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Return Address:

Island Development
P. O. Box 1364
Anacortes, WA 98221

DECLARATION OF PROTECTIVE COVENANTS FOR WINDWARD

Grantor(s):

1. ISLAND DEVELOPMENT, LLC

Grantee(s):

1. PUBLIC

Legal Description:

Lots 11 through 20 inclusive, Block 213, and Lots 1 through 10 inclusive, Block 214, and Lots 1 through 10 inclusive, Block 227, and Lots 11 through 20 inclusive, Block 228, and all adjacent vacated portions, per the "Map of the City of Anacortes, Washington", as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.

DECLARATION OF PROTECTIVE COVENANTS

FOR WINDWARD

THIS DECLARATION AND COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS AND RESERVATION (this "Declaration") is made by Island Development, LLC, A Washington Limited Liability Company ("Declarant") as of the 1st day of January, 2001.

RECITALS

Declarant is the owner of certain real property (the "Property") in Skagit County, Washington, legally described as follows:

Lots 11 through 20 inclusive, Block 213, and Lots 1 through 10, inclusive, Block 214, and Lots 1 through 10 inclusive, Block 227, and Lots 11 through 20 inclusive, Block 228, and all adjacent vacated portions, per the "Map of the City of Anacortes, Washington", as per plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.

NOW, THEREFORE, Declarant declares that the Property subject to all restriction and easements of said plat, shall be held, transferred, sold, conveyed, leased, used and occupied subject to the covenants, conditions, restrictions, easements, assessments, and liens hereinafter set forth which are for the purpose of protecting the value and desirability of the Property. Said covenants, conditions, restrictions, easements, assessments and liens shall run with title to the Property and shall be binding on all parties having any right, title, or interest in the Property or any portion thereof, and their respective heirs, successors and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE 1 DEFINITIONS

Section 1.1. Words Defined. For the purpose of this Declaration and any amendments hereto, the following terms shall have the following meanings and all definitions shall be applicable to the singular and plural forms of such terms:

1.1.1 "Association" shall mean Windward Association described in Article 4 of this Declaration, its successors and assigns.

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



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- 1.1.3 "Right-Of-Way" and "Right-Of-Way Improvements" shall each have the meaning set forth in Section 2.1.
- 1.1.4 "Construction" and "Constructed" shall mean any construction, reconstruction, erection or alteration of an Improvement, except wholly interior alterations to a then existing Structure.
- 1.1.5 "Declarant" shall mean Island Development, LLC, A Washington Limited Liability Company.
- 1.1.6 "Declaration" shall mean this Declaration of Covenants, Conditions, Restrictions, and Reservations for Windward, as it may from time to time be supplemented or amended.
- 1.1.7 "Supplementary Declaration" shall mean and refer to any recorded declaration of covenants, conditions and restrictions which alters the provisions of this Declaration, whether by addition to or deletion of any provision herein.
- 1.1.8 "First Mortgage" and "First Mortgagee" shall mean, respectively, (a) a recorded Mortgage on a Lot that has legal priority over all other Mortgages thereon, and (b) the holder of a first mortgage. For purposes of determining the percentage of First Mortgagees approving a proposed decision or course of action in cases where a Mortgage holder holds First Mortgages on more than one Lot, such Mortgage shall be deemed a separate Mortgagee for each such First Mortgage so held.
- 1.1.9 "Lot" shall mean any one of the 17 lots numbered lots 1 through 17, together with the Structures and Improvements thereon.
- 1.1.10 "Mortgage" shall mean a recorded mortgage or deed of trust that creates a lien against a Lot and shall also mean a real estate contract for the sale of a Lot.
- 1.1.11 "Mortgagee" shall mean the beneficial owner, or the designee of the beneficial owner, of an encumbrance on a Lot created by a mortgage or deed of trust and shall also mean the vendor, or the designee of a vendor, of a real estate contract for the sale of a Lot.
- 1.1.12 "Owner" shall mean the record owner, whether one or more Persons or entities, of fee simple title to a Lot within the Property, including participating builders and including a contract seller, except those persons or entities having such interest merely for the performance of an obligation.



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- 1.1.13 "Person" shall mean an individual, corporation, partnership, association, trustee, or other legal entity.
- 1.1.14 "Property" shall mean the land described on Exhibit 1 and such additions thereto as may hereafter be subjected to the terms of the Declaration, and all improvements and structures now or hereafter placed on the land.
- 1.1.15 "Structure" shall mean any building, fence, wall, patio, swimming pool, or the like.
- 1.1.16 "Governing Documents" shall mean and refer to this Declaration, any Supplementary Declaration and any rules and regulations promulgated pursuant to Association, Board or Architectural Control Committee.
- 1.1.17 "Participating Builder" shall mean and refer to a person or entity that acquires a portion of Windward for the purpose of improving such portion or portions in accordance with and subject to these Declarations and the parameters as determined by the Architectural Control Committee and the Board's approval.
- 1.1.18 "Transition Date" is defined in Section 4.10.

Section 1.2 Form of Words. The singular form of words shall include the plural and the plural shall include the singular. Masculine, feminine, and neuter pronouns shall be used interchangeably.

ARTICLE 2

RIGHT-OF-WAY AREAS AND EASEMENTS

Section 2.1 Right-Of-Ways. "Right-Of-Ways" shall include Tracts A and B of the plat. Tract A: Parkways and Entrance and Tract B: Anacortes City Trail Easement are to be kept and maintained by the homeowners in their original developed states. Maintenance shall be by licensed and bonded maintenance service. Said expense shall be shared equitably by all homeowners through a Budget and Assessment Account for Windward.

Section 2.2 Association to Maintain Right-Of-Ways. The Association shall maintain the Right-Of-Ways. If the Association does not maintain the Right-Of-Ways, the City of Anacortes shall have the right to enforce these covenants that pertain to the obligation of the Association to maintain those Right-Of-Ways.



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Section 2.3 Alteration of Right-Of-Ways. Nothing shall be altered or constructed upon or removed from the Right-Of-Ways except upon the prior written consent of the Board.

