileges, and are not in lieu thereof. The Association may not change, alter or amend the rights of Island County

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described herein without the express written consent of the County, its assigns or successors in interest.

Section 5. No Liens. The Association shall not suffer or permit any lien to be filed in connection with the Association's use of the Drainage System and Easement. If any such lien is filed, the Association shall indemnify and hold the owner of any Lot affected thereby harmless from any and all liability arising out of the lien and shall cause the same to be discharged of record promptly.

Section 6. Indemnity. The Association shall hold the owner of any Lot harmless and indemnify said owner from all claims, liability and/or damages suffered by the said owner resulting from the use of the Drainage Easement and the Drainage Systems by the Association and its members, employees and contractors; except to the extent of the negligence and/or willful act of the owner of said Lot.

Section 7. Minimize Interference. The rights granted herein by Declarant to the Association in the Drainage Easement shall be exercised so as to minimize and avoid, if reasonably possible, interference with the use and enjoyment of the remaining portion of the affected Lot.

ARTICLE VII

Maintenance of Lots

Section 1. Exterior Maintenance by Owner. Each Lot and Residence shall be maintained by the Owner in a neat, clean and slightly condition at all times and shall be kept free of accumulations of litter, junk, containers, equipment, building materials and other debris. All refuse shall be kept in sanitary containers sealed from the view of any Lot or from any street; containers shall be emptied regularly and their contents disposed of off the Development. No grass cuttings, leaves, limbs, branches, and other debris from vegetation shall be dumped or allowed to accumulate on any part of the Development except that a regularly tended compost device (approved by the Architectural Control Committee) shall be permitted. Each Lot Owner shall maintain their lawn and landscaping in a condition consistent with the maintenance standards of the Lyle Ridge community and any rules or regulations adopted by the Board of Directors or the Architectural Control Committee from time to time and each Lot Owner shall maintain all individual stubouts and infiltration systems in good condition and repair as part of the storm drainage system for the Development.

Section 2. Lot Maintenance by the Association. In the event that an Owner fails to maintain a Lot or the exterior of a Residence in a manner consistent with maintenance standards of the Lyle Ridge community and any rules or regulations adopted by the Board of Directors or the Architectural Control Committee from time to time, the Board shall upon receipt of written complaint of any Owner, or upon its own initiative, and a subsequent investigation, have the right through its managers, agents and employees to enter upon the offending Owner's Lot and repair, maintain and restore the Lot and exterior of the Residence on that Lot if the Owner shall fail to respond in a manner satisfactory to the Board within fourteen (14) days after mailing of written notice by certified mail to the last known address of the Owner. The cost of such repair, maintenance or restoration shall be assessed against the Lot and the Board shall have the right to cause to be recorded a notice of lien for labor and materials furnished, which lien may be enforced in the manner provided by law.

Improvements in accordance herewith, the Declarant or the Association shall have the right, through its managers, agents and employees, to enter upon any Lot or Improvement which has been found to violate the foregoing standards in order to make the necessary repairs or maintenance and/or to rectify or eliminate the violation, provided that the Board of Directors or the Declarant, or its representative, has given the Lot Owner at least ten (10) days written notice prior to initiating any work such work, and the cost of such work shall be a special Assessment on such Owner and such Owner's Lot and improvements, and the provisions of this Declaration regarding the collection of Assessments shall apply thereto.

Section 6. Plantings and Fences. No hedge more than six (6) feet in height, nor any fence, wall or other similar structure more than six (6) feet in height, shall be constructed, erected, placed, planted, set out, maintained or permitted on any Lot. All fencing, walls and screening must be specifically approved by the Declarant, Board of Directors or the Architectural Control Committee prior to their installation. No barbed wire, chain link or corrugated fiberglass fences shall be erected on any Lot. The Declarant or the Architectural Control Committee may adopt a fencing policy detailing acceptable styles of fencing if it deems appropriate.

Section 7. Signs. No signs of any kind shall be placed on any Lot or residential site in the Development where the same is visible from any Lot or street in the Development, except in accordance with such rules and regulations as may from time to time be adopted by the Declarant or the Architectural Control Committee. In the absence of such rules and regulations, no signs whatsoever other than conventional house numbers indicating address of the premises shall be placed on any lot. "For Sale" or "For Rent" signs, the maximum size of which shall be five square feet, must be approved in advance by the Declarant, Board of Directors or the Architectural Control Committee. During the Development Period, Declarant may require all signage on Lots and homes to be uniform in the dimension and general character regardless of the builder or realtor or other person involved in marketing the Lots. Uniformly standards may be adopted by the Declarant. Lots owned by the Declarant shall not be subject to the restriction of this Section.

