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Amelia Adair
The Quadrant Corporation
P.O. Box 130
Bellevue, Washington 98009



200508170113
Skagit County Auditor

8/17/2005 Page 1 of 23 3:35PM

**DECLARATION OF EASEMENTS AND
COVENANT TO SHARE COSTS FOR
SKAGIT HIGHLANDS**

Grantor: Skagit Highlands, LLC

Additional on page _____

Grantee: Skagit Highlands, LLC; The Public

Additional on page _____

Legal Description (abbreviated): Lots 1-45, and Tracts 900-909, plat of Skagit Highlands Division I,
recorded at Auditor's File No. 200508160182

Assessor's Tax Parcel ID #: P121458

Reference Nos. of Documents Released or Assigned: N/A

DECLARATION OF EASEMENTS

AND

COVENANT TO SHARE COSTS

FOR

SKAGIT HIGHLANDS



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Skagit County Auditor

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**DECLARATION OF EASEMENTS AND COVENANT
TO SHARE COSTS FOR SKAGIT HIGHLANDS**

THIS DECLARATION OF EASEMENTS AND COVENANT TO SHARE COSTS FOR SKAGIT HIGHLANDS ("Covenant") is made this 16th day of August, 2005, by Skagit Highlands, LLC, a Washington limited liability company ("Declarant").

BACKGROUND STATEMENT

Skagit Highlands is planned as a mixed-use, community located in Skagit County, Washington, being developed in accordance with a Master Plan for development of the real property described in Exhibit "A", which Plan may be amended from time to time. Declarant is the developer of Skagit Highlands and the owner of the real property described in Exhibit "B" attached hereto, which property is a portion of the property included within the Master Plan and which is immediately subjected to the provisions of this Covenant by recordation of this Covenant. Declarant reserves the right to subject to this Covenant all or a portion of the property described in Exhibit "A" in the future.

The general plan of development of Skagit Highlands contemplates various uses of the real property described in the Master Plan, including single family and multi-family residential development, retail use, and preservation of wetlands, open space and conservation areas. By this Covenant, Declarant desires to provide for the maintenance and operation of certain real property and improvements within Skagit Highlands, which will provide a benefit to all portions of and uses within Skagit Highlands (the "Community Areas"); to provide for the obligation of all owners of property within Skagit Highlands to contribute to such costs, including owners of property not yet subject to the terms of this Covenant when such property is made subject to this Covenant; to set forth the method for allocating such costs among such owners of property; and to provide for easements over and across the real property described in Exhibit "B," or additional property made subject to the terms of this Covenant, in the manner provided herein.

STATEMENT OF COVENANTS AND EASEMENTS

Declarant hereby declares that the real property described in Exhibit "B," and any property which is made subject to this Covenant in the manner provided herein shall be owned, conveyed, and used subject to all of the provisions of this Covenant, which shall run with the title to such property. This Covenant shall be binding upon all Persons having any right, title, or interest in any portion of the real property now or hereafter submitted hereto, their heirs, successors, successors-in-title, and assigns.

SKAGIT COUNTY WASHINGTON
REAL ESTATE EXCISE TAX

AUG 17 2005

Amount Paid
By Skagit Co. Treasurer
Deputy



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Article I
Definitions

The words used in this Covenant shall generally be given their normal, commonly understood definitions unless otherwise specified. Capitalized terms shall be defined as follows:

1.1. "**Association Declarations**": A collective term referring to the Declaration of Covenants, Conditions, and Restrictions for Skagit Highlands Residential Property, the Declaration of Covenants, Conditions, and Restrictions for Skagit Highlands Retail Center (if such retail center is established by the Declarant), or any recorded declaration of covenants, conditions, or restrictions by whatever name denominated applicable to an Owners Association within a particular land use designation (*i.e.*, Residential Property or Retail Center) which by its terms or the applicability of this Covenant makes the Owners Association subject to these Covenants. This definition shall exclude the declaration of any neighborhood association or condominium association within the Master Plan which is subordinate to or a subassociation under an Association Declaration.

1.2. "**Community Areas**": Those areas within or in the vicinity of the Master Plan which are designated and developed by Declarant for the use and/or benefit of all Persons within Skagit Highlands and which are generally owned operated and maintained by the Residential Association for the use of owners, occupants, tenants, guests and invitees of the Residential Property, Rental Parcel, and Retail Center.

1.3. "**Community-Wide Standard**": The standard of conduct, maintenance, design, or other activity generally prevailing throughout Skagit Highlands. Such standard shall be established initially by Declarant and may contain both objective and subjective elements. The Community-Wide Standard may evolve as development progresses and as the needs and demands of Skagit Highlands change.

1.4. "**Contribution**": Obligations of an Owners Association or a Property Owner to be made to the Residential Association to fund Joint Expenses.

1.5. "**Covenant**": This Declaration of Easements and Covenant to Share Costs, as such may be amended and supplemented from time to time as provided herein.