Section 2.4 Easements for Utilities and Drainage. Declarant does hereby establish, create and reserve for the benefit of itself, the Association and all Owners, and their respective heirs and assigns, an easement (the "Utilities and Drainage Easement") for the installation and maintenance of master television antenna and/or cable systems, security and similar systems, and all utilities, including, but not limited to, storm sewers and drainage systems and electrical, gas, telephone, water and sewer lines over: a ten (10) foot wide strip measured from and parallel to, the front line of each Lot, a five (5) foot wide strip measured from, and parallel to, the rear line of each Lot, and a two and one half (2 1/2) foot wide strip measured from each side Lot line of each Lot. No Lot Owner shall allow or permit any structure or landscaping to be located, installed or grown upon the area subject to the Utilities and Drainage Easement which might in any way damage or interfere with the installation and operation of such utilities and systems. Each person utilizing the Utilities and Drainage Easement areas located on another's Lot shall promptly 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 Lot subject to the Utilities and Drainage Easement in a condition which will not interfere with the operation and maintenance and repair of said utilities and systems.

Section 2.5 Easement for Rockeries. Rockeries may be established between side boundaries of lots for the purpose of controlling drainage and/or erosion on otherwise steep grades. These rockeries may overlap the exact property lines by a distance of three feet on either side if such spacing is required to follow the natural contour of the property. Responsibility for maintaining said rockeries shall be shared by the adjacent property owners.

Section 2.6 Maintenance of Entry and Trail Easement. The landscaped entry (at the northerly terminus of "C" Avenue and a part of Tract A), and the Anacortes City Trail Easement at the westerly terminus of 22nd Street (Tract B), shall be maintained by the Association, including signs, vegetation and the property in the right of way.

Section 2.7 Right-Of-Ways to be Available for Easements. The Right-Of-Way shall be available for easements, for utility purposes, which easements shall serve the property within the plat of Windward, and Declarant reserves the right to create and grant those easements.



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ARTICLE 3

CONSTRUCTION ON LOTS AND USE OF LOTS

Section 3.1 Uniformity of Use and Appearance. One of the purposes of this Declaration is to assure within the Property: (i) a uniformity of use and quality of workmanship, materials, design, maintenance and location of Structures with respect to topography and finish grade elevation and (ii) that there will be no undue repetition of external designs. It is in the best interests of each Owner that such uniformity of use be maintained as hereinafter provided. No building (except for Accessory Structures as defined in 3.6.20 herein) shall be erected, altered, placed or permitted to remain on any Lot other than one single-family dwelling. Accessory Structures including carports and storage buildings are permitted as allowed by the requirements of this Article 3. Notwithstanding anything herein set forth, the Construction of any Structure shall comply with the more restrictive of either (i) the terms and conditions of this Declaration or (ii) the laws, codes, ordinances and regulations of any governmental entity having jurisdiction.

Section 3.2 Submission of Plans. At least fifteen (15) days before commencing Construction of any Structure on any Lot, the Owner shall submit to the Board three (3) complete sets of detailed building, Construction, surface water run-off control and landscaping plans and specifications and a site plan showing the location of all proposed Structures (the plans, specifications and site plans are individually and collectively referred to herein as the "Plans"). The Plans shall be submitted in a form satisfactory to the Board, which may withhold its approval by reason of its reasonable dissatisfaction with the location of the Structure on the Lot, color scheme, finish, architecture, height, impact on view from another Lot or Lots, appropriateness of the proposed structure, materials used therein, or because of its reasonable dissatisfaction with any other matter which, in the reasonable judgment of the Board, would render the proposed Structure inharmonious with the general plan of development of the Property or other Structures nearby. The Board's approval shall be evidenced by written endorsement on such Plans, two (2) copies of which shall be delivered to the Owner of the Lot upon which the Structure is to be Constructed.

Section 3.3 Construction. No Structure shall be Constructed or caused to be Constructed on any Lot unless the Plans for the Structure, including landscaping, have been approved in writing by the Board. The Board's review and approval or disapproval of Plans on the basis of cost, aesthetic design, harmony with previously approved Structures on or about other Lots in the Property, and location, shall be absolute and enforceable in any court of competent jurisdiction. The Board's approval of any Plans, however, shall not constitute any warranty or representation whatsoever by the Board or any of its members that such Plans were examined or approved for engineering or structural integrity or sufficiency or compliance with applicable governmental laws, codes, ordinances and regulations, and each Owner hereby releases any and all claims or possible claims against the Board as a whole or any of them individually, and their heirs,



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successors and assigns, of any nature whatsoever, based upon engineering or structural integrity or sufficiency or compliance with applicable governmental laws, codes, ordinances and regulations.

Section 3.3.1 Power of the Board to Grant a Variance. The Board shall have the power to grant a variance to an owner, who, at the time the owner submits his plans for approval, also submits a request for a variance. The variances which may be allowed by the board shall be limited to those matters herein covered by Section 3.4 (minimum size), and Section 3.6.12 (setbacks). The granting of the request for a variance shall be in writing and shall also be entered in the minutes of the board.

Section 3.3.2 Architectural Control Committee. The Association shall establish and continuously maintain an Architectural Control Committee, composed of three or more board members, as selected by the board, to review and approve or disapprove the details and written Plans and specifications showing the nature, kind, shape, height, materials, colors, and location of any proposed Structure, Accessory Structure, exterior additions to or changes or alteration to existing Structures, landscaping, clearing or excavation of Lots, or cutting of trees within the Property. Any such approval or disapproval of Plans and designs submitted to the ACC shall be submitted to the Board for approval as set forth in Sections 3.2 and 3.3 above. The purpose of the Architectural Control Committee is to achieve and maintain the aesthetic goals of the Declarant. The Association shall enforce guidelines, criteria and procedures governing the Architectural Control Committee and the Owner's compliance with the provisions in this Article 3.

Section 3.4 Minimum Size. The floor area of the main house Structure, exclusive of open porches and garages shall be not less than (i) 1,500 square feet for a dwelling containing a single level and (ii) 1,800 square feet for a dwelling containing two (2) levels. Each home must have a garage, which shall be of such size as to accommodate at least two automobiles. The Board is authorized to grant a variance as to these size requirements upon receiving an application from the owner of a lot showing that the grade of the lot will not reasonable accommodate those size requirements.

Section 3.5 Maximum Height. All buildings or Structures shall be Constructed in accordance with the laws of the City of Anacortes and other applicable codes.