Section 8. Underground Utilities. All utilities, on and in public dedicated areas, private property, or on and in any Lot or the Common Area, including water, sewer, cable television, telephone and other communications, natural gas, storm drains and electrical power shall be installed underground in compliance with all governmental regulations for the installation and maintenance of the same. No line or wires for the transmission of current or for telephones, cable television or other communications use, shall be constructed, placed, or permitted to be placed upon any residential site outside the building thereon unless (i) the same shall be underground or in the conduit attached to a building or (ii) is approved by the Declarant, Board of Directors or the Architectural Control Committee.

Section 9. Antennas. No television antennas, including satellite communications dishes, or such similar devices, (other than "Mini-dishes" with a diameter of less than 24 inches placed in the location approved by the Declarant, Board of Directors or the Architectural Control Committee), radio aeriats, ham radio broadcast or receiving apparatus shall be erected, maintained or placed on any residential site without specific written approval by the Declarant or the Architectural Control committee. Rotary beams or other similar devices shall not be constructed on any residential site.

Section 10. Animals. No livestock animals, poultry or fowl shall be kept on any Lot other than animals or birds of the type and species generally recognized as common household pets in the immediate area, such as dogs, cats, canaries and parakeets which are kept on said property solely as household pets; provided that no such household pet which is or becomes an

annoyance or nuisance to the neighborhood shall thereafter be kept on any Lot. No dog houses, dog runs or dog kennels may be placed on any lot unless they are screened from the view of neighboring properties and the streets and do not create an annoyance or nuisance. All dogs shall be kept in the Residence or garage at night so as to eliminate disturbances, including but limited to barking dogs while other residents are trying to sleep. Animal waste shall be removed by the Owner of the animal in a manner appropriate to community waste disposal standards.

Section 11. Garbage Disposal. The Owners of the Lots in the Development shall be responsible to assure that no garbage can or other receptacle will be visible from any place outside the premises except on collection days.

Section 12. Basketball Standards. No permanent basketball standard shall be situated upon a Lot Owner's lot except upon approval of the Architectural Control Committee. No permanent and/or portable basketball standards shall be situated in any private or public right-of-way. No basketball backboard shall be attached to the permanent structure. Portable basketball standards need not be submitted for approval but must be properly stored on either side of the house or at the top of the driveway when not in use. The Architectural Control Committee has the authority to revoke the use of portable standard if it is not stored properly.

Section 13. Playground Equipment. Playground equipment will be considered based on the placement of the structure on the subject property to ensure there is minimal impact on the neighborhood. Playground equipment must be submitted to the Architectural Control Committee for approval.

Section 14. Clotheslines. No Owner or occupant of any Lot shall place or permit clotheslines thereon which are visible from any Lot or street in the Development.

Section 15. Vehicles. No boats, boat trailers, house trailers, automobiles, trucks, campers, motor homes, or other vehicles, or any part thereof, not in actual current use shall be stored or permitted to remain on any Lot unless the same is stored or placed in a garage or other fully enclosed space, or is entirely screened so as not to be visible from any streets and abutting Lots. Any such enclosed space or screening shall be subject to the prior approval of the Architectural Control Committee.

Section 16. Trash and Accumulations. No trash, refuse pile, vehicles, underbrush, compost, or other unsightly growth or objects shall be allowed to group, accumulate or remain on any Lot so as to be a detriment or unreasonable annoyance to the Development or become a fire hazard. In the event may such condition shall exist upon any Lot, Declarant, Board of Directors or Architectural Control Committee, or any of their respective managers, agents, employees or representatives may enter upon said Lot and remove the same at the expense of the Lot Owner who, on demand shall reimburse Declarant or the Association, as the case may be, for the cost thereof, and such entry and removal shall not be deemed a trespass.

Section 17. Restriction Against Wells. No Lot or Owner of any Lot may have placed or constructed on, upon or within the confines of such Lot or any Common Area any water or irrigation wells for any purposes whatsoever.

