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Please return to:
Preston Gates & Ellis LLP
925 Fourth Avenue, Suite 2900
Seattle, WA 98104-1158
Attn: Denise Stiffarm

Name of Document: RESTRICTIVE COVENANT

Grantor: NORD NORTHWEST CORPORATION

Grantee: MOUNT VERNON SCHOOL DISTRICT NO. 320

Legal Description:

Abbreviated Form: Lot B12 of Maddox Creek PUD, City of Mount Vernon,
Washington

Additional legal description on Exhibit A of Restrictive Covenant.

Assessor's Property Tax Parcel account Number(s):

P120851

Reference Number(s) of related/assigned/released/document(s):

Reference(s) to document(s) appears on page(s) _____ of document.

RESTRICTIVE COVENANTS

This Declaration of Restrictive Covenant ("Covenant") is dated as of June 15th, 2004, by Nord Northwest Corporation (the "Developer").

1. Definitions

1.1 Adult. The term "Adult" shall mean a person who is 55 years of age or older, residing in a unit.

1.2 Association. The term "Association" shall mean a homeowners' association, if any, which is established to manage the Project, and which is composed of the Owners, or their heirs, legal representatives, successors and permitted assigns.

1.3 Developer. The term "Developer" shall mean Nord Northwest Corporation, or its legal representatives, successors and permitted assigns.

1.4 Owner. The term "Owner" shall mean a person who owns a Unit, or his or her heirs, legal representatives, successors and permitted assigns.

1.5 Project. The term "Project" shall mean the residential development consisting of fifty-eight condominium units commonly known as the Ridge at Maddox Creek in the Maddox Creek Planned Urban Development located on the Property and within the City of Mount Vernon.

1.6 Property. The term "Property" shall mean the real property legally described on Exhibit A.

1.7 Unit. The term "Unit" shall mean a residential unit to be occupied by an Adult living in the Project.

2. Restrictive Covenants

2.1 Use of Project. The Project is intended to be and shall be operated as "Housing for Older Persons" pursuant to the Federal Fair Housing Act Amendments of 1988, 42 U.S.C. § 3607 (b)(2)(C) and implementing regulations thereof.

2.2 Residents of Project. No person may be a Resident of the Project, except as expressly authorized by this Article 2.

2.2.1 Residents. Except as expressly authorized in Section 2.2.2 below, the residents of the Project will be restricted solely to Adults and spouses/companions or caregivers of Adult Persons. A person is deemed to be a resident of the Project if that person remains overnight or sleeps in a unit.



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2.2.2 Temporary Guests. Visits by nonresidents shall not exceed thirty (30) nights in any six (6) month period.

2.3 Conveyances of a Possessory Interest. Unless a school impact fee has been paid in accordance with Article 3 hereof, any sale of, lease of, grant of a life estate in, other conveyance of any possessory interest in, or offer to make such conveyance of, an interest in any Unit or in all or part of the Project will only be made to a person or persons who will comply with the restrictions set forth in this Article 2.

3. **School Impact Fee**

3.1 School Impact Fee. A school impact fee shall be paid on a Unit in the manner and the amount specified by the City of Mount Vernon school impact fee ordinance in effect at the time the interest in such Unit of the Project is conveyed or occupied by any person not complying with the restrictions set forth in Article 2 above.

3.2 Timing of Payment of Impact Fee. A school impact fee shall be paid to the Mount Vernon School District within thirty (30) days of occupancy of a Unit by a person not in compliance with the provisions of Section 2 above or receipt of the notice described in Section 4 below; whichever is sooner. In the event that such school impact fee is not paid within the time specified in this Section 3.2, interest shall accrue on the amount of such school impact fee at a rate of nine percent (9%) per annum.