Section 3.6 Use Restrictions.

3.6.1 "Residential Use". The dwellings within the Structures are intended for and restricted to use as single family residences only, on an ownership, rental, or lease basis, and for social, recreational, or other reasonable activities normally incident to such use which includes home offices. In addition to the foregoing, Declarant, its agents and any Participating Builders may use dwellings it owns as sales offices and models for sales of other Lots. All sales and construction facilities in Windward, and all Lots and any



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constructions sites in the Property shall be maintained in a clean and orderly fashion and free from trash, debris or refuse of any kind; and in the case of construction on a Lots, the Owner of any Lot shall be responsible for daily clean-up of the construction site and the entire Lot (if necessary) so as to prevent the proliferation of trash, debris and refuse, and to prevent the disorderly and unappealing appearance of Windward. All construction sites and sales facilities shall maintain, in working order, portable or other toilet facilities for use by construction crews or sales personnel. Construction crews shall use said facilities at all times.

- 3.6.2 "Maintenance of Buildings and Lots". Each Owner shall, at the Owner's sole expense, keep the interior and exterior of the Structure on the Owner's Lot, as well as the Lot, in a clean and sanitary condition, free of rodents and pests, and in good order, condition and repair and shall do all redecorating, painting, landscaping, and maintenance at any time necessary to maintain the appearance and condition of the Structure and the Lot. The landscaping shall be maintained to the edge of the sidewalk.
- 3.6.3 "Completion of Construction". Any Structure erected or placed on any Lot shall be completed as to external appearance within eight (8) months from the date Construction is started, however, with good cause shown, the Board may extend this term. All yards and landscaping must be completed within three (3) months from the date of completion of the Structure, however, with good cause shown, the Board may extend this term. All Lots shall be maintained in a neat and orderly condition during Construction.
- 3.6.4 "Parking". No trucks, campers, trailers, boats, motorcycles or other vehicle or any part thereof shall be parked or permitted to remain on any Lot, unless the same is stored or placed in a garage or in the rear yard area and screened from sight. No such vehicles shall be parked overnight on any street adjoining any Lot; provided that such vehicles belonging to guests may occasionally be so parked.
- 3.6.5 "Signs". No sign of any kind shall be displayed to the public view on or from any Lot without the prior written consent of the Board, except for "For Rent" or "For Sale" signs in a form not prohibited by any rules and regulations of the Board. This Section shall not apply to the Declarant or any Participating Builder.
- 3.6.6 "Animals". Animals, including horses, livestock, poultry, reptiles or pigs, shall not be kept on any lot. Household pets shall not



exceed three (3) in number; provided that unweaned puppies or kittens may be kept. All animal enclosures must be kept in a clean, neat and odor free condition at all times. All animals must be kept at a distance of not less than 20 feet from abutting Structures and erosion control Structures if directed by the Board. The Board may at any time require the removal of any pet which it finds is disturbing other Owners or tenants unreasonably, in the Boards' determination, and may exercise this authority for specific pets even though other pets are permitted to remain. Notwithstanding anything set forth herein, all Owners shall comply with all applicable governmental laws, codes, ordinances, and regulations pertaining to animals. Pets shall be attended at all times and shall be registered, licensed and inoculated from time to time as required by law. When not connected to the Owner Lot or Structure, pets within Windward must be accompanied by a responsible person.

- 3.6.7 "Temporary Structures". No Structure of a temporary character, trailer, tent, shack, garage, barn, or other outbuilding shall be installed, placed, or used on any Lot as a residence, either temporarily or permanently.
- 3.6.8 "Clothes Lines". No washing, rugs, clothing apparel, or any other article shall be hung from the exterior of any Structure or on a Lot so as to be visible from the streets and roadways adjoining the lots.
- 3.6.9 "Radio and Television Aerials". No television or radio aerial and no satellite receiving dish or other electronic receiving device shall be placed or erected outside of any building on any lot except a single 18" or less DSS dish.
- 3.6.10 "Trash Containers and Debris". All trash shall be placed in sanitary containers either buried or screened so as not to be visible from adjoining Structures or streets or roadways. No Lot or any portion thereof shall be used as a dumping ground for trash or rubbish of any kind. Yard rakings, dirt and debris resulting from landscaping work or Construction shall not be dumped onto adjoining Lots or streets or roadways. Compost piles may be kept upon the Lots provided they are kept in a clean, neat and sanitary condition.
- 3.6.11 "Offensive Activity". No trade, craft, business, profession, commercial or manufacturing enterprise or business or commercial activity of any kind, including day schools, nurseries, or church schools, shall be conducted or permitted on any Lot, except as to home offices which are specifically set forth in Section 3.6.1



provided, however that such home occupations are conducted in a manner allowed by law and if such occupation will not, in the reasonable judgment of the Association, cause traffic congestion or other disruption of the Windward community; nor shall goods, equipment, vehicles or materials used in connection therewith, be kept, parked, stored, dismantled or repaired outside on any Lot or any street within the Property. No noxious or offensive activity, including but not limited to the creation of excess levels of noise, shall be carried on in any Lot, nor shall anything be done therein which may be or become an annoyance or nuisance to other Owners or tenants, or that would detract from the value of the Windward community. The Association shall determine by Association action whether any given use of a Lot or Structure unreasonably interferes with the rights of the other Owners to the use and enjoyment of their respective Lots and Structures, or of the Right-Of-Ways, and such determination shall be final and conclusive.

- 3.6.12 "Setbacks". No Structure shall be located closer than (i) 20 feet from the front line of any Lot, (ii) 5 feet from the side lines of any Lots and (iii) 20 feet from the rear line of any Lot, provided that Accessory Structures as defined in Subsection 3.6.20 below, may be located closer to the various Lot lines if approved by the Board in writing in advance. For purposes of this Section, eaves, steps and open porches shall be considered as part of the Structure; provided that this Section shall not be construed to permit any portion of a Structure on any Lot encroach upon any other Lot except as provided in Subsection 2.5 above with regard to Rookeries. All Structures shall also comply with all applicable governmental laws, codes, ordinances and regulations pertaining to setbacks.
- 3.6.13 "Fences". No fence shall be constructed on any Lot without the prior written approval of the Board, which approval may be granted or denied in the Board's sole discretion. All fences shall be constructed in a good and workman-like manner of suitable fencing materials and shall be same in design and color and shall not detract from the appearance of any adjacent Structures. All fences shall comply with the design plan adopted by the Board.
- 3.6.14 "Underground Utilities". All utility lines located outside a dwelling unit shall be in conduits attached to such units or underground.