Section 18. Woodpiles. Woodpiles or wood supplies shall not be stored on any front or side yard, or be visible from the streets within the Development.

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Section 19. Trees. Owners shall not cut down or prune any trees located within the Development on the date of recording this Declaration or planted and maintained at any time in the Common Areas, without the prior written approval of the Board (as defined in Section 2 of Article I). Each of the Owners shall be entitled to plant and maintain trees and other types of landscaping on an Owner's Lot provided that, for the purpose protecting views from other Lots in the Development, the height of all such trees and landscaping, other than those located on a Lot on the date of the recording of this Declaration, shall not exceed the highest point of the primary residence approved by the ACC on the Owner's Lot.

Section 20. Deviation. Declarant hereby reserves the right to enter into agreement with the grantee of any Lot or Lots (without the consent of the Owners of any other Lots) to deviate from the conditions, restrictions, limitations or agreements contained in this Declaration. Any deviation shall be manifested in an agreement in writing and shall not constitute a waiver of any such condition, restriction, limitation, or agreement as to the remaining Lots in the Development and the same shall remain fully enforceable as to all other Lots located in the Development.

Section 21. Additional Restrictions. Declarant may from time to time during the Development Period impose additional restrictions on all or any part of the Development including but not limited to designation of specific height restrictions, reservation of view corridors, color restrictions and fencing restrictions. Such restrictions shall be enforceable by the Declarant and or the Association.

Section 22. Easements and Restrictions on Final Plat. Easements, restrictions and other obligations set forth in the recorded Plat are incorporated herein and are hereby reserved on each Lot as shown on the final approved Plat.

Section 23. Sales and Construction Facilities. Notwithstanding any other provision in this Declaration to the contrary, it is expressly permissible during the Development Period for the Declarant and its agents, employees or nominees, to maintain on any portion of the property owned by the Declarant or Association such facilities as the Declarant may reasonably feel are required, convenient, or incidental to the construction and/or sales of lots or improvements thereon. The Declarant may permit, in writing, an individual owner to maintain temporary equipment and construction material on the Owner's Lot when the Declarant feels the same is reasonable required, convenient or incidental to construction activities for improvement on said Lot.

ARTICLE IX

Building Restrictions

Section 1. Plans for Residences Must be Approved. Any Residence constructed in the Plat by a builder other than the Declarant must be constructed in accordance with a plan approved by the Architectural Control Committee. The requirements for the plans are described in Article X. All buildings and other structures must be designed by an architect who is either registered to practice in the state of Washington, or is a designer approved in writing by Declarant or its nominee or by the Board of Directors or Architectural Control Committee.

Section 2. Building Setbacks. Setback requirements for all buildings and structures in the Development shall be established in accordance with the requirements of Island County and the Declarant, Board of Directors or Architectural Control Committee, or as indicated on the face of

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the Plat. Structures, fill or obstructions (including but not limited to decks, patios, outbuildings, eave overhangs, chimneys, bay windows and similar projections) shall not be permitted within building setback lines or drainage easements.

Section 3. Minimum Size Requirements. No building shall be allowed on any Lot in the Development except one single-family dwelling house, all for the use and occupancy of one immediate family and attendant bona fide domestic servants only. Any auxiliary building must be so designed and constructed as to be compatible in appearance with the main building and must have the approval of the Declarant or the Architectural Control Committee. Each Residence must have a private enclosed living area, excluding attached garage or carport, which has a floor area of not less than 1800 sq. ft. in the case of one-story houses, and 2,200 square feet in the case of two-story houses. The above requirements do not supersede any governmental requirements that are more restrictive, or any requirements adopted or modified by the Declarant, Board of Directors or Architectural Control Committee, that are specific to individual lots.

Section 4. Maximum Height Restrictions. No such dwelling house or any accessory structure shall exceed two (2) stories (excluding the basement) or be more than thirty-five (35) feet in height, without prior written approval of the Declarant, Board of Directors or Architectural Control Committee. Height of building for purposes of this Section shall be measured from the highest point at which the natural contour of the ground comes in contact with such building, or structure. The Declarant, or the Board of Directors, may, at any time and within its sole discretion, adopt supplement or modify height restrictions applicable to individual Lots for the purpose of maintenance of views throughout the Development. The height restrictions so adopted shall, unless specifically stated to the contrary, apply to any structure, tree or vegetation. Said restrictions need only the consent and signature of the Declarant or the Board of Directors and shall be valid and binding upon recordation of the same, and may occur at any time, provided, however that any Lot that has a structure which has been completely constructed and approved in accordance with the provisions of this Declaration may not have its height restriction reduced to a point below the height of the completed Residence.

