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

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR
SKAGIT HIGHLANDS RESIDENTIAL PROPERTY**

SKAGIT HIGHLANDS WEST NEIGHBORHOOD

Grantor: Skagit Highlands, LLC

Additional on page ____

Grantee: Plat of Skagit Highlands

Additional on page ____

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

Assessor's Tax Parcel ID #: P121458

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

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR SKAGIT HIGHLANDS RESIDENTIAL
PROPERTY**

SKAGIT HIGHLANDS WEST NEIGHBORHOOD



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<u>Exhibit</u>	<u>Subject Matter</u>
"A"	Land Subject to Master Plan
"B"	Land Initially Submitted
"C"	Initial Use Restrictions



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**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR THE
SKAGIT HIGHLANDS WEST NEIGHBORHOOD**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS is made this 16th day of August, 2005, by Skagit Highlands, LLC, a Washington limited liability company ("Declarant").

PART ONE: NEIGHBORHOOD ASSOCIATION

Skagit Highlands, LLC, as developer of the Skagit Highlands master planned community, has established this Neighborhood pursuant to Article VI, Section 6.4 of the Residential Declaration to provide a flexible system of standards and procedures for a portion of the residential property as a component of the Skagit Highlands master planned community. The Skagit Highlands West Neighborhood Association, if formed, will be assigned certain responsibilities for administration, maintenance, and preservation of property within and adjacent to the residential portions of Skagit Highlands West as set forth in this Declaration, the Skagit Highlands Residential Declaration, and the Declaration of Easements and Covenant to Share Costs for Skagit Highlands. Until the Skagit Highlands West Neighborhood Association is formed, the Skagit Highlands Homeowners Association will provide the supervision of the Skagit Highlands West Neighborhood, along with the remainder of the Skagit Highlands community.

Article I Creation of the Neighborhood

1.1. Purpose and Intent.

Declarant, as the owner of the real property described in Exhibit "A," intends by Recording this Declaration to create a Neighborhood within the Skagit Highlands Master Plan community, and assign certain rights and duties related to this Neighborhood Declaration to the Skagit Highlands Homeowners Association or, if formed by Declarant, the Skagit Highlands Homeowners Association, or the Members owning Units within the Skagit Highlands West Neighborhood, to a Neighborhood Association established in the manner provided in Article VI, Section 6.4 of the Residential Declaration. The Neighborhood Association shall be comprised of all owners of real property located in the Skagit Highlands West Neighborhood. The Neighborhood Association established herein is empowered to own, operate, and/or maintain various common areas and community improvements and to administer and enforce this Declaration and the other Governing Documents referred to in this Declaration within the Skagit Highlands West Neighborhood.



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1.2. Binding Effect.

All property described in Exhibit "A," and any additional property which is made a part of the Neighborhood in the future by Recording one or more Supplemental Declarations, shall be owned, conveyed, and used subject to all of the provisions of this Neighborhood Declaration, which shall run with the title to such property. This Neighborhood Declaration shall be binding upon all Persons having any right, title, or interest in any portion of the property in the Skagit Highlands West Neighborhood, their heirs, successors, successors-in-title, and assigns.

This Neighborhood Declaration shall be enforceable by Declarant, the Association, the Neighborhood Association, any Owner, and their respective legal representatives, heirs, successors, and assigns, perpetually to the extent permitted by law. If, however, the period for the enforcement of covenants running with the land is limited by law, the Neighborhood Declaration shall be enforceable as provided above for a period of 20 years. After such time, this Neighborhood Declaration shall be extended automatically for successive periods of 10 years each, unless an instrument signed by a majority of the then Owners of property within the Neighborhood has been Recorded within the year preceding any extension, agreeing to amend, in whole or in part, or terminate this Neighborhood Declaration, in which case this Neighborhood Declaration shall be amended or terminated as specified in such instrument.

Notwithstanding the above, if any provision of this Neighborhood Declaration would be unlawful, void, or voidable by reason of applicability of the rule against perpetuities, such provision shall expire 21 years after the death of the last survivor of the now living descendants of Elizabeth II, Queen of England. Nothing in this Section shall be construed to permit termination of any easement created in this Neighborhood Declaration without the consent of the holder of such easement.

1.3. Governing Documents.

The Governing Documents create a general plan of development for the Properties and Neighborhoods which may be supplemented by additional covenants, restrictions, and easements. In the event of a conflict between or among the Governing Documents and any such additional covenants or restrictions, and/or the provisions of any other articles of incorporation, by-laws, rules, or policies governing this Neighborhood, the Governing Documents shall control. Nothing in this Section shall preclude any Supplemental Declaration or other Recorded covenants applicable to any portion of the Properties from containing additional restrictions or provisions which are more restrictive than the provisions of this



Neighborhood Declaration. The Association may, but shall not be required to, enforce any such covenants, restrictions, or other instruments applicable to the Neighborhood.