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- 3.6.15 "Drainage". Any and all drainage from a Lot, which in the reasonable opinion of the Board causes erosion problems, shall be piped at the Lot Owner's expense to the nearest underground public storm sewer line, street ditch or dry well. All roof drains connected to public storm sewer systems shall be permitted.
- 3.6.16 "Tree Cutting". The cutting of any existing trees other than those necessary to clear for the building site on any lot is strictly prohibited unless approved by the Board. If the Owner wishes to remove any existing tree(s) outside the building area, those specific trees must be flagged and written permission to remove them must be obtained from the Board prior to removal. Ornamental or landscaping trees planted at or after Construction shall be exempted unless the cutting thereof adversely affects other Lots in Windward.
- 3.6.17 "Damage". Any damage to streets, Property improvements, entry structure, fences, landscaping, mailboxes, lights and lighting standards by Lot Owners, their children, contractors, agents, visitors, friends, relatives or service personnel shall be repaired by such Owner within twelve (12) days from the occurrence of such damage, at Lot Owner's expense.
- 3.6.18 "Driveways". All driveways shall be paved with Portland cement concrete paving from the edge of the paved street to connect with the paved surface of the floor of the carport or the garage.
- 3.6.19 "Mailboxes". All mailboxes must be of a standard accepted by the U.S. Postal Authorities and must be located in those areas so designed by the U.S. Postal Department. Structures containing mailboxes must be approved by the Board.
- 3.6.20 "Accessory Structures". Any garage, shed, carport, barn or any type of outbuilding must be approved by the Board in writing prior to installation.
- 3.6.21 "Weapons". No firearms of any kind or nature, including rifles, handguns, bows, slingshots, BB guns, slings, traps, or any other like weapon, shall be used or discharged within the Property except by authorized governmental officials. No hunting shall be permitted within the Property.
- 3.6.22 "Owner's Maintenance Responsibilities". The maintenance, upkeep and repair of individual Lots and Structures shall be the



sole responsibility of the individual Owners thereto and in no way shall it be the responsibility of the Association, its agents, subagents, officers, directors or Board members. Owners shall maintain their Lots and Structures and any and all appurtenances thereto in good order, condition and repair, and in a clean, sightly and sanitary condition at all times. Without limitation as to the foregoing, each Owner shall be obligated to maintain the landscaping on his Lot in a healthy and attractive state and in a manner comparable to that on the other Lots in the Property. After notice to an Owner from the Association of such Owner's failure to so maintain his landscaping, and after approval of a two-thirds majority vote by the Board or other Association committee to which such oversight responsibility shall have been delegated, the Association shall have the right, through its agents and employees, to enter upon any Lot which has been found to violate the foregoing standards in order to repair, maintain, and/or restore the landscaping to such standards. The cost of such work shall be a special assessment on such Owner and his Lot only, and the provisions of this Declaration regarding collection of assessments shall apply thereto.

ARTICLE 4

WINDWARD OWNERS' ASSOCIATION

Section 4.1 Form of Association. The Owners of Lots within the Property shall constitute the members of Windward Owners' Association. The rights and duties of the members and of the Association shall continue to be governed by the provisions of this Declaration.

Section 4.2 Board of Directors. The affairs of the Association shall be governed by a Board of Directors (the "Board") which shall be composed of one or more members, to be determined at the reasonable discretion of the Board. The initial Board shall be John Randy Cox, Charles H. Barefield, and Vincent F. Ventimiglia. Subject to any specific requirements hereof, the Board shall have authority to establish operating rules and procedures. In the event of death or resignation of any member or members of the Board, the remaining member or members, if any, shall have full authority to appoint a successor member or members. Members of the Board shall not be entitled to any compensation for services performed pursuant to this Declaration. Upon the Transition Date and without further action by any person or persons, (i) the term of the initial Board members or their successors shall end, and (ii) the initial Board members and their then successors shall be released from any and all liability whatsoever for claims arising out of or in connection with this Declaration, exempting only claims arising prior to the Transition Date.



Section 4.3 Qualification for Membership. Each fee owner of a Lot (including Declarant) on the Property shall be a member of the Association and shall be entitled to one membership and one vote for each Lot owned; provided, that if a Lot has been sold on contract, the contract purchaser shall exercise the rights of an Owner for purposes of the Association and this Declaration except as hereinafter limited, and shall be the voting representative unless otherwise specified. Ownership of a Lot shall be the sole qualification for membership in the Association.

Section 4.4 Transfer of Membership. The Association membership of each Owner (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except upon the transfer of title to the Lot and then only to the transferee of title to the Lot. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association to the new Owner.

Section 4.5 Number of Votes. The total voting power of the Association at any given time shall equal the number of Lots included within the Property at that time. The Owner or Owners of each Lot within the Property shall be entitled to one vote. If a Person (including Declarant) owns more than one Lot, he or she shall have the votes appertaining to each Lot owned.

Section 4.6 Voting. If a Lot is owned by husband and wife and only one of them is at a meeting, the one who is present will represent the marital community. The vote for a Lot must be cast as a single vote, and fractional votes shall not be allowed. If joining Owners are unable to agree among themselves how their vote shall be cast, they shall lose their right to vote on the matter in question.

Section 4.7 Pledged Votes. An Owner may, but shall not be obligated to, pledge his vote on all issues or on certain specific issues to a Mortgagee; provided, however, that if an Owner is in default under a Mortgage on his Lot for ninety (90) consecutive days or more, the Owner's Mortgagee shall automatically be authorized to declare at any time thereafter that the Lot Owner has pledged his vote to the Mortgagee on all issues arising after such declaration and during the continuance of the default. If the Board has been notified of any such pledge to a Mortgagee, only the vote of the Mortgagee will be recognized on the issues that are subject to the pledge.