1.6. "**Declarant**": Skagit Highlands, LLC, a Washington limited liability company, or their successors, successors-in-title, or assigns who are designated as a Declarant in a Recorded instrument executed by the immediately preceding Declarant.

1.7. "**Equivalent Units**": A numerical assignment of value given to individually owned Units of real property which are designated and zoned for non-residential use by the Declarant, and the Local Jurisdiction to equate non-residential property to residential property for allocating Joint Expenses and voting rights.



1.8. "Joint Expenses": The actual and estimated expenses incurred or anticipated to be incurred by the Residential Association to own, operate, maintain, and insure the Community Areas, fulfill the responsibilities set forth in an Association Declaration which are identified as a Joint Expense, and to provide other services or activities for the general benefit of the Skagit Highlands master planned community as set forth herein.

1.9. "Local Jurisdiction": Any governmental authority having jurisdiction over Skagit Highlands, for a matter described in this Declaration. A Local Jurisdiction may include the State of Washington, Skagit County, the City of Mount Vernon, or a local sewer or water district or other governmental entity assigned authority by law to regulate activities in Skagit Highlands. A Local Jurisdiction may refer to different governmental authorities, depending upon which governmental authority is assigned responsibility to regulate activities described in this Declaration.

1.10. "Master Plan": The land use plan approved by the Local Jurisdiction, as such may be amended, encompassing the real property described in Exhibit "A", and any additional real property designated by the Declarant as a part of the real property subject to the land use plan. The Declarant may also amend this definition of Master Plan at any time by Recording a map which depicts the real property which Declarant has elected to include within the description of the Master Plan, and upon Recording, the term "Master Plan" shall refer to the depiction of the real property so designated by Declarant.

1.11. "Mortgage": A mortgage, deed of trust, deed to secure debt, or any other form of security instrument affecting title to any Unit. A "Mortgagee" shall refer to a beneficiary or holder of a Mortgage.

1.12. "Owner": One or more Persons who hold the record title to a Unit within Skagit Highlands but excluding in all cases any Mortgagee or other party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a Recorded contract of sale, then upon Recording of such contract, the purchaser (rather than the fee owner) will be considered the Owner if the contract specifically so provides. If a Unit or parcel of property is subject to a written lease with a term in excess of one year and the lease specifically so provides, then upon filing a copy of the lease with the Board, the lessee (rather than the fee owner) will be considered the Owner during the term of the lease for the purpose of exercising any rights of Owners under this Covenant. **In the case of any Owner who is subject to the jurisdiction of an Owners Association, any reference herein to the Owner shall be deemed to include a reference to the applicable Owners Association.**

1.13. "Owners Association": Any mandatory membership association comprised of owners of real property within the Skagit Highlands master planned community which has the power to assess each of its members for common expenses. The Owners Associations within Skagit Highlands shall include, without limitation, the Residential Association, the Residential Sub-Associations, if any, and the Owners Association having jurisdiction over the Retail Center.



1.14. "Person": A human being, a corporation, a partnership, a trustee, or other legal entity.

1.15. "Property Owner" or "Property Owners": A collective term referring to the various independently owned parcels of real property which are not subject to an Association Declaration (including, by way of example, the Rental Parcel) but which may become subject to this Declaration by supplemental declaration, covenant, or deed Recorded in the Skagit County, Washington.

1.16. "Record," "Recording," or "Recorded": To file, filing, or filed of record in the Public Real Estate Records of Skagit County, Washington, or such other place which is designated as the official location for recording deeds and similar documents affecting title to real estate. The date of Recording shall refer to that time at which a document, map, or plat is Recorded.

1.17. "Rental Parcel": Those portions of the real property designated on the Master Plan or by Declarant as property for development and use for multi-family rental apartments. The term shall refer to the land, if any, which is part of the Parcel as well as any improvements thereon. If any Parcel is subdivided or resubdivided, whether by plat or deed, each such subdivision shall be considered a Parcel hereunder and votes and liability for Contributions shall be recomputed for each subdivision in accordance with the formula set forth in Exhibit "D."

1.18. "Residential Association": The Skagit Highlands Homeowners Association, a Washington nonprofit corporation, which is The Owner's Association governing the Residential Property.

1.19. "Residential Property": All that certain real property which is subject to the Declaration of Covenants, Conditions, and Restrictions for Skagit Highlands Residential Property, as Recorded or to be Recorded.

1.20. "Retail Center": Those portions of the real property designated on the Master Plan or by Declarant as property for development and use for retail purposes, if any.

1.21. "Skagit Highlands": The master planned community known as Skagit Highlands, described in Exhibit A or as shown on the Master Plan, or otherwise made subject to this Covenant.