Section 5. Landscaping. Each Lot shall be landscaped in accordance with plans and specifications as now or hereafter adopted by the Declarant, Board of Directors or Architectural Control Committee. Notwithstanding the existence of plans adopted by the Declarant, all landscaping shall be thoughtfully designed, located and installed in a manner which minimizes adverse view impacts to other Lot Owners in the Development. All landscaping, including front yards, side yards and rear yards, must be completed within one hundred and eighty (180) days from the date of occupancy of the Residence, building or structure constructed thereon. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval by the Declarant, Board of Directors or the Architectural Control Committee.

Section 6. Construction. All construction of property authorized improvements on any residential site which have been commenced, shall be diligently pursued to completion thereof in a manner and at a rate reasonable consistent with building standards prevailing in the immediate area relating to high quality construction of a similar type and in no event shall the period of construction of any improvement exceed nine (9) months from the date of commencement of construction to completion as to external appearance, including finished painting. No auxiliary building shall be deemed completed as long as the dwelling house itself is incomplete. Unless written approval is obtained from Declarant or its nominee, or by the Board of Directors or the Architectural Committee after the expiration of the Development Period, no building shall be erected upon any lot so that any part thereof, excluding eaves or overhangs, shall be: (1) closer

Section 11. Exclusions. Notwithstanding anything to the contrary herein, plans and specifications for Residences, buildings or structures constructed by Declarant shall not be subject to the restriction of this Article IX.

Section 10. Entry for Inspection. Any manager, agent, officer or member of the Declarant, the Board of Directors, or the Architectural Control Committee may, at any reasonable predetermined hour, and upon 24 hours notice during construction or exterior remodeling, enter and inspect the structure to determine if there has been compliance with the provisions of this Declaration. There is hereby created an easement in favor of the Declarant, the Board, and the Architectural Control Committee over, upon and across each Lot for the purpose of making and carrying out such inspections.

Section 9. Codes. All construction shall conform to the requirements of the State of Washington codes (building, mechanical, electrical, plumbing) and local requirements required by Island County in force at the commencement of the construction, including the latest revisions thereof.

Section 8. Permits. No construction or exterior addition or alteration of any structure may be started on any portion of the Development without the Owner first obtaining a building permit and other necessary permits from the proper local governmental authority. Issuance of an initial building permit for any Lot will be subject to payment of state and local taxes as set forth by Island County.

Section 7. Building Materials. All Residences constructed on the Lots shall be built with new materials, with the exception of decor items such as used brick, weathered plankings, and similar items. The Declarant or the Architectural Control Committee shall determine whether a used material is a decor item. In making this determination, the Declarant or the Architectural Control Committee will consider whether the material harmonizes with the aesthetic character of the Lyle Ridge community and whether the material would add to the attractive development of the community. All roofs, siding and trim shall be in accordance with specification as to type, style, color and other criteria as adopted by the Declarant or the Architectural Control Committee. All visible masonry shall be natural or cultured stone, brick or stucco. Chimney chases shall be integrated in design and capped to avoid exposed flue. Owners shall be obliged to use materials of a quality equivalent to those materials Declarant has approved for use. If interior materials be utilized, the Declarant or the Architectural Control Committee will require that such materials be replaced. The grade and price of materials shall be relevant considerations in determining whether the materials are of equivalent quality.

Section 6. Easements. All buildings shall be constructed in accordance with the permanent storm drain outlet in accordance with the Plat or as provided.

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ARTICLE X

Architectural Control

Section 1. Declarant Control. For the purpose of further insuring the quality of the Development as a residential area of high standards, Declarant reserves the right to control buildings, structures and improvements, including the locations thereof placed on each Lot and the Common Area. The Owner or occupant of each Lot by acceptance of title thereto or by taking possession thereof, covenants and agrees that (i) no Residence, building, wall, fence, screening, outbuilding (e.g. garden shed, tool shed, pet house or playhouse), playground equipment, signs, lamp post, recreational facilities (e.g. swimming pool hot but, spa, basketball hoop, basketball court, tennis court, pool house or sport court) or other structure or improvement ("structure" or "building") shall be placed upon said Lot, and (b) no external addition, modification, structural alteration or change of design, color or materials, shall be made to any building or structure on said Lot, unless and until the plans, specifications and site plans have been approved in writing by the Declarant (or its nominee as provided herein), or by the Board of Directors or Architectural Control Committee. In the case of such approval, only those plans receiving such approval may be placed, constructed or maintained on the Lot.