Section 4.8 Annual and Special Meetings. Within the period commencing thirty (30) days before the Transition Date (defined in section 4.10, below) and ending thirty (30) days after the Transition Date, there shall be a meeting of the members of the Association and thereafter there shall be an annual meeting of the members of the Association in the first quarter of each fiscal year at such reasonable place and time as may be designated by written notice from the Board delivered to the Owners no less than thirty (30) days before the meeting. At the first such meeting, and at each annual meeting thereafter, the Owners



shall elect by majority vote individuals to serve as Board members until a successor is elected at the next annual meeting. Each Lot shall be entitled to one vote for each director and the voting for directors shall be non-cumulative. The financial statement for the preceding fiscal year (if any) and the budget the Board has adopted for the pending fiscal year shall be presented at the annual meeting for the information of the members. Special meetings of the members of the Association may be called at any time upon not less than fourteen (14) days prior written notice to all Owners, for the purpose of considering matters which require the approval of all or some of the Owners, or for any other reasonable purpose. Any First Mortgagee of a Lot may attend or designate a representative to attend the meetings of the Association.

Section 4.9 Owner's Compliance with Governing Documents. By acceptance of a deed to a Lot, execution of a contract therefor, or any other means of acquisition of an ownership interest, whether or not it shall be so expressed in any deed or other instrument, the Owner thereof covenants and agrees thereby, on behalf of himself and his heirs, successors and assigns, to observe and comply with all terms of the Governing Documents of the Association, and all rules and regulations duly promulgated pursuant to Association Action.

Section 4.10 Books and Records. The Board shall cause to be kept complete, detailed, and accurate books and records of the receipts and expenditures (if any) of the Association, in a form that complies with generally accepted accounting principles. The books and records, authorizations for payment of expenditures, and all contracts, documents, papers, and other records of the Association shall be available for examination by the Lot Owners, Mortgagees, and the agents or attorneys of either of them, during normal business hours and at any other reasonable time or times.

Section 4.11 Transition Date. The "Transition Date" shall be the date on which control of the Board passes from the initial Board to the Association. The Transition Date will be either (i) the date designated by Declarant in a written notice to the Owners, which date may be by Declarant's election any date after this Declaration has been recorded or (ii) the later of (a) three (3) years after the recording of this Declaration or (b) the 120th day after Declarant has transferred title to the purchasers of Lots representing 70% of the total voting power of all Lot Owners in the Association. For purposes of the foregoing clause (ii), however, transfer of title to a Lot by Declarant to any Participating Builder shall be disregarded and title to any Lot owned by Participating Builder shall not be deemed transferred for purposes of determining the Transition Date until the Lot is further transferred by Participating Builder to a purchaser who is not either a Participating Builder or Declarant. From and after the Transition Date, the then Owners of 70% of the Lots in the Property shall have the power through a written instrument recorded in the real property records of Skagit County, Washington to restrict or eliminate all or any of the approval powers and duties of the board set forth in this Declaration, excluding the duty to maintain the Right-Of-Ways.



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ARTICLE 5

NOTICES FOR ALL PURPOSES

All notices given under the provisions of this Declaration or rules or regulations of the Association shall be in writing and may be delivered either personally or by United States mail. If delivery is made by mail, it shall be sent postage prepaid by certified or registered mail return receipt requested, to the Person entitled to such Notice if such Notice is to Declarant, the Association or to fewer than all Owners. If said Notice is to all Owners, it shall be mailed first-class postage prepaid. The Notice shall be deemed to have been delivered on the third day of regular mail delivery after the date of mailing thereof or on the date of actual receipt, if sooner; otherwise, Notices shall be deemed given on the date of actual receipt. Notices shall be addressed to the last known address of the addressee. Owners mailing addresses may be changed by written Notice to the Board. Notice to any Owner may be given at any Lot or Structure owned by such Owner; provided however, 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 Owner of a Lot or Structure, Notice to any one such Owner shall be sufficient and shall be deemed delivered to all Owners of such Lot. . Notices to the Board may be given to any Board member or mailed to the residence address for the president or secretary of the Board. The address of Declarant and of the Association shall be given to each Owner at or before the time he becomes an Owner. If the address of Declarant or the Association shall be changed, Notice shall be given to all Owners.

ARTICLE 6

AUTHORITY OF THE BOARD

Section 6.1 Adoption of Rules and Regulations. This Board is empowered to adopt, amend, and revoke on behalf of the Association detailed administrative rules and regulations necessary or convenient from time to time to insure compliance with the general guidelines of this Declaration, to promote the comfortable use and enjoyment of the Property and to govern the operation and procedures of the Association. The rules and regulations may, without limitation, authorize voting by proxy or mail, or both, on Association matters. The rules and regulations of the Association shall be binding upon all Owners and occupants and all other Persons claiming any interest in the Property. The rules and regulations may not discriminate among Owners. Any such rules and regulations shall become effective 30 days after promulgation or amendment and shall be made available to all Owners with 30 days after promulgation or amendment. A copy of the rules and regulations then in force shall be retained by the secretary of the Association and 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.



Section 6.2 Enforcement of Declaration, Etc. The Board shall have the power to enforce the provisions of this Declaration, and the rules and regulations of the Association for the benefit of the Association. The failure of any Owner to comply with the provisions of this Declaration, or the rules and regulations of the Association will give rise to a cause of action in the Association (acting through the Board) and any aggrieved Lot owner for recovery of damages, or injunctive relief, or both. If a legal action is brought to interpret or enforce compliance with the provisions of this Declaration, or the rules or regulations of the Association, the prevailing party shall be entitled to judgment against the other party for its reasonable expenses, court costs, and attorney's fees in the amount awarded by the court. Failure or forbearance by any person or entity so entitled to enforce the provisions of this Declaration and the rules and regulations of the Association shall in no event be deemed a waiver of the right to do so thereafter.

Section 6.3 Goods and Services. The Board shall acquire and pay for as common expenses of the Association all goods and services reasonably necessary or convenient for the efficient and orderly maintenance of all portions of the Right-Of-Ways not maintained by public utility companies or a governmental entity. The goods and services shall include (by way of illustration and not limitation) policies of insurance, and the maintenance, repair, landscaping, gardening, and general upkeep of the Right-Of-Ways. The Board may hire such employees as it considers necessary.

Section 6.4 Protection of Right-Of-Ways. The Board may spend such funds and take such action as it may from time to time deem necessary to preserve the Right-Of-Ways, settle claims, or otherwise act in what it considers to be the best interests of the Association.