1.22. "Unit": A portion of Skagit Highlands, whether improved or unimproved, which may be separately owned and is subject to assessment under an Association Declaration, this Covenant, or a separate covenant or deed encumbering such property. For example, and without limitation, the following may be separate Units: an attached or detached residential dwelling or condominium unit; a residential lot; a commercial or retail site; an office building; or an unimproved tract of land intended for future development. A condominium (residential or non-residential) shall be deemed to contain the number of Units as are created and subject.



assessment pursuant to its declaration of condominium. A multi-family structure shall be deemed to contain the number of Units based on the number of dwellings contained in such structure even though the structure may be owned by a single Person. The term shall not include the Community Areas, common area of an Owners Association (or a subordinate neighborhood association) subject to an Association Declaration, nor any property dedicated to the public unless otherwise set forth in the deed or dedication to the public entity.

Article II

Community Areas

2.1. **Responsibility for the Community Areas.** The Residential Association shall have the right and the obligation to maintain the Community Areas, defined in Section 2.2, for which each Owners Association and each Property Owner covenants and agrees to contribute to the cost of maintenance. Maintenance, as such term is used in this Declaration, shall mean operating, maintaining, repairing, replacing, insuring, and taking any and all steps to keep the Community Areas of Skagit Highlands neat, clean and attractive, including, without limitation, repairing and replacing fixtures and landscaping in a manner consistent with the Community-Wide Standard for Skagit Highlands, the Association Declaration, the Master Plan, the plats of Skagit Highlands or any permits applicable to the property. In the event that an Owners Association or Property Owner reasonably believes that the Residential Association's maintenance activities do not satisfy the Community-Wide Standard, such Person shall follow the procedures set forth in Section 2.3.

2.2. **Community Areas.** The Community Areas, as such term is used herein, includes, without limitation, the following elements of real and personal property located within Skagit Highlands:

- (a) the main entry and identification features serving Skagit Highlands which are of a general benefit to all of Skagit Highlands, including all signage, landscaping, and other improvements which are a part thereof;
- (b) community-wide location and directional signage;
- (c) the Skagit Highlands recreational amenities;
- (d) the hard surface and soft service trails (private trails and any supplemental maintenance of public trails) within Skagit Highlands, including signage;
- (e) wetlands, sensitive areas, conservation areas, buffers, drainage areas, natural habitat preserves, and similar areas designated by Declarant within Skagit Highlands, including all appurtenant monitoring or reporting obligations associated therewith;



(f) the landscaping adjacent to arterial roadways and buffers, which may be located in an easement area shown on the recorded plat and regardless of whether such property is in the public rights-of-way (to the extent permitted by the applicable governmental agency);

(g) the Skagit Highlands community parks and any other parks designed as a Community Area by Declarants (but which shall not include small neighborhood parks or any parks are designated as exclusive common area pursuant to an Association Declaration);

(h) additional maintenance and landscaping of any public parks, drainage areas, public facilities or improvements, or other property within Skagit Highlands which the Association may provide with the consent of the Local Jurisdiction; and

(i) any other real or personal property, service, or facility which now, or by amendment of this Covenant, benefits jointly the Residential Property, the Retail Center, and the Rental Parcel, or is designated to be a part of the Community Areas by the Declarant.

2.3. Dispute Procedures.

(a) In the event that any Owners Association or Property Owner not subject to an Owners Association believes that the Community Areas are not being maintained to the Community-Wide Standard, or otherwise disputes the conduct or activities undertaken by the residential Association pursuant to this Covenant (unless excluded from this Section) the party making such a complaint ("Claimant") shall provide written notice ("Notice") to the appropriate party to perform such maintenance or take appropriate action.

(b) Claimant's Notice shall state plainly and concisely:

(i) the nature of the action, inaction, or maintenance deficiency, including specific problems with the appearance or conduct and offering examples of how or where action or maintenance of a similar nature, if any, is being appropriately performed within Skagit Highlands to the Community-Wide Standard; and

(ii) what Claimant wants the appropriate party to do or not do to resolve the problem.

(c) The party receiving the Notice shall have 10 business days (if the Residential Association's Board designates by rule a different period of time in which a cure must be undertaken, the time stated by the Board) to cure the deficiency or correct the activity, or if the deficiency is not capable of being cured within such period, the party shall respond to the Claimant with a detailed explanation of the steps being taken to cure the deficiency or correct the activity, a good faith estimate of when such deficiency shall be cured, and any other pertinent information.



(d) If Claimant's Notice is not resolved within the time set forth in subsection (c), Claimant may file a "Claim" as provided in Article XIV of the Residential Association Declaration, in which case the Residential Association, Declarant, the Owners Association, Property Owner, or any Person making the Claim shall be deemed "Bound Parties" and shall comply with the dispute resolution procedures set forth therein.

2.4. Limitation of Liability. Notwithstanding anything contained herein to the contrary, neither the Declarant, the Residential Association, the Residential Association's Board and employees, a Property Owner, or an Owners Association shall be liable for property damage or personal injury occurring on, or arising out of the condition of, property which it does not own unless and only to the extent that it has been negligent in the performance of its maintenance responsibilities.