All provisions of the Governing Documents shall apply to all Owners and to all occupants of their Units, as well as their respective tenants, guests, and invitees. Any lease on a Unit shall provide that the lessee and all occupants of the leased Unit shall be bound by the terms of the Governing Documents.

If any provision of this Neighborhood Declaration is determined by judgment or court order to be invalid, or invalid as applied in a particular instance, such determination shall not affect the validity of other provisions or applications.

Article II Concepts and Definitions

The terms used in the Governing Documents shall generally be given their natural, commonly accepted definitions unless otherwise specified. Capitalized terms contained in this Neighborhood Declaration shall be defined in the Residential Declaration, or as set forth below if not defined in the Residential Declaration. If the definitions contained herein conflict with a definition contained in the Residential Declaration or the Covenant to Share Costs, the definitions contained in the Residential Declaration or the Covenant to Share Costs shall control over the definitions stated in this Neighborhood Declaration.

2.1. "Neighborhood": For the purpose of this Neighborhood Declaration, the real property described in Exhibit A.

2.2. "Neighborhood Association": The Skagit Highlands West Neighborhood Association, which has concurrent jurisdiction with the Association over the Neighborhood.

2.3. "Neighborhood Association Board": The body responsible for administration of this Neighborhood Association, selected as provided in the By-Laws and serving as the board of directors under Washington corporate law.

2.4. "Neighborhood Residential Design Guidelines": The architectural, design, and construction guidelines and review procedures adopted pursuant to Article IV, as they may be amended.

2.5. "Neighborhood Rules and Regulations": Neighborhood Association – adopted Rules and Regulations which establish administrative procedures for internal Neighborhood governance and operating procedures for use of the Neighborhood Common Area.



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2.6. "Neighborhood Use Restrictions ": The Neighborhood Use Restrictions set forth in Exhibit "C," as they may be supplemented, modified, and repealed pursuant to in Article III.

2.7. "Residential Declaration"; The Declaration of Covenants, Conditions, and Restrictions for Skagit Highlands Residential Property recorded at Skagit County Auditor's Number 200508170114.

PART TWO: CREATION AND MAINTENANCE OF NEIGHBORHOOD COMMUNITY STANDARDS

The standards for use and conduct, maintenance, and architecture within Skagit Highlands West are what give the community its identity distinct from other portions of the Skagit Highlands community. This Neighborhood Declaration establishes procedures for additional regulation which allows the community standards to evolve as the Properties change and grow over time.

Article III Use and Conduct

3.1. Framework for Regulation.

This Article establishes procedures for modifying and expanding the initial Neighborhood Use Restrictions set forth in Exhibit "C."

3.2. Authority to Enact Use Restrictions.

(a) Subject to the terms of the Permits, this Article, and the Neighborhood Association Board's duty to exercise business judgment and reasonableness on behalf of the Association and its Members, the Neighborhood Association Board may adopt, modify, cancel, limit, create exceptions to, or expand the Neighborhood Use Restrictions. The Neighborhood Association Board shall conspicuously publish notice concerning any such proposed action at least five business days prior to the Neighborhood Association Board meeting at which such action is to be considered. Members shall have a reasonable opportunity to be heard at a Neighborhood Association Board meeting prior to such action being taken.

Such action shall become effective, after compliance with the distribution requirements below, unless disapproved at a meeting by Members owning Units within the Neighborhood representing more than 50% of the total Class "A" votes in the Neighborhood and by the Class "B" Members, if any. The Neighborhood Association Board shall have no obligation to call a meeting of the Members to consider disapproval except upon receipt of a petition as



required for special meetings in the By-Laws. Upon receipt of such petition prior to the effective date of any Neighborhood Association Board action under this Section 3.2(a), the proposed action shall not become effective until after such meeting is held, and then subject to the outcome of such meeting.

Alternatively, Members representing more than 50% of the total Class "A" votes in the Neighborhood at a Neighborhood Association meeting duly called for such purpose, may vote to adopt Neighborhood Use Restrictions which modify, cancel, limit, create exceptions to, or expand the Neighborhood Use Restrictions then in effect. Such action shall require approval of the Class "B" Members, if any.

Prior to any action taken under this Section 3.2(a) becoming effective, the Neighborhood Association Board shall send a copy of the new Neighborhood Use Restriction or explanation of any changes to the Neighborhood Use Restrictions to each Owner of a Unit in the Neighborhood. The effective date shall be at least 30 days following distribution to Owners. The Neighborhood Association shall provide, without cost, a copy of the Neighborhood Use Restrictions then in effect to any requesting Member or Mortgagee.

Nothing in this Article shall authorize the Neighborhood Association Board or the Members to modify, repeal, or expand the Residential Design Guidelines or other provisions of this Declaration. In the event of a conflict between the Residential Design Guidelines and the Neighborhood Use Restrictions, the Residential Design Guidelines shall control.