Section 2. Architectural Control Committee. The Declarant may nominate the Association or an Architectural Control Committee to perform the duties specified in this Section. The Architectural Control Committee shall have three (3) members who each serve three (3) year terms. The Declarant may appoint the members until such time as fifty one percent (51%) of all Lots in the Plat have been sold by the Declarant and fifty one percent (51%) of plans for Residences constructed on the Lots in the Plat have been approved by the Declarant, at which time the Declarant may transfer said appointment power to the Board of Directors. Committee decisions shall be determined by a majority vote by the members of the Architectural Control Committee.

Section 3. Submission of Plans. A fee established by the Declarant, Board of Directors or the Architectural Control Committee shall accompany each application for approval of plans submitted to the Declarant or the Architectural Control Committee. The application fee shall not exceed Two Hundred and Fifty dollars and no/100 Dollars (\$250), provided that the Declarant, Board of Directors or Architectural Control Committee may increase said fees as reasonably required to reflect general cost of living increases. In connection with such application, complete plans and specification of all proposed building or structures and exterior alterations, together with details plans showing the proposed location of the same on the particular building site, shall be submitted to the Declarant or the Architectural Control Committee, at least 60 days prior to the proposed construction starting date, and such construction or alteration shall not be commenced until written approval thereof is given by the Declarant or the Architectural Control Committee. The written submission shall contain the name and address of the Owner and the designer or architect submitting the plans and specifications, identify the Lot involved, and the following information about the proposed structure: (i) the location of the structure(s) upon the Lot, (ii) the elevation of the structure(s) with reference to the existing and finished Lot grade, (iii) the general design, (iv) the interior layout, (v) the exterior finish materials and color; including roof materials, (vi) the landscape plan and (vii) other information that may be required in order to determine whether the structure conforms to the standards articulated in this Declaration and the standards established from time to time by the Declarant, Board of Directors or the Architectural Control Committee to evaluate development proposals.

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Section 4. Review of Plans. The refusal or approval of plans and specifications may be based on any grounds, including purely aesthetic grounds, which in the sole and uncontrolled discretion of the Declarant or the Architectural Control Committee shall deem sufficient. As to all construction and alterations within or upon the property, the Declarant or the Architectural Control Committee shall have the right to refuse to approve any design plan or color for such improvements, construction or alterations which is not suitable or desirable in the opinion of the Declarant the Architectural Control committee for any reason, aesthetic or otherwise, and in so passing upon such design, the Declarant or the Architectural Control Committee shall have the right to take into consideration the suitability of the proposed building or other structure, and the material of which it is to be built and the exterior color scheme, to the site upon which it is proposed to erect the same, the harmony thereof with the surrounding Lots and improvements, and the effect or impairment that said structures will have on the view of surrounding building sites, and any and all facts, which in the opinion of the Declarant or the Architectural Control Committee shall affect the desirability or suitability of such proposed structure, improvements or alterations. Any action or inaction by the Declarant, Board of Directors or the Architectural Control Committee, or their respective managers, agents, members or employees, shall be solely discretionary and all parties, Owners, members and or potential members shall hold and save harmless the Declarant, the Board of Directors and the Architectural Control Committee, and their respective managers, agents, members or employees, provided any such actions or inactions are in good faith.

Section 5. Approval Procedures. Should the Declarant or its nominee, or the Architectural Control Committee following the appointment of such Committee, fail to approve or disapprove the plans and specifications submitted by the Owner of a residential site within the Development within thirty (30) days after written request therefore, then the applicant may request in writing a response from the Declarant or the Architectural Control Committee following the appointment of such Committee, within an additional fourteen (14) days. In the event there remains no response, the plans shall be deemed approved, provided, however the plans must still comply with the Declaration in all other respects. No building, wall, fence, sign, swimming pool or other structure shall be erected or be allowed to remain on any residential site which violates any of the covenants or restrictions contained in this Declaration.