2.5. Easements in Favor of the Residential Association. There are hereby reserved and granted to the Residential Association perpetual, nonexclusive blanket easements over, under, and across the Community Areas and such portions of the property made subject to this Covenant as are necessary for access, ingress, and egress to and from the Community Areas, and to enable the Residential Association to fulfill its responsibilities hereunder; provided, the exercise of such easements shall not unreasonably interfere with the use and enjoyment of the burdened property and, upon completion of work, the Residential Association shall restore such property to the condition existing immediately prior to the exercise of such easement, to the extent reasonably possible.

2.6. Easements in Favor of the Members of the Retail Center and Rental Parcel. There are hereby reserved and granted to the Members of the Retail Center and Rental Parcel, their tenants, employees, customers, guests, invitees, successors and assigns, perpetual, nonexclusive blanket easements over, under, and across the Community Areas for access, use and enjoyment of the Community Areas. Such easements shall be subject to any applicable covenants, conditions, restrictions, or limitations contained in any deed conveying such property to the Residential Association, the Association Declaration applicable to the Community Area, the Master Plan, the plats of Skagit Highlands or any permits applicable to the property, and the Residential Association's board's right to:

(a) adopt rules and regulations governing the use and enjoyment of the Community Areas, including rules limiting the number of guests who may use the Common Area;

(b) suspend an Owner's ability to use any recreational facilities within the Community Areas for any period during which any Contribution is delinquent or such Owner violates any applicable rule or regulation;

(c) impose membership requirements and charge admission or other use fees for the use of any portion of the Community Area (such membership requirements, admission, or



use fees may, in the Residential Association's board's discretion, differentiate between members of different Owners Associations and the Rental Parcel); and

(d) permit use of any Community Areas by persons other than Owners or members upon such terms and conditions as may be established by the Board and designate areas open for the use and enjoyment of the public.

2.7. Conveyance of Community Areas by Declarant. Declarant may convey to the Residential Association improved or unimproved real estate located within Skagit Highlands, personal property, and leasehold or other property interests. Such property or interests shall be accepted by the Residential Association and thereafter shall be maintained as Community Areas. The expenses associated with the Community Areas shall be Joint Expenses allocated as set forth in Article III and Exhibit "C."

2.8. Conveyance of Community Areas by Owners Associations or Other Persons. The Residential Association may acquire improved or unimproved real estate located within Skagit Highlands, personal property, easements, and leasehold or other property interests from any Owners Association or other Persons. Such property or interests shall be maintained by the Residential Association as Community Areas in accordance with the Community-Wide Standard.

2.9. Subtraction of Community Areas. In recognition of the fact that Declarant conveys Community Areas to the Residential Association at no cost to the Residential Association, Declarant shall have the right to reduce the properties comprising the Community Areas and may require the Residential Association to reconvey to Declarant, or to transfer to any governmental or quasi-governmental entity or public utility, any properties previously conveyed by Declarant to the Residential Association as Community Areas.

2.10. Dedication of Community Areas. Subject to the approval of and acceptance by such entity, the Residential Association may dedicate portions of the Community Areas which it owns to any other local, state, or federal governmental or quasi-governmental entity, provided the Board has determined, in its reasonable discretion, that such entity has the ability to fund and commitment to maintain the dedicated property in accordance with the Community-Wide Standard.

2.11. Easements Reserved to Declarant. There is hereby reserved by and for the benefit of Declarant, and granted to its duly authorized agents, representatives, successors, assigns, licensees, and mortgagees, a perpetual, non-exclusive easement over the property described in Exhibit "B," including the Community Areas, for the enjoyment, use, access, and development of the real property described in the Master Plan, regardless of whether such property is submitted to this Covenant or subject to the jurisdiction of the Residential Association. This easement includes, but is not limited to, a right of ingress and egress over the Community Areas for construction of roads and for tying in and installation of utilities on such property. Declarant also reserves for themselves the non-exclusive right and power to grant and Record such specific



casements as may be necessary, in the discretion of Declarant, in connection with the orderly development of the property within the Master Plan.

Article III **Obligation to Share Costs**

3.1. **Responsibility and Obligation for Contributions.** Each Owners Association and each Property Owner covenants and agrees to pay an annual Contribution to the Residential Association to cover an equitable portion of the Joint Expenses incurred by the Residential Association. The obligation to pay this Contribution shall be mandatory and shall be a separate and independent covenant on the part each Owners Association and Property Owner. No diminution or abatement of the Contribution or setoff shall be claimed or allowed by reason of any alleged failure of the Residential Association to perform its maintenance responsibilities to the Community-Wide Standard or perform its other functions hereunder. An Owner's Association or Property Owner's sole remedy for failure of the Residential Association to perform its responsibilities hereunder shall be the dispute procedures set forth in Section 2.3.