(b) The procedures required under this Section 3.2 shall not apply to the enactment and enforcement of Rules and Regulations (*i.e.*, administrative issues, regulations governing the use of the Common Area, etc.) unless the Neighborhood Board chooses in its discretion to submit to such procedures. Examples of such administrative Rules and Regulations shall include, but not be limited to, hours of operation of a recreational facility, use of private trails, and the method of allocating or reserving use of a facility (if permitted) by particular individuals at particular times. The Neighborhood Board shall exercise business judgment in the enactment, amendment, and enforcement of such administrative Rules and Regulations.

3.3. Owners' Acknowledgment and Notice to Purchasers.

All Owners are given notice that use of their Units and the Common Area is limited by the Neighborhood Use Restrictions as they may be amended, expanded, and otherwise modified hereunder. Each Owner, by acceptance of a deed, acknowledges and agrees that the use and enjoyment and marketability of his or her Unit can be affected by this provision and that the Use Restrictions may change from time to time. All purchasers



of Units are on notice that changes may have been adopted by the Neighborhood Association. Copies of the current Neighborhood Use Restrictions may be obtained from the Neighborhood Association.

3.4. Protection of Owners and Others.

Except as may be contained in this Declaration either initially or by amendment or in the initial Neighborhood Use Restrictions set forth in Exhibit "C," all Neighborhood Use Restrictions adopted by the Neighborhood Association shall comply with the provisions of Article III, Section 3.4 of the Residential Declaration.

Article IV Architecture and Landscaping

4.1. Application of Residential Declaration's Article IV. The provisions of Article IV of the Residential Declaration shall apply to enforcement of the Neighborhood Residential Design Guidelines described herein, or adopted pursuant to this Article.

4.2. Procedures. No Work shall commence on any portion of the Properties located in the Neighborhood until an application for approval has been submitted to and approved by the Reviewer in the manner described in Article IV, Section 4.3 of the Residential Declaration.

4.3. Neighborhood Residential Design Guidelines. Declarant may prepare the initial Neighborhood Residential Design Guidelines, which may contain specific provisions which vary from Neighborhood to Neighborhood. The Neighborhood Residential Design Guidelines are not the exclusive basis for decisions of the Reviewer and compliance with both the Residential Design Guidelines and the Neighborhood Residential Design Guidelines does not guarantee approval of any application.

Declarant shall have sole and full authority to amend the Neighborhood Residential Design Guidelines in a manner consistent with the Permits as long as the Declarant owns any portion of the Properties or has a right to expand the Properties pursuant to Section 9.1, notwithstanding a delegation of reviewing authority to the PIC, unless Declarant also delegates the power to amend to the PIC. Upon termination or delegation of Declarant's right to amend, the PIC shall have the authority to amend the Neighborhood Residential Design Guidelines in a manner consistent with the Permits, with the consent of the Neighborhood Board. Any amendments to the Neighborhood Residential Design Guidelines shall be prospective only and shall not apply to require modifications to or removal of structures previously approved once the approved construction or modification has commenced. Except for conditions of the Permits and the contents of the Residential Design Guidelines adopted pursuant to the



Residential Declaration, there shall be no limitation on the scope of amendments to the Neighborhood Residential Design Guidelines, and such amendments may remove requirements previously imposed or otherwise make the Neighborhood Residential Design Guidelines less restrictive than the guidelines previously enforced (but not less restrictive than required by the Permits or the Residential Design Guidelines adopted pursuant to the Residential Declaration).

The Reviewer shall make the Neighborhood Residential Design Guidelines available to Owners and Builders who seek to engage in development or construction within the Properties. In Declarant's discretion, such Neighborhood Residential Design Guidelines may be Recorded, in which event the Recorded version, as it may unilaterally be amended from time to time, shall control in the event of any dispute as to which version of the Neighborhood Residential Design Guidelines was in effect at any particular time.

4.4. No Waiver of Future Approvals.

Each Owner acknowledges that the persons reviewing applications under this Article will change from time to time and that opinions on aesthetic matters, as well as interpretation and application of the Neighborhood Residential Design Guidelines, may vary accordingly. In addition, each Owner acknowledges that it may not always be possible to identify objectionable features of proposed Work until the Work is completed, in which case it may be unreasonable to require changes to the improvements involved, but the Reviewer may refuse to approve similar proposals in the future. Approval of applications or Plans for any Work done or proposed, or in connection with any other matter requiring approval, shall not be deemed to constitute a waiver of the right to withhold approval as to any similar applications, Plans, or other matters subsequently or additionally submitted for approval.