Section 6. Exclusions. Notwithstanding anything to the contrary herein, Lots owned by the Declarant and any plans and specification for Residences, buildings or structures constructed by Declarant shall not be subject to this Article X or any review by the Architectural Control Committee.

Section 7. Compliance with Codes. In all cases, ultimate responsibility for satisfying all local building codes and requirements rests with the Owner and its architects, designers and contractors. The Declarant, Board of Directors and Architectural Control Committee have no responsibility for ensuring that plans and specifications which any of them review comply with relevant building and zoning requirements. The Declarant and no person on the Board of Directors or Architectural Control Committee or acting on behalf of the Board of Directors or the Architectural Control Committee shall be held responsible for any defect in a structure which was built pursuant to plans and specifications approved by the Declarant, the Board of Directors or the Architectural Control Committee.

Section 8. Enforcement. In any judicial action to enforce a determination of the Declarant, the Board of Directors or the Architectural Control Committee, the losing party shall pay the prevailing party's attorney's fees, expert witness fees, and other costs incurred in connection with such a legal action or appeal.

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ARTICLE XI

Rules and Regulations

The Association shall have the power through its Board of Directors, and the Declarant during the Development Period shall have the power, to adopt and enforce rules and regulations governing the use of the Common Areas or activities within the Development, so long as such rules and regulations are not in violation of applicable law or this Declaration. The Association or the Declarant may prescribe penalties for the violation of such rules and regulations, including but not limited to suspension of the right to use the Common Areas or portions thereon. A copy of the rules and regulations then in force shall be retained by the secretary of the Association (or the Declarant during the Development Period) and shall be available for inspection by any Owner during reasonable business hours. Such rules shall have the same force and effect as if set forth herein.

ARTICLE XII

Taxes

Each Owner shall pay without abatement, deduction or offset, all real and personal property taxes, general and special Assessments, including local improvement Assessments, and other charges of every description levied on or assessed against each respective Lot and any personal property located on or in each respective Lot. The Association shall likewise pay without abatement, deduction or offset, all of the foregoing taxes, Assessments and charges levied or assessed against the Common Area.

ARTICLE XIII

Indemnification and Liability

Section 1. Indemnification. To the full extent not prohibited by the Washington Nonprofit Corporation Act and the Washington Business Corporation Act, each member of the Board of Directors, each member of an Association committee, and each officer of the Association, together with the Declarant, shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonable incurred by or imposed in connection with any proceeding to which he or she may be a party or in which he or she may become involved by reason of holding or having held the position of Director, Association committee member, Association officer, or Declarant, or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent such expenses and liabilities are covered by insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his or her duties; provided that, in the event of a settlement, the indemnification shall apply only when the Board of Directors, and/or the Declarant, approves such settlement and reimbursement as being for the best interests of the Association, and/or the Declarant. Nothing herein shall, however, be deemed to obligate the Association or the Declarant to indemnify any Owner of a Lot who is or has been a Board member or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by such Owner under and by virtue of this Declaration as an owner of a Lot covered thereby. The foregoing right of indemnification shall not be exclusive of other rights to



which such Director, officer, committee member of the Association or which the Declarant may be entitled to through the Articles of Incorporation of the Association, this Declaration, or as a matter of law.

Section 2. Limitation of Liability. No Director, officer or committee member of the Association shall have liability to the Association or its Members for monetary damages for conduct as a Director, officer or committee member of the Association, except for acts or omissions that involve intentional misconduct or a knowing violation of law by the Director, officer or committee member, or for any transaction from which the director, officer or committee member will personally receive a benefit in money, property or services to which the Director, officer or committee member is not legally entitled, or for failure to exercise the degree of care and loyalty required under RCW 24.03. The Association and all Members and Owners waive any claims arising from or related to, directly or indirectly, any conflicts (actual or apparent) arising from agents of the Declarant also holding positions within the Association (e.g., Director, officer or committee member) during the Development Period.