3.2. **Computation of Contributions.** On an annual basis, at least 60 days before the beginning of its fiscal year, the Residential Association shall determine an estimated budget of Joint Expenses for the upcoming year, including such amounts the Board determines to be reasonable to be placed in a reserve fund, if any, for capital repairs and replacements. The total budget of Joint Expenses shall be allocated between the Owners Associations (including the Residential Association) and Property Owners on the basis of a formula set forth on Exhibit "C," as attached or as amended by the Declarant. The formula shall apply to all residential Units and all non-residential Units constructed or to be constructed within Skagit Highlands which are subject to this Covenant.

In determining each Owners Association's or Property Owner's share of the Joint Committee Expenses, the sum of the Units or Equivalent Units within the jurisdiction of such Owners Association or comprising the Unit owned by a Property Owner shall be divided by the total number of residential Units and non-residential Equivalent Units subject to this Declaration on the date the budget is established. The quotient, stated in terms of a percentage, shall establish each Owners Association's or Property Owner's Contribution for the Joint Expenses. During the period of time that the Declarant owns any of the property described in Exhibit A, Declarant may revise and amend this Covenant, without further approval of any other owner of any property subject to this Covenant, and change the formula by which any non-residential Equivalent Units are calculated, including, but not limited to, exercising the right to elect that the non-residential property subject to this Covenant shall not contribute to the Joint Committee Expenses (based upon their minimal impact upon the use of the improvements and facilities within Skagit Highlands).

Each Owners Association or Property Owner shall pay the Joint Expenses for the residential Units and non-residential Equivalent Units subject to its jurisdiction. Prior to the beginning of each fiscal year, the Residential Association shall send each Owners Association



and each Property Owner not subject to an Owners Association a notice of annual Contribution for its share of the Joint Expenses based on the foregoing formula. The notice of annual Contribution shall be adjusted to reflect any excess or deficiency in the budget prepared for the immediately preceding year as compared to actual expenses for that period and any unreimbursed costs incurred by the Residential Association during the previous fiscal year to collect amounts due hereunder. The notice of Contribution shall be the total annual Contribution payable by the Owners Association or Property Owner to the Residential Association.

3.3. Payment of Contributions. Within 30 days of receipt of written notice of an annual Contribution, the Owners Associations and Property Owners shall pay to the Residential Association the entire amount due; provided, however, the board of directors of the Residential Association may provide that such Contribution may be paid in installments. The Contribution due from Residential Association shall be included in its annual budget of common expenses. Any Contribution delinquent for a period of more than 30 days shall incur a late charge in such amount as the Board may from time to time reasonably determine (subject to the limitations of Washington law), interest (not to exceed the highest rate allowed by Washington law) on the principal amount due, all costs of collection (including attorney's fees), and any other amounts provided or permitted by law. In the event that any Contribution remains unpaid after 90 days, the Residential Association may institute suit to collect a money judgment for such amounts. Disputes over the payment of Contributions shall not be subject to the dispute procedures of Section 2.3, and any claim, grievance, or dispute shall be an Exempt Claim from the alternative dispute resolution procedures set forth in the Residential Association's Declaration. All payments shall be applied first to costs and attorney's fees, then to late charges, then to interest, and then to delinquent Contributions.

3.4. Recordkeeping. The Residential Association shall maintain or cause to be maintained full and accurate books of account with respect to the performance of its responsibilities hereunder. The books and records and related financial statements shall be made available for inspection and copying upon request by any of the boards of directors of the Owners Associations or by a Property Owner during normal business hours. Copying charges shall be paid by the Person requesting copies. If an Owners Association or Property Owner desires to have the records audited, it may do so at its expense, and the Residential Association shall cooperate by making available to the auditors the records, including all supporting material (e.g., check copies, invoices, etc.), for the year in question.

If the amount of actual expenses for the year is disputed after the audit, the Residential Association and the Owners Association or Property Owner requesting the audit shall cause a second audit to be performed by a mutually acceptable auditor and the decision of the second auditor shall be binding. If the amount as determined by the second auditor varies from the amount asserted by the Residential Association by five percent or more, the Residential Association shall pay the entire cost of the second auditor. If the amount as determined by the second auditor varies from the amount asserted by the Residential Association by two percent or less, the Owners Association or Property Owner requesting the audit shall pay the entire cost of the second auditor. Otherwise, the cost of the second ar



Residential Association and the Owners Association or Property Owner. Variances shall be taken into account in the following year's budget as provided in Section 3.2.

3.5. Exempt Property. Any property dedicated or conveyed to and accepted by any governmental authority or public utility shall be exempt from payment of the Contribution hereunder. In addition, Declarant and/or the Residential Association shall have the right, but not the obligation, to grant exemptions to certain Persons qualifying for tax exempt status under Section 501(c) of the Internal Revenue Code so long as such Persons own property subject to this Covenant for purposes listed in Section 501(c).