4.5. Limitation of Liability.

The standards and procedures established by this Article are intended as a mechanism for maintaining and enhancing the overall aesthetics of the Properties; they do not create any duty to any Person. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and the Reviewer shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements, nor for ensuring that all dwelling are of comparable quality, value, or size or of similar design.



Declarant, the Association, the Board, the Neighborhood Association Board, any committee, volunteer, or member of any of the foregoing shall not be held liable for soil conditions, drainage or other general site work, any defects in plans revised or approved hereunder, or any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Unit. In all matters, Declarant, the Board, the Neighborhood Association Board, the PIC, and any members thereof shall be defended and indemnified by the Association as provided in Section 7.6 of the Residential Declaration.

Article V Maintenance and Repair of Neighborhood Property.

Owners of Lots within the Neighborhood shall be responsible for paying, through Neighborhood Assessments, the costs of operating, maintaining, and insuring certain portions of the Areas of Common Responsibility within or adjacent to such Neighborhood, as designated by the Board of the Residential Association. This may include, without limitation, the costs of maintaining any signage, entry features, right-of-way, and greenspace between the Neighborhood and adjacent public roads, private streets within the Neighborhood, and lakes or ponds within the Neighborhood, regardless of ownership and regardless of the fact that such maintenance may be performed by the Association; provided, all Neighborhoods which are similarly situated shall be treated the same.

The Neighborhood Association shall maintain its common property and any other property for which it has maintenance responsibility in a manner consistent with the Governing Documents, the Community-Wide Standard, and all applicable covenants.

PART THREE: NEIGHBORHOOD GOVERNANCE AND ADMINISTRATION

The success of Skagit Highlands West Neighborhood is dependent upon the support and participation of every residential owner in its governance and administration. This Neighborhood Declaration establishes the Neighborhood Association as the mechanism by which each Owner is able to provide that support and participation. While many powers and responsibilities are vested in the Neighborhood Association's Board of Directors, some decisions are reserved for the Neighborhood Association's membership – the Owners of property in the Neighborhood.

Article VI The Neighborhood Association and its Members

6.1. Function of Neighborhood Association.

The Neighborhood Association, if formed, shall be the entity responsible for management, maintenance, operation, and control of the Areas of Common Responsibility

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within the Neighborhood, or adjacent to the neighborhood and assigned to it by the Residential Association. If not formed, the duties of the Neighborhood Association shall be performed by the Skagit Highlands Homeowners Association. The Neighborhood Association shall also be the primary entity responsible for enforcement of the Neighborhood Use Restrictions. The Neighborhood Association shall perform its functions in accordance with the Governing Documents, the Permits, applicable Local Jurisdiction's Ordinances, and Washington law.

6.2. Membership.

Every Owner of a Unit in the Neighborhood shall be a Member of the Neighborhood Association. There shall be only one membership per Unit. If a Unit is owned by more than one Person, all co-Owners shall share the privileges of such membership, subject to reasonable Neighborhood Board regulation and the restrictions on voting set forth in Section 6.3(c) and in the By-Laws, and all such co-Owners shall be jointly and severally obligated to perform the responsibilities of Owners. The membership rights of an Owner which is not a natural person may be exercised by any officer, director, partner, or trustee, or by the individual designated from time to time by the Owner in a written instrument provided to the Secretary of the Neighborhood Association.

6.3. Voting.

The Neighborhood Association shall have two classes of membership, Class "A" and Class "B."

(a) Class "A". Class "A" Members shall be all Owners except the Class "B" Member, if any. Class "A" Members shall have one equal vote for each Unit in which they hold the interest required for membership under Section 6.2, except that there shall be only one vote per Unit and no vote shall be exercised for any property which is exempt from assessment under Section 8.9.

(b) Class "B". The Class "B" Members shall be the Declarant. The Class "B" Members may appoint a majority of the members of the Board of Directors during the Class "B" Control Period, as specified in the By-Laws. Additional rights of the Class "B" Member are specified in the relevant sections of the Governing Documents.

The Class "B" membership shall terminate upon the earlier of:

- (i) five years after expiration of the Class "B" Control Period; or



(ii) when, in its discretion, Declarant so determines and declares in a Recorded instrument.

Upon termination of the Class "B" membership, Declarant shall be a Class "A" Member entitled to Class "A" votes for each Unit which they own.

(c) Exercise of Voting Rights. Members may exercise voting rights as set forth in the By-Laws. If there is more than one Owner of such Unit, the vote for such Unit shall be exercised as the co-Owners determine among themselves and advise the Secretary of the Association in writing prior to the vote being taken. Absent such advice, the Unit's vote shall be suspended if more than one Person seeks to exercise it.