ARTICLE 7

BUDGET AND ASSESSMENT FOR COMMON EXPENSES

Section 7.1 Fiscal Year; Preparation of Budget. The Board may adopt such fiscal year for the Association as it deems to be convenient. Unless another year is adopted, the fiscal year will be the calendar year. As soon as the Board in its discretion deems advisable and prior to the expiration of each fiscal year thereafter, the Board shall establish a budget for the costs of maintaining the Right-Of-Ways during the ensuing fiscal year. The Board shall then assess each Lot within the Property with its pro-rata share of such estimated costs, based upon the number of Lots then within the Property. However, any and all lots in which fee simple title is still held by Declarant herein, shall not be subject to said assessments. Said exemption from assessments of Declarant's remaining Lots, shall not affect the determination of pro-rata share of each Lot; said pro-rata share shall still be determined by the total number of Lots within the Property.



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The Board, at its election, may require the Lot Owners to pay the amount assessed in equal monthly, quarterly, or semi-annual installments or in a lump sum annual installment. The Board shall notify each Lot Owner in writing at least ten (10) days in advance of each assessment period of the amount of the assessment of said period, which notice shall be accompanied by a copy of the budget upon which the assessment is based. Any Owner may prepay one or more installments on any assessment levied by the Association without premium or penalty. The assessments levied by the Board shall be used exclusively to promote the recreation, health, safety and welfare of the Lot Owners and for the improvement and maintenance of the Right-Of-Way.

Section 7.2 Certificate of Unpaid Assessments. Any failure by the Board or the Association to make the budget and assessments hereunder before the expiration of any fiscal year for the ensuing fiscal year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration, or a release of the Owners from the obligation to pay assessments during that or any subsequent year, and the assessment amount and payment method established for the preceding fiscal year (if any) shall continue until a new assessment is established. Upon the request of any Owner or Mortgagee or prospective Owner or prospective Mortgagee of a Lot, the Board will furnish a statement of the amount, if any, of unpaid assessments charged to the Lot. The statement shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the statement in favor of all purchasers and Mortgagees of the Lot who rely on the statement in good faith. All assessments and other receipts received by the Association shall belong to the Association.

Section 7.3 Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all Lots at such time as the Board in its absolute discretion deems advisable. The first annual assessment shall be pro-rated according to the number of months remaining in the fiscal year. After the commencement of the annual assessments, the liability of an Owner for assessments shall commence on the first day of the calendar month following the date upon which any instrument of transfer to such Owner becomes operative (such as the date of a deed, the date of a recorded real estate contract for the sale of a Lot, the date of death in the case of a transfer by will or intestate succession, etc., and if earlier, the first day of the calendar month following the first occupancy of a living unit by an Owner; provided, however, that a Participating Builder shall not be liable for any assessments with respect to a Lot acquired from Declarant for a period of one year from the date of acquisition. The Association may in its rules and regulations provide for an administratively convenient date for commencement of assessments that is not more than 90 days after the effective date established above. The due dates of any special assessment payments shall be fixed by Association Action authorizing such special assessment.

Section 7.4 Special Assessments. In addition to the general annual assessments authorized by this Article, the Association may, by Association Action, levy a special assessment or assessments at any time against existing Lots only, applicable to that year only, for the purpose of defraying, in whole or part, the cost of any construction or



reconstruction, inordinate repair, or replacement of described capital improvement located upon or forming a part of the Right-Of-Ways, including necessary fixtures and personal property related thereto, or for such other purpose the Association may consider appropriate; provided, however, that any such assessment must have prior favorable vote of Owners of record representing two-thirds of the existing Lots. The amount of each Owner's special assessment for any year shall be the total special assessment for such year, divided by the sum of the number of existing Lots.

ARTICLE 8

LIEN AND COLLECTION OF ASSESSMENTS

Section 8.1 Assessments Are a Lien; Priority. All unpaid sums assessed by the Association for the share of the common expenses chargeable to any Lot and any sums specially assessed to any Lot under the authority of this Declaration shall constitute a lien on the Lot and all its appurtenances from the date the assessment becomes due and until fully paid. The lien for such unpaid assessments shall be subordinate to tax liens on the Lot in favor of any assessing unit and/or special district, and to all sums unpaid on all First Mortgages of record, but, to the extent permitted by applicable law, shall have priority over all other liens against the Lot. A First Mortgagee that obtains possession through a Mortgage foreclosure or deed of trust sales, or by taking a deed in lieu of foreclosure or sale, or a purchaser at a foreclosure sale, shall take the Lot free of any claims for the share of common expenses or assessments by the Association chargeable to the Lot which became due before such possession, but will be liable for the common expenses and assessments that accrue after the taking of possession. The Lot's past due share of common expenses or assessments shall become new common expenses chargeable to all of the Lot Owners, including the Mortgagee or foreclosure sale purchaser and their successors and assigns, in proportion to the number of Lots owned by each of them. Notwithstanding any of the foregoing, however, the Owner and the real estate contract purchaser shall continue to be personally liable for past due assessments as provided in Section 8.3. For purposes of this Section, "Mortgage" does not include a real estate contract and "Mortgagee" does not include the vendor or the assignee or designee of a vendor of a real estate contract.

Section 8.2 Lien May Be Foreclosed. The Lien for delinquent assessments may be foreclosed by suit by the Board, acting on behalf of the Association, in like manner as the foreclosure of a mortgage of real property. The Board, acting on behalf of the Association, shall have the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, Mortgage, and convey the same.

Section 8.3 Assessments Are Personal Obligations. In addition to constituting a lien on the Lot, all sums assessed by the Association chargeable to any Lot, together with interest, late charges, costs and attorney's fees in the event of delinquency, shall be the joint and several personal obligations of the Owner and any contract purchaser of the Lot.



when the assessment is made and their grantees. Suit to recover personal judgment of any delinquent assessments shall be maintainable without foreclosing or waiving the liens securing them.

Section 8.4 Late Charges and Interest on Delinquent Assessments. The Board may from time to time establish late charges and a rate of interest to be charged on assessments delinquent for a period of more than ten (10) days after the date when due. In the absence of another reestablished, nonusurious rate, delinquent assessments shall bear interest at the rate of 12% per annum. If an installment on an assessment against a Lot is not paid when due, the Board may elect to declare the entire assessments against the Lot for the remainder of the fiscal year to be immediately due and payable.