ARTICLE XIV

General Provisions

Section 1. Covenants Running With the Land. These covenants are to run with the land and be binding on all parties and persons claiming under them for a period of thirty (30) years from the date this Declaration is recorded, after which time the covenants shall be automatically extended for successive periods of ten (10) years unless an instrument signed by a majority of the individuals then owning Lots has been recorded which reflects their intent to amend the covenants in whole or in part. In the event this Declaration is extended to include adjoining lands through the annexation procedures herein, this Declaration may only be terminated or changed as provided in this section in conjunction with the adjoining lands, and in such case, the agreement of the then Owners of a majority of all Lots subject to this Declaration, as amended and extended, shall be required to effect such termination or change. Termination of this Declaration or modifications which materially affect Common Areas or obligations of the Association shall first receive approval from any governmental agency potentially impacted by the termination or modifications. Any termination or changes shall become effective upon the recording of such agreement, fully signed and acknowledged by the necessary parties, as above provided, in the offices of the Auditor of Island County, Washington.

Section 2. No Abandonment. No Owner may avoid or diminish the burdens or obligations imposed by this Declaration by nonuse of any Common Area or abandonment of his or her Lot.

Section 3. Enforcement. The Declarant, the Association, the Board, or any Owner shall have the right to enforce, by any legal proceeding at law or in equity, including without limitation injunctive relief, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration.

Section 4. Attorneys' Fees. In the event that it is necessary to seek the services of an attorney in order to enforce any provision of this Declaration or any lien created pursuant to the authority of this Declaration, the individual Owner against whom enforcement is sought shall be obliged to pay any attorneys' fees and costs incurred, and such amount shall constitute a lien against the Owners Lot.

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Section 5. Notices. All notices, demands, or other communications permitted or required to be give by this Declaration shall be in writing, and, if mailed, postage prepaid by certified or registered mail, return-receipt-requested (in the case of a notice to Declarant, the Association or to fewer than to all of the Owners), or if mailed first-class postage prepaid (in the case of a notice to all of the Owners), shall be deemed given three days after the date of mailing thereof, or in the date of actual receipt, if sooner, otherwise, notices shall be deemed give on the date of actual receipt. Notices shall be addressed to the last known address of the addressee. Notice to any Owner maybe given at any Lot owned by such Owner; provided that an owner may from time to time by notice to the Association designate such other place or places or individuals for the receipt of future notices. If there is more than one Owner of a Lot, notice to any one such Owner shall be sufficient. The address of Declarant and of the Association shall be given to each Owner at or before the time he or she becomes an Owner. If the address of Declarant or the Association shall be changed, notice shall be give to all Owners.

Section 6. Severability. The invalidity of any one or more phrases, clauses, sentences, paragraphs or sections hereof shall not affect the remaining portions of this Declaration or any part thereof. In the event that one or more of the phrases, clauses, sentences, paragraphs or sections contained herein should be invalid, this Declaration shall be construed as if the invalid phrase, clause, sentence, paragraph or section had not been inserted.

Section 7. Non-waiver. No waiver of any breach of this Declaration shall constitute a waiver of any other breach, whether of the same or any other covenant, condition or restriction.

Section 8. Amendment. Unless otherwise specifically addressed elsewhere, an amendment to any term or provision of this Declaration shall require the approval of the Declarant and the affirmative vote of seventy-five percent (75%) of the voting power of the Association. This Declaration may be amended during the Development Period by the Declarant without the vote, consent or approval of the Members and/or the Association. Amendments to any provision of this Declaration which affect any Lot or Lots owned by the Declarant, or which alter the rights, duties, and obligations of Declarant, shall require the affirmative written consent of the Declarant at all times. In the event that the Declarant has the necessary votes and desires to amend the Declaration during the Development Period, the Declarant may waive any requirements to conduct a membership meeting if and to the extent permitted by law. Any amendment to this Declaration must be recorded with the Island County Auditor.

Section 9. Declarant Right to Assign. The Declarant may assign any and all of the rights, powers, obligations, privileges, and interest under this instrument to any other person or concern, and in any such case any such successor or assignee may exercise and enjoy such rights, powers. Such successors and assignees shall be responsible for such obligations to the same extent as Declarant would have been had such assignment not been made.

Section 10. Successors and Assigns. The covenants, restrictions and conditions articulated in this Declaration shall run with the land and shall accordingly be binding on all successors and assigns.

Section 11. Annexation. Declarant reserves the right, but is not obliged, to add other parcels of land to the Development. Declarant reserves the right to determine the number and location of any lots within the other parcels. If any other parcels are added to the Development, all of the other parcels shall be governed by this Declaration. The character of the improvements which may be later added to the Development on other parcels shall be compatible with