Article VII Neighborhood Association Powers and Responsibilities

7.1. Maintenance of Areas of Common Responsibility.

The Neighborhood Association shall maintain, in accordance with the Community-Wide Standard and the Permits, the Areas of Common Responsibility within the Neighborhood (except those Areas located in the Neighborhood which are reserved for maintenance by the Residential Association), or located adjacent to the Neighborhood and assigned by the Board of the Residential Association to the control of the Neighborhood Association, which shall include, but need not be limited to:

(a) the Common Area and the Community Area, which includes the entry features, landscaping, private parks within the Neighborhood, alleys serving all or any of the Units, private trails within the Neighborhood, recreational amenities and the community center, open spaces, wetlands, natural preserve areas and conservation areas within the Neighborhood, sensitive areas, and buffers;

(b) supplemental landscaping, maintenance, and repairs to property dedicated or conveyed to the Local Jurisdiction or other public entities (to the extent permitted by and consistent with any conditions imposed by such entities) and which may include public rights-of-way within or abutting the Properties, public parks and play areas, public trails, drainage areas, and storm water facilities;

(c) irrigation facilities, park and pool/ride lots, and transit shelters that are not maintained by the Local Jurisdiction;

(d) planter strips, medians, and central planting areas within cul-de-sacs;



(e) mailbox and mailbox shelters (which may not be moved or physically altered without approval of the DRC, the U.S. Postal Service and the Local Jurisdiction);

(f) such portions of any additional property included within the Areas of Common Responsibility as may be dictated by this Declaration, any Supplemental Declaration, the Covenant to Share Costs, or any contract or agreement for maintenance thereof entered into by the Association, including landscaping and other flora, viewsheds, parks, lakes, utility areas or improvements, structures, improvements, streets, alleyways, and bike/pedestrian pathways and trails;

(g) any ponds, streams and/or wetlands located within the Neighborhood which serve as part of the storm water drainage system for the Properties, including improvements and equipment installed therein or used in connection therewith; and

(h) any property and facilities owned by a Declarant and made available, on a temporary or permanent basis, for the primary use and enjoyment of the Neighborhood Association and its Members, such property and facilities to be identified by written notice from Declarant to the Association and to remain a part of the Areas of Common Responsibility and be maintained by the Neighborhood Association until such time as a Declarant revokes such privilege of use and enjoyment by written notice to the Neighborhood Association.

The Neighborhood Association may maintain other property which it does not own, including, without limitation, Units, or property dedicated to the public, if the Neighborhood Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard. The Neighborhood Association shall not be liable for any damage or injury occurring on, or arising out of the condition of, property which it does not own except to the extent that it has been negligent in the performance of its maintenance responsibilities.

The Neighborhood Association shall maintain the facilities and equipment within the Areas of Common Responsibility in continuous operation, except for any periods necessary, as determined in the sole discretion of the Neighborhood Board, to perform required maintenance or repairs, unless Members representing 67% of the Class "A" votes in the Residential Association and the Class "B" Members, if any, agree in writing to discontinue such operation.

Except as provided above, the Areas of Common Responsibility shall not be reduced by amendment of this Declaration or any other means except with a Declarant's prior written approval as long as a Declarant owns any property described in Exhibits "A" or "B" of this Declaration.



The costs associated with maintenance, repair, monitoring, and replacement of the Areas of Common Responsibility shall be a Common Expense; provided, the Neighborhood Association may seek reimbursement from the owner(s) of, or other Persons responsible for, certain portions of the Areas of Common Responsibility pursuant to this Neighborhood Declaration, the Covenant to Share Costs, other Recorded covenants, or agreements with the owner(s) thereof. Maintenance, repair, and replacement of Exclusive Common Areas shall be a Neighborhood Expense, notwithstanding that the Residential Association may be responsible for performing such maintenance hereunder.

7.2. Insurance.

The Neighborhood Association, acting through the Neighborhood Board or its duly authorized agent, shall obtain and continue in effect the following types of insurance, if reasonably available, or if not reasonably available, the most nearly equivalent coverages as are reasonably available, as described in Article VII, Section 7.3, of the Residential Declaration, either by obtaining its own policies of insurance, or by extension of the coverage afforded to the Residential Association to include the Neighborhood Association and the Neighborhood Board.

7.3. Compliance and Enforcement.

Every Owner and occupant of a Unit shall comply with the Governing Documents, the Neighborhood Rules and Regulations, and the Neighborhood Use Restrictions. The Neighborhood Board may impose sanctions for violation after notice and a hearing in accordance with the procedures set forth in the By-Laws. Such sanctions may include, without limitation:

(a) imposing reasonable monetary fines which shall constitute a lien upon the violator's Unit. (In the event that any occupant, guest or invitee of a Unit engages in a violation and a fine is imposed, the fine shall first be assessed against the violator; provided, if the fine is not paid by the violator within the time period set by the Neighborhood Board, the Owner shall pay the fine upon notice from the Board);

(b) suspending an Owner's right to vote;

(c) suspending any Person's right to use any recreational facilities within the Common Area; provided, nothing herein shall authorize the Board to limit ingress or egress to or from a Unit;