3.2.1 Collection and Lien. If a school impact fee has not been paid as required in Section 3.2, it shall become the responsibility of the Association or, if the Association has not been established, the Developer to collect the required fee from the owner of the Unit that is not in compliance. In addition, the Association or, if the Association has not been established, the Developer shall cause a lien in the amount of the school impact fee to be filed with the Auditor's Office for Skagit County against the Unit that is not in compliance.

3.2.2 Failure/Refusal to Pay. Notwithstanding the Association's or, if the Association has not been established, the Developer's responsibility pursuant to Section 3.2.1, in the event the District is required to attempt to collect a school impact fee or to cause a lien to be filed against a Unit that is not in compliance with Article 2 herein, the owner of the Unit shall be responsible for, in addition to any interest that accrues or additional costs allowed by law, the District's reasonable attorneys' fees and litigation-related expenses, including the cost of expert witnesses. The District shall be entitled to recover reasonable attorneys' fees and costs and expenses, as provided above, regardless of whether litigation is actually commenced.

4. **Reporting Requirements**

4.1 Within ten (10) days of any sale of, lease of, grant of a life estate in, or other conveyance of a possessory interest in any Unit or in all or part of the Property, the Association or, if the Association has not been established, the Developer shall furnish to the City of Mount Vernon and the Mount Vernon School District No. 320 either a copy



of a birth certificate, a marriage certificate, or other reliable documentary evidence demonstrating that the new resident meets the criteria set forth in Article 2 above, or a notice that the new resident does not meet the criteria set forth in Article 2 above.

4.2 Notwithstanding the City's and the School District's right to monitor, enforce, and collect impact fees for any unit not complying with the restrictions set forth in Article 2 above, it shall be the responsibility of the Owners and the Association or, if the Association has not been established, the Developer to monitor, collect, and pay impact fees pursuant to the City of Mount Vernon school impact fee ordinance for any unit that is not in compliance with the restrictions set forth in Article 2 above. This obligation will be a part of any covenants or Public Offering Statements relating to this Development.

4.2.1 The Association or, if the Association has not been established, the Developer shall deliver a report during the month of June of each calendar year to the Mount Vernon School District #320 and the City of Mount Vernon documenting compliance with the provisions herein.

5. Miscellaneous.

5.1 Covenant Running with the Land. This Covenant shall be deemed to be a covenant running with the land.

5.2 Binding Effect. This Covenant shall apply to, inure to the benefit of, and be binding upon, the developer and its heirs, legal representatives, successors and permitted assigns, except as otherwise expressly provided in this Covenant.

5.3 Captions. The captions inserted in this Covenant are for convenience only, they in no way define, limit or otherwise describe the scope or intent of this Covenant, and shall not be used to interpret or construe this Covenant.

5.4 Governing Law. This Covenant shall be governed by the laws of the State of Washington.

5.5 Venue. If an action must be brought to enforce the terms of this Covenant, such action shall be brought in Superior Court in Skagit County, Washington.

IN WITNESS WHEREOF, the Developer has caused this Restrictive Covenant to be signed by its duly authorized representative, as of the day and year first written above.

NORD NORTHWEST CORPORATION



Richard G. Nord, Sr.
Title: President

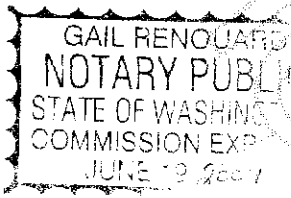


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STATE OF WASHINGTON))ss.
COUNTY OF SKAGIT)

I certify that I know or have satisfactory evidence that Richard G. Nord, Sr. is the person who appeared before me, and said person acknowledged that he signed this instrument, on oath stated that he was authorized to execute the instrument and acknowledged it as President of NORD NORTHWEST CORPORATION to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated this 15th day of June, 2004.



Gail Renouard
Notary Public
Print Name: Gail Renouard
My commission expires: 6-19-07



EXHIBIT A

LEGAL DESCRIPTION

LOT B12 OF MADDOX CREEK PUD, CITY OF MOUNT VERNON, WASHINGTON

END



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