Section 8.5 Recovery of Attorney's Fees and Costs. In any action to collect delinquent assessments, the prevailing party shall be entitled to recover as a part of its judgment a reasonable sum for attorney's fees and all costs and expenses reasonably incurred in connection with the action, in addition to taxable costs permitted by law.

Section 8.6 Remedies Cumulative. The remedies provided herein are cumulative and the Board may pursue them, and any other remedies which may be available under law although not expressed herein, either concurrently or in any order.

Section 8.7 No Avoidance of Assessments. No Owner may avoid or escape liability for assessments provided for herein by abandoning his or her Lot.

Section 8.8 Survival of Assessment Obligation. After the foreclosure of a security interest in a Lot or Structure, any unpaid assessments shall continue to exist and remain as a personal obligation of the Owner against whom the same was levied, and the Association shall use reasonable efforts to collect the same from such Owner.

ARTICLE 9

FAILURE OF BOARD TO INSIST ON STRICT PERFORMANCE; NO WAIVER

The failure of the Board in any instance to insist upon the strict compliance with this Declaration or rules and regulations of the Association, or to exercise any right contained in such documents, or to serve any notice or to institute any action, shall not be construed as a waiver or a relinquishment for the future of any term, covenant, condition, or restriction. The receipt by the Board of payment of any assessment from an Owner, with knowledge of any breach by the Owner, shall not be a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed for the Board.



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ARTICLE 10

LIMITATION OF LIABILITY

So long as a Board member, or Association member, or Declarant has acted in good faith, without willful or intentional misconduct, upon the basis of such information as is then possessed by such Person, then no such Person shall be personally liable to any Owner, or to any other Person, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of such Person; provided, that this Article shall not apply where the consequences of such act, omission, error, or negligence are covered by any insurance actually obtained by the Board.

ARTICLE 11

INDEMNIFICATION

Each Board member, and Declarant shall be indemnified by the Association against all expenses and liabilities, including attorney's fees, reasonably incurred by or imposed in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not he 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 Board member or Declarant 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 approves such settlement and reimbursement as being for the best interests of the Association.

ARTICLE 12

INSURANCE

At such times as the Board deems appropriate, the Board shall cause the Association to purchase and maintain as a common expense a policy or policies which the Board deems necessary or desirable to provide casualty insurance, comprehensive liability insurance, (with such deductible provisions as the Board deems advisable), insurance, if available, for the protection of the Association's directors and representatives from personal liability in the management of the Association's affairs, and such other insurance as the Board deems advisable. The board shall review the adequacy of the Association's insurance coverage at least annually.



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ARTICLE 13

DAMAGE AND REPAIR OF DAMAGE TO PROPERTY

In the event of any casualty, loss or other damage to the Right-Of-Ways for which the then current assessments by the Board are insufficient to repair, or restore or for which there are not insurance proceeds or insufficient insurance proceeds available to the Board for such restoration or repair, the Board may make a special assessment against each Lot within the Property for its pro rata share of the cost and expenses to repair and/or restore the Right-Of-Ways. The special assessment shall be payable, at the determination of the Board, in either monthly or quarterly installments or in a single lump sum amount. The Board shall notify each Lot Owner of any such special assessment not less than twenty (20) days prior to the date such special assessment or the first installment thereon is due and payable, which notice shall be accompanied by a reasonably detailed statement of the Board's estimated costs and expenses of repairing and/or restoring Right-Of-Ways.

ARTICLE 14

AMENDMENTS OF DECLARATION

Any Lot Owner may propose amendments to this Declaration to the Board. A majority of the members of the Board may cause a proposed amendment to be submitted to the members of the Association for their consideration. If an amendment is proposed by Owners of 20% or more of the Lots, then, irrespective of whether the Board concurs in the proposed amendment, it shall be submitted to the members of the Association for their consideration at their next regular or special meeting for which timely notice may be given. Notice of a meeting at which an amendment is to be considered shall include the text of the proposed amendment. Amendments may be adopted at a meeting of the Association or by written consent of the requisite number of Persons entitled to vote, after notice has been give to all Persons entitled to receive notice of a meeting of the Association. The unanimous consent of all Owners shall be required for adoption of either (1) an amendment changing the voting power or portion of assessments appurtenant to each Lot, or (2) an amendment of Section 4.7 or of this Article 14. All other amendments shall be adopted if approved by 70% of the Lot Owners. Once an amendment has been adopted by the Association, the amendment will become effective when a certificate of the amendment, executed by a member of the Board, has been recorded in the real property records of Skagit County, Washington.



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ARTICLE 15

ANNEXATION AND SUBDIVISION

Residential property other than Right-Of-Ways may be annexed or added to the Property only with the consent of two-thirds of the Association. No Lot shall be subdivided or combined without the approval of all Lot Owners. All lot owners must consent to the annexation of the entire Property by the City of Anacortes.

ARTICLE 16

DURATION

The covenants, conditions, and restrictions of this Declaration shall run with and bind the Property and shall inure to the benefit of and be enforceable by the Owners, their respective legal representatives, heirs, successors, and assigns, for a period of thirty (30) years from the date this Declaration is recorded, after which time the covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years each unless an instrument signed by a majority of the then Owners has been recorded agreeing to terminate the covenants, conditions and restrictions.

ARTICLE 17

RESERVATION OF DECLARANT'S RIGHT TO AMEND TO COMPLY WITH FNMA, FHLMC OR FHA REQUIREMENTS

Section 17.1 Amendment by Declarant. Declarant reserves the right to amend the Declaration as may be necessary to comply with Federal Home Loan Mortgage Corporation ("FHLMC") or Federal National Mortgage Association ("FNMA") or Federal Housing Administration ("FHA") regulations or requirements as necessary to enable the holders of first mortgages or deeds of trust to sell first mortgages or deeds of trust to FHLMC or FNMA or if such amendment is necessary to secure funds or financing provided by, through or in conjunction with FHLMC or FNMA or FHA.