(d) suspending any services provided by the Association or the Neighborhood Association to an Owner or the Owner's Unit if the Owner is more than 30 days delinquent in paying any assessment or other charge owed to the Association;

(e) exercising self-help or taking action to abate any violation of the Governing Documents, Neighborhood Rules and Regulations, and the Neighborhood Use Restrictions in a non-emergency situation;

(f) requiring an Owner, at its own expense, to remove any structure or improvement on such Owner's Unit in violation of Article IV of the Residential Declaration or this Neighborhood Declaration and to restore the Unit to its previous condition and, upon failure of the Owner to do so, the Neighborhood Board or its designee shall have the right to enter the property, remove the violation and restore the property to substantially the same condition as previously existed and any such action shall not be deemed a trespass;

(g) without liability to any Person, precluding any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of Article IV of the Residential Declaration, the Residential Design Guidelines or the Neighborhood Residential Design Guidelines from continuing or performing any further activities in the Properties; and

(h) levying Specific Assessments to cover costs incurred by the Neighborhood Association to bring a Unit into compliance.

In addition, the Neighborhood Board may take the following enforcement procedures to ensure compliance without the necessity of compliance with the procedures set forth in the By-Laws:

(a) exercising self-help in any emergency situation (specifically including, but not limited to, the towing of vehicles that are in violation of parking Rules and Regulations)

(b) bringing suit at law or in equity to enjoin any violation or to recover monetary damages or both.

In addition to any other enforcement rights, if an Owner fails properly to perform his or her maintenance responsibility, the Neighborhood Association may Record a notice of violation or perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner as a Specific Assessment. Except in an emergency situation,



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the Association shall provide the Owner reasonable notice and an opportunity to cure the problem prior to taking such enforcement action.

All remedies set forth in the Governing Documents shall be cumulative of any remedies available at law or in equity. In any action to enforce the Governing Documents, if the Neighborhood Association prevails, it shall be entitled to recover all costs, including, without limitation, attorneys fees and court costs, reasonably incurred in such action.

The Neighborhood Association shall not be obligated to take any action if the Neighborhood Board reasonably determines that the Neighborhood Association's position is not strong enough to justify taking such action that the covenant, Neighborhood Use Restriction, or Neighborhood Rule and Regulation being enforced is, or is likely to be construed as, inconsistent with applicable law; or that it is not in the Association's interest, based upon hardship, expenses, or other reasonable criteria to pursue enforcement action. Such a decision shall not be construed a waiver of the right of the Neighborhood Association to enforce such provision at a later time under other circumstances or estop the Association from enforcing any other covenant, Neighborhood Use Restriction, or Neighborhood Rule and Regulation.

The Neighborhood Association, by contract or other agreement, may enforce applicable Local Jurisdiction ordinances, if applicable, and permit the Local Jurisdiction to enforce ordinances within the Properties for the benefit of the Association and its Members.

While conducting the Neighborhood Association's business affairs, the Neighborhood Board shall act within the scope of the Governing Documents and in good faith to further the legitimate interests of the Neighborhood Association and its Members. In fulfilling its governance responsibilities, the Board's actions shall be governed and tested by the rule of reasonableness. The Board shall exercise its power in a fair and nondiscriminatory manner and shall adhere to the procedures established in the Governing Documents.

7.4. Implied Rights; Neighborhood Board Authority.

The Neighborhood Association may exercise any right or privilege given to it expressly by the Governing Documents, or reasonably implied from or reasonably necessary to effectuate any such right or privilege. Except as otherwise specifically provided in the Governing Documents, or by law, all rights and powers of the Neighborhood Association may be exercised by the Neighborhood Board without a vote of the membership.

The Neighborhood Board may institute, defend, settle, or intervene on behalf of the Neighborhood Association in mediation, binding or non-binding arbitration, litigation, or



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administrative proceedings in matters pertaining to the Area of Common Responsibility, enforcement of the Governing Documents, or any other civil claim or action, but only with the permission of the Board of the Residential Association, and consistent with the limitations described in the Residential Declaration. However, the Governing Documents shall not be construed as creating any independent legal duty to institute litigation on behalf of or in the name of the Neighborhood Association or its members.

In exercising the rights and powers of the Neighborhood Association, making decisions on behalf of the Neighborhood Association, and conducting the Neighborhood Association's affairs, Neighborhood Board members shall be subject to, and their actions shall be judged in accordance with, the standards set forth in Section 3.27 of the By-Laws.

7.5. Indemnification of Officers, Directors, and Others.

The officers, directors and committee members of the Neighborhood Association are entitled to all rights of indemnification described in Article VII, Section 7.6, of the Residential Declaration.