Article IV **Jurisdiction**

4.1. Powers and Duties of the Residential Association. The Residential Association shall operate, manage, and maintain the Community Areas subject to every Owner's right and nonexclusive easement of use, access, and enjoyment, in a manner consistent with the Association Declaration, the Master Plan, the plats of Skagit Highlands or any permits applicable to the property. The Residential Association also shall perform such obligations and responsibilities as may be assigned to it by Declarant as more specifically provided in the Residential Association's Declaration. To the extent that such obligations and responsibilities are performed for the benefit of all of Skagit Highlands (as opposed to the exclusive benefit of the Residential Association) these obligations and responsibilities shall be accepted by the Residential Association when assigned in writing by Declarant and undertaken as a Joint Expense.

The Residential Association shall have the specific authority to establish a minimum Community-Wide Standard of maintenance and aesthetic appearance for the Community Areas. The Residential Association also may promulgate reasonable rules and regulations governing the use of the Community Areas. The Residential Association shall have the authority to enforce such standards and such rules and regulations including, without limitation, the right to levy fines which if unpaid shall be in addition to the Contribution owed by the violator. The Residential Association also shall have the right to enjoin anyone from using any portion of the Community Areas who violates such rules and regulations. The Residential Association shall have the right to enforce any provision of this Covenant through the dispute resolution procedures or, if exempt, by action at law or in equity. The Residential Association shall be entitled to recover all expenses from a violator, including attorneys' fees.

Except as otherwise specifically provided in this Covenant, the Residential Association shall not have jurisdiction over the internal affairs or operations of any other Owners Association or any Property Owner.

4.2. Jurisdiction. Declarant may from time to time subject to the provisions of this Covenant all or any portion of the property described in !



by Recording a supplemental declaration describing the additional property to be subjected, or by cross-referencing the Association Declaration which binds property subject to its jurisdiction to the covenants and agreements of this Covenant. Any property which is now or hereafter subject to an Association Declaration shall automatically be deemed subject to this Covenant. Non-residential property of a Property Owner may be subject to this Declaration by supplemental declaration, reference in the deed conveying such property to the Property Owner, or supplemental declaration. A supplemental declaration Recorded pursuant to this Section shall not require the consent of any Person except the owner of such property, if other than Declarant.

The Declarant's right to expand the community pursuant to this Section shall expire when all property described on the Master Plan has been subjected to this Covenant or 40 years after Recording this Covenant, whichever is earlier. Until then, the Declarant may transfer or assign this right to any Person who is the owner or developer of a portion of the real property described in the Master Plan. Any such transfer shall be memorialized in a written, recorded instrument executed by the Declarant which is assigning the Declarant's rights hereunder. Nothing in this Covenant shall be construed to require the Declarant or any successor to subject additional property to this Covenant or to develop any of the property described on the Master Plan in any manner whatsoever.

The Declarant reserves the right to amend this Covenant, so long as it has a right to submit additional property for the purpose of removing any portion for any reason. Such amendment shall not require the consent of any Person other than the owner of the property to be withdrawn, if not a Declarant. If the property is Common Area of an Owners Association, the Owners Association shall consent to such withdrawal.

4.3. Submission of Property by Residential Association. The Residential Association may subject additional property to the provisions of this Covenant by Recording a supplement to this Covenant supplementing Exhibit "B" with the legal description of the property to be submitted. The supplement shall be executed by or on behalf of the Residential Association and the owner(s) of the property being submitted. In addition, so long as Declarant owns any property shown on the Master Plan, Declarant's consent shall be required to submit such property. Any such annexation shall be effective upon the Recording of the supplement unless otherwise provided therein.

Article V

General

5.1. Hazardous Waste Disposal Plan. The following uses may be permitted on a Unit within the Retail Center only after the Local Jurisdiction's review and approval of a hazardous waste disposal plan: automobile repair or service; veterinary clinic; medical/dental lab; research, development and testing; and all manufacturing uses permitted under the Local Jurisdiction's Ordinances. Such plan shall identify all hazardous materials to be used or generated on-site and their ultimate disposal or removal off-site.



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5.2. Restricted Materials. To enhance water quality by reducing copper and zinc loads, copper gutters, flashings, and roof materials for improvements constructed in or on any real property subject to this Covenant are prohibited. In addition, galvanized storm drainage culverts and conveyance piping systems are prohibited.

5.3. Modifications to Master Plan and Permits Applicable to the Property. During the Class "B" Control Period, as defined in the Residential Declaration, no Owner except Declarant may apply for any modification of the Master Plan or any permit applicable to the property. Following the end of the Class "B" Control Period, only the Residential Association may apply for modifications. Any modification requested by an Owner or another Owners Association shall be subject to the Residential Association's reasonable determination as to whether or not to submit such an application to the Local Jurisdiction.