Section 17.2 Authorization to Amend. If Declarant, at its option, determines that it is necessary so to amend the Declaration, then Declarant, on behalf of all Lot Owners in the Association, is hereby authorized to execute and to have recorded (or filed, in the case of the Articles) said required amendment or amendments. All Lot Owners hereby grant to Declarant a full and complete power of attorney to take any and all actions necessary to effectuate and record said amendment or amendments and agree that said amendment or amendments shall be binding upon their respective Lots and upon them and their heirs, personal representatives, successors and assigns to the same extent as if they had personally executed said amendment or amendments. All Lot Owners hereby



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acknowledge and agree that the power of attorney granted herein shall be deemed coupled with an interest and shall be irrevocable.

Section 17.3 Duration. Declarant's rights under this Article shall exist only until the Transition Date.

ARTICLE 18

SEVERABILITY

The provisions of this Declaration shall be independent and severable, and the unenforceability of any one provision shall not affect the enforceability of any other provision, if the remainder affects the common plan.

ARTICLE 19

EFFECTIVE DATE

This Declaration shall be effective upon recording.

ARTICLE 20

APPLICABLE LAW

This Declaration shall be construed in all respects under the laws of the State of Washington.

ARTICLE 21

ASSIGNMENT BY DECLARANT

Declarant reserves the right to assign, transfer, sell, lease, or rent all or any portion of the Property and reserves the right to assign all or any of its rights, duties, and obligations created under this Declaration.



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DATED this 1st day of January, 2001.

Island Development, LLC
A Limited Liability Company

By: 
JOHN R. COX, Member

By: 
VINCENT F. VENTIMIGLIA, Member

By: 
CHARLES H. BAREFIELD, Member



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EXHIBIT 1

Lots 11 through 20 inclusive, Block 213, and Lots 1 through 10 inclusive, Block 214, and Lots 1 through 10 inclusive, Block 227, and Lots 11 through 20 inclusive, Block 228, and all adjacent vacated portions, per the "Map of the City of Anacortes, Washington" as per the plat recorded in Volume 2 of Plats, page 4, records of Skagit County, Washington.



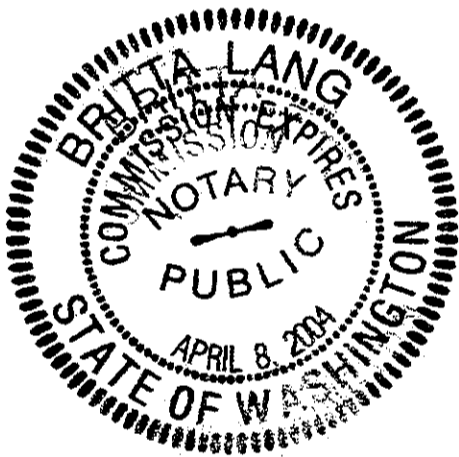
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STATE OF WASHINGTON)
)ss
County of Skagit)

On this 1st day of January, 2001, before me the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared JOHN R. COX to me known to be a Member of ISLAND DEVELOPMENT, LLC, the Limited Liability Company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said Limited Liability Company, for the uses and purposes therein mentioned, and on oath state that he is authorized to execute the said instrument and that the seal affixed (if any) is the seal of said Limited Liability Company. Witness my hand and official seal affixed hereto.

Subscribed and sworn to before me this 1st day of January, 2001.



A handwritten signature in cursive script, appearing to read "Britta Lang", written over a horizontal line.

NOTARY PUBLIC in and for the State of
Washington, residing at Anacortes.
My Commission expires: 4/8/2004

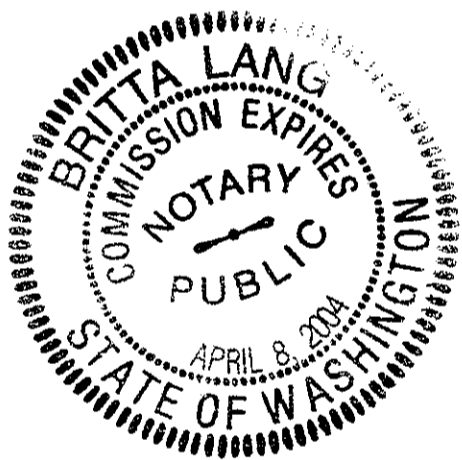


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STATE OF WASHINGTON)
)ss
County of Skagit)

On this 1st day of January, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared VINCENT F. VENTIMIGLIA to me known to be a Member of Island Development, LLC, the Limited Liability Company that executed the foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed (if any) is the seal of said Limited Liability Company. Witness my hand and official seal affixed hereto.

Subscribed and sworn before me this 1st day of January, 2001.



[Handwritten Signature]

NOTARY PUBLIC in and for the State of Washington, residing at Anacortes.
My Commission expires: 4/8/2004

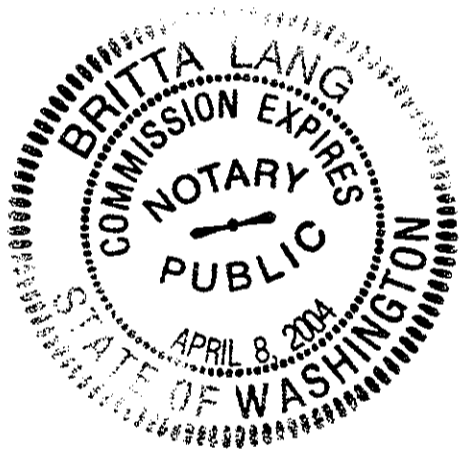


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STATE OF WASHINGTON)
)ss
County of Skagit)

On this 15th day of January, 2001, before me, the undersigned, a Notary Public in and for the State of Washington, duly commissioned and sworn, personally appeared CHARLES H. BAREFIELD to me known to be a Member of Island Development, LLC the Limited Liability Company that executed the foregoing instrument, and acknowledge the said instrument to be the free and voluntary act and deed of said Limited Liability Company, for the uses and purposes therein mentioned, and on oath stated that he is authorized to execute the said instrument and that the seal affixed (if any) is the seal of said Limited Liability Company.

Subscribed and sworn to before me this 15th day of January, 2001.



Britta Lang

NOTARY PUBLIC in and for the State of Washington, residing at Anacortes.
My commission expires: 4/8/2004



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, Skagit County Auditor

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