7.6. Effect of Dissolution of Neighborhood Association.

In the event that the Neighborhood Association is dissolved and is no longer licensed as a non-profit corporation, the rights and duties of the Neighborhood Association (including, but not limited to, all ownership interest in the Common Areas) shall vest in the Skagit Highlands Homeowners Association; and in the event that the Association is dissolved and is no longer licensed as a non-profit corporation, the rights and duties shall vest in the Owners, as an unincorporated association. The Residential Association, any Owner or any Mortgagee may reinstate the Neighborhood Association's corporate status, or create a successor entity as a successor to the Neighborhood Association, at any time by filing with the State of Washington such documents as required by law to reinstate the Neighborhood Association or create its successor; and upon such reinstatement, the Owners' rights and duties, as described in this Declaration, shall re-vest in the reinstated or successor Neighborhood Association, and all Owners shall be members thereof with all rights to vote provided by law and the organizational documents of the entity. To the greatest extent possible, any successor entity shall be governed by the Articles and Bylaws of the Neighborhood Association as if they had been made to constitute the governing documents of the successor entity.



Article VIII Neighborhood Association Finances

The Neighborhood Association shall exercise the rights, and fulfill the duties, described in Article VIII of the Residential Declaration, as those provisions pertain to collection of revenue to pay the Common Expenses which are the responsibility of the Neighborhood Association.

PART FOUR: CHANGES IN THE NEIGHBORHOOD

Communities are dynamic and constantly evolving as circumstances, technology, needs and desires, and laws change, as the residents age and change over time, and as the surrounding community changes. The Neighborhood and its Governing Documents must be able to adapt to these changes while protecting the things that make Skagit Highlands West unique.

Article IX Amendment of Neighborhood Declaration

9.1. By Declarant.

In addition to specific amendment rights granted elsewhere in this Declaration, until conveyance of the first Unit to a Person other than a Builder, Declarant may unilaterally amend this Neighborhood Declaration for any purpose. Thereafter, Declarant may unilaterally amend this Neighborhood Declaration if such amendment is necessary (a) to bring any provision into compliance with any applicable governmental statute, rule, regulation, or judicial determination; (b) to enable any reputable title insurance company to issue title insurance coverage on the Units; (c) to enable any institutional or governmental lender, purchaser, insurer or guarantor of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to make, purchase, insure or guarantee mortgage loans on the Units; or (d) to satisfy the requirements of any local, state or federal governmental agency. However, any such amendment shall not adversely affect the title to any Unit unless the Owner shall consent in writing.

In addition, so long as Declarant owns property described in Exhibits "A" or "B" for development as part of the Properties, Declarant may unilaterally amend this Neighborhood Declaration for any other purpose, provided the amendment has no material adverse effect upon any right of any Owner or unless such Owner shall consent in writing.

9.2. By Members.

Except as otherwise specifically provided above and elsewhere in this Neighborhood Declaration, this Neighborhood Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing 67% of the total Class "A" votes in the Neighborhood Association, including 67% of the Class "A" votes held by Members other than Declarant, and Declarant's consent, so long Declarant owns any property subject to this Neighborhood Declaration or which may become subject to this Declaration in accordance with Section 9.1. In addition, the approval requirements set forth in Article XV of the Residential Declaration, pertaining to First Mortgages secured on the Units, shall be met, if applicable.

Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

9.3. Validity and Effective Date.

No amendment may remove, revoke, or modify any right or privilege of Declarant or the Class "B" Member without Declarant's written consent or the Class "B" Member, respectively (or the assignee of such right or privilege).

If an Owner consents to any amendment to this Declaration or the By-Laws, it will be conclusively presumed that such Owner has the authority to consent, and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

Any amendment shall become effective upon Recording, unless a later effective date is specified in the amendment. Any procedural challenge to an amendment must be made within six months of its Recordation or such amendment shall be presumed to have been validly adopted. In no event shall a change of conditions or circumstances operate to amend any provisions of this Neighborhood Declaration.

9.4. Exhibits.

Exhibits "A" and "B" attached to this Neighborhood Declaration are incorporated by this reference and amendment of such exhibits shall be governed by this Article. Exhibit "C" is incorporated by reference and may be amended pursuant to Sections 9.1 and 9.2, or as provided in Article III.

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

Skagit Highlands, LLC,
a Washington limited liability company

By: [Signature]
Its: Managing Member

STATE OF WASHINGTON)
) SS
COUNTY OF KING)

On this day personally appeared before me James Testi, 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 she was duly authorized to execute such instrument.