5.4. Conversion to Residential Use. Any real property subject to this Covenant which is converted from non-residential usage (including multi-family apartment property) to a condominium in accordance with the Washington Condominium Act, or to other residential use by which individual units or lots are offered for sale, shall be submitted to the Declaration of Covenants, Conditions, and Restrictions for Skagit Highlands Residential Property in accordance with Article IX, Section 9.5 thereof.

5.5. Notice. Any notice provided for in this Covenant shall be served personally or shall be mailed by registered or certified mail, as follows:

(a) if to the Residential Association, to the president or secretary of the Residential Association at the principal office of the Residential Association, or at such other address of which it has given notice in accordance with this Section, or to the registered agent of the Association, as such registered agent is identified in the records of the Secretary of State of the State of Washington (or any successor agency thereof);

(b) if to an Owners Association, to the address designated by such Owners Association in writing with the Residential Association, or at the principal office of such Owners Association, or to the registered agent of the Owners Association, as such registered agent is identified in the records of the Secretary of State of the State of Washington (or any successor agency thereof); or

(c) if to a Property Owner, to such Owner at the address of such Owner's property within Skagit Highlands or such other address as it has registered with the Residential Association, or such registered agent is identified in the records of the Secretary of State of the State of Washington (or any successor agency thereof).

All such notices shall, for all purposes, be deemed delivered (a) upon personal delivery to the party or address specified above or (b) on the third day after mailing when mailed by registered or certified mail, postage prepaid, and prop Residential Association may designate additional methods

rules describing the alternative methods of providing notice, including the adoption of providing notice electronically.

5.6. Amendment. This Covenant may be amended unilaterally at any time and from time to time by Declarant, its successors or assigns, if such amendment is necessary (a) to bring any provision hereof into compliance with any applicable governmental statutes, rule or regulation or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage with respect to any portion of the property subject to this Covenant; or (c) to permit any institutional or governmental lender, purchaser, guarantor or insurer of mortgage loans to make, purchase, guarantee or insure mortgage loans; or (d) to satisfy the requirements of any governmental agency.

Further, for a period of 20 years after this Covenant is Recorded, Declarant may unilaterally amend this Covenant for any other purpose, provided such amendment has no material adverse effect upon the title to any portion of the submitted property without the consent of the Owner or has a material adverse effect upon any right, privilege, or protection granted to the Owners in this Covenant.

Thereafter, except where a higher vote is specifically required for action under a particular provision of this Covenant, this Covenant may be amended with the written consent of the Residential Association and the affirmative vote or written consent, or any combination thereof, of the Owner's Associations and Property Owners holding a majority of the votes as calculated as provided in Exhibit "D," such votes to be cast by the Owners Associations or Property Owners. In addition, so long as Declarant have an option unilaterally to subject additional property to this Covenant, Declarant's consent is also required.

Amendments to this Covenant shall become effective upon Recordation, unless a later effective date is specified therein. Any procedural challenge to an amendment must be made within six months of its Recordation. In no event shall a change of conditions or circumstances operate to amend any provisions of this Covenant.

5.7. Duration.

(a) Unless terminated as provided in Section 5.7(b), this Covenant shall have perpetual duration. If applicable law in the State of Washington hereafter limits the period during which covenants may run with the land, then to the extent consistent with such law, this Covenant shall automatically be extended at the expiration of such period for successive periods of 20 years each, unless terminated as provided below. Notwithstanding the above, if any of the provisions of this Covenant shall be unlawful, void, or voidable for violation of the rule against perpetuities, then such provisions shall continue only until 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England.

(b) Unless otherwise required by State of Washington law, this Covenant may not be terminated except by an instrument approved by the board of the Residential Association and by

Owners Associations and Property Owners required to make Contributions holding at least 67% of the votes calculated as provided in Exhibit "C." In addition, the instrument shall require the consent of Declarant so long as Declarant owns any property shown on the Master Plan. Any such instrument shall set forth the intent to terminate this Covenant and shall be Recorded.

5.8. Applicable Law. This Covenant shall be governed by and construed under the Washington laws.

5.9. Gender and Grammar. The singular, wherever used herein, shall be construed to mean the plural, when applicable, and the use of the masculine pronoun shall include the neuter and feminine.

5.10. Severability. Whenever possible, each provision of this Covenant shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Covenant to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and, to this end, the provisions of this Covenant are declared to be severable.

5.11. Captions. The captions of each Article and Section hereof, as to the contents of each Article and Section, are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer.

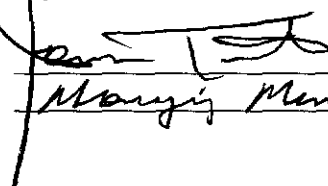
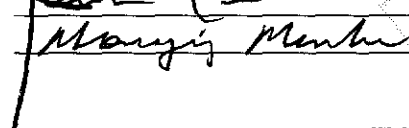
5.12. Successors and Assigns. This Covenant shall be binding upon all Owners Associations, their members, all Property Owners, and the Owners of property subject to this Covenant, and their heirs, successors, successors-in-title, and assigns.

5.13. Exhibits. Exhibit "A" to this Covenant is attached for informational purposes and any amendment to Exhibit "A" shall be governed by the Declarant and by permits applicable to the Master Plan, and not by Section 5.6 of this Covenant. Exhibits "B" and "C" are incorporated by reference and the amendments of such exhibits are subject to Section 5.6.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Covenant the date and year first written above.

Skagit Highlands, LLC
a Washington limited liability company

By:
Its:

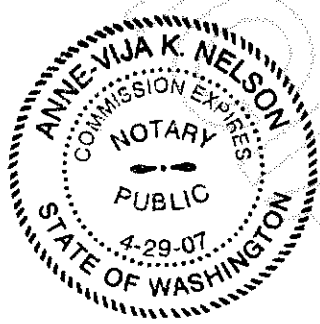


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STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this day personally appeared before me James Tosti to me known to be the Managing Member of Skagit Highlands, LLC, a Washington limited liability company, that executed the foregoing instrument, and acknowledged such instrument to be the free and voluntary act and deed of such corporation, for the uses and purposes therein mentioned, and on oath stated that he/she was duly authorized to execute such instrument.

GIVEN UNDER MY HAND AND OFFICIAL SEAL this 16th day of August, 2005.



Anne-Vija Nelson
ANNE-VIJA NELSON (Print Name)
NOTARY PUBLIC in and for the State of
Washington, residing at Redmond WA
My Commission Expires: 04/29/07



EXHIBIT "A"

Description of Property Subject to the Master Plan

LOTS 1 THROUGH 10, INCLUSIVE, OF THAT CERTAIN BOUNDARY LINE ADJUSTMENT SURVEY APPROVED AUGUST 18, 2003 AND RECORDED AUGUST 18, 2003 UNDER AUDITOR'S FILE NO. 200308180300 AND AS AMENDED AND APPROVED JUNE 8, 2005 AND RECORDED JUNE 8, 2005 UNDER AUDITOR'S FILE NUMBER 200506080122;

SAID LOTS BEING PORTIONS OF SECTIONS 14, 15, 22 AND 23, TOWNSHIP 34 NORTH, RANGE 4 EAST, W.M.;

SITUATE IN THE CITY OF MOUNT VERNON, COUNTY OF SKAGIT, STATE OF WASHINGTON.



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EXHIBIT "B"

Land Initially Submitted to Covenant

LOTS 1 THROUGH 45, AND TRACTS 900 THROUGH 909 OF SKAGIT HIGHLANDS DIVISION I, ACCORDING TO THE PLAT THEREOF RECORDED AT SKAGIT COUNTY AUDITOR'S FILE NO. 200508160182, RECORDS OF SKAGIT COUNTY, WASHINGTON

(which property is a plat of the real property known as Lot 4 of that certain Boundary Line Adjustment Survey approved August 18, 2003 and recorded August 18, 2003 under Skagit County Auditor's File No. 20038180300, and being a portion of Sections 14, 15, 22 and 23, Township 34 North, Range 4 East, W.M., and Lot 154, Thunderbird East Fifth Addition, situated in the City of Mount Vernon, County of Skagit, State of Washington).



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EXHIBIT "C"

Allocation of Contribution Obligations

1. Each Unit subject to an Association Declaration and each Unit owned by a Property Owner shall be allocated a share of the Joint Expenses on the basis of the following mathematical formula.

2. Residential Units within the Residential Association, Rental Parcel, or other residential use within the Master Plan shall be assigned one Unit per dwelling (single-family or multi-family) within such Association's or Property Owner's jurisdiction.

3. Non-residential Units within the Retail Center or owned by a Property Owner shall be assigned one equivalent unit ("Equivalent Unit") for each 5,000 square feet of a Unit's floor area in an improved structure, measured to the exterior face of walls including access halls and facilities, and excluding areas for vehicular storage. In addition, such Unit shall be assigned one Equivalent Unit for each 5,000 square feet of land comprising such Unit. If the floor area or land of a Unit exceeds that increment for allocation of an Equivalent Unit by one half or more, the Equivalent Units allocated to such Unit shall be rounded up. If the floor area or land of a Unit does not exceed that increment for allocation of Equivalent Units by one half, the Equivalent Units allocated to such Unit shall be rounded down. Notwithstanding the foregoing, all Units shall be allocated at least one Equivalent Unit.

4. Contributions shall commence upon such Units' being subjected to an Association Declaration or this Covenant.

5. The sum of all Units and Equivalent Units within the Master Plan shall be computed annually by the board of directors of the Residential Association as of a date which is not less than 60 days prior to the beginning of its fiscal year. The sum of all Units and Equivalent Units shall be the denominator for the allocation of contributions set forth in Section 3.2. Notice of the percentages for each Association Entity or Property Owner (including a summary of the computations) shall be sent to each Association Entity and Property Owner together with the annual notice of Contribution and budget of Joint Costs.



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