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

[Signature]
NOTARY PUBLIC in and for the
State of Washington, residing at
Kirkland, WA

My Commission Expires: 3/2/09

**NOTARY PUBLIC
STATE OF WASHINGTON
KATHRYN G. DEFFINBAUGH
My Appointment Expires Mar. 2, 2009**

EXHIBIT "A"

Land Subject to 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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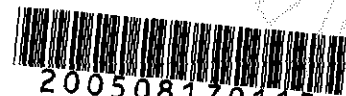
EXHIBIT "B"

Land Initially Submitted to Declaration

Neighborhood Designation: Skagit Highlands West

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"

Initial Skagit Highlands West Neighborhood Use Restrictions

The following Neighborhood Use Restrictions shall apply to the Skagit Highlands West Neighborhood until such time as they are amended, modified, repealed, or limited by the Neighborhood Association pursuant to Article III of the Neighborhood Declaration.

(i) Limitation on Storage of Vehicles – Temporary Permits for RVs. Except as hereinafter expressly provided, the Units, Common Areas and/or streets located on the Properties shall not be used for the storage and/or overnight parking of any vehicle other than private family automobiles, trucks, motorcycles and commercial vehicles operated by a person residing at the Unit (provided that such commercial vehicles contain a single rear axle). Vehicles shall not be parked on a driveway or street in lieu of being parked in an available space in a garage, except as otherwise provided by Rules established by the Board. Boats, boat trailers, house trailers, campers, trucks, trucks with a camper, or other recreational vehicles or similar object may not be stored and/or parked overnight on any part of the Properties, except as specified herein, or as may be permitted by Rules established by the Board. No inoperable vehicles of any kind shall be parked, stored, maintained, or constructed on any Lot or street unless stored in a garage. Notwithstanding the foregoing, Owners who have guests visiting them intending to stay in a camper, trailer, or other form of recreational vehicle, may secure written permission from the PIC for guests to park a vehicle at the Unit or the public street adjacent to a Unit for a period of up to 72 hours, and not to exceed two weeks in any calendar year. The privilege shall only exist, however, after the written permission has been obtained from the PIC or its authorized representative. An Owner that stores a recreation vehicle off-site may park the vehicle on the driveway of a Unit, other unscreened area or on the street for 48 hours for the purpose of preparing for departure or upon return, to facilitate preparation and return from travel.

(ii) Restrictions Upon Rentals. This Section applies to the renting or leasing of Units (collectively, "renting" or "rental"), including all tenancies of any duration, all tenancies with options to purchase, all tenancies with first rights of refusal, and all living arrangements in any way governed by the provisions of RCW 59.12 or RCW 59.18, and shall also apply to any sublease of a Unit and the assignment of any lease of a Unit. No Lot Owner may rent a Unit without prior written approval of the Board of the Neighborhood Association or, if there is no Neighborhood Association, the Board of the Residential Association ("Rental Approval"). References herein to "Board" shall mean the Neighborhood Association Board, if it exists, or the Residential Association Board, if no Neighborhood Association exists; references to the "Association" shall mean either to the Neighborhood Association or the Residential Association, as may be appropriate. No rental of a Unit shall be valid or enforceable unless it complies with the provisions of this Section, and the written approval of the rental agreement



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by the Board is granted prior to occupancy of the Tenant. The Board may, by a duly adopted rule, require that a fee be collected by the Association from the Owner as a condition of such approval. The Board may bar completely or restrict the total number of Units rented within the Properties for such reasons as the Board deems appropriate, including but not limited to maintaining an owner-occupied residential environment.

(1) Definitions. The following definitions shall apply to this Section:

(a) "*Occupant*" means anyone who occupies a Unit as a permanent residence or who stays overnight in any Unit more than fourteen (14) days in any calendar month, or more than thirty (30) days any calendar year.

(b) "*Related Party*" means a person who has been certified in a written document filed by an Owner with the Association to be the (1) parent, (2) parent in law, (3) sibling, (4) sibling in law, (5) parent's sibling or (6) lineal descendant of the owner or (7) the lineal descendent of any of the foregoing persons, (8) the domestic partner of an owner, as "domestic partner" is defined by Seattle Municipal Code Section 4.30.020, or any amendment of successor to such statute, or if the statute is repealed, the definition last contained in the statute before its repeal, or if the City of Mount Vernon adopts such a statute, the statute adopted by the City of Mount Vernon, (9) the officer, director or employee of any Owner which is a corporation, (10) member or employee of any Owner that is a limited liability company, or (11) partner or employee of any Owner that is a partnership.

(c) "*Rental Agreement*" shall mean an agreement related to the renting or leasing of any Unit.

(d) "*Tenant*" means and includes a tenant, lessee, renter or other non-Owner occupant of a Unit that is not occupied by its Owner. For the purposes of the declaration, the term Tenant shall not include a Related Party.

(2) Rental Limitation. During the Class B Control Period, no Unit may be rented by an Owner without the written permission of Declarant. After Declarant holds no property subject to this Declaration or described in Exhibit A, and the Class B Control Period has ended, the Board may determine the number of Units that may be rented by at any one time, by adoption of a rule setting the number of Units that may be rented. The Board may determine that no Units may be rented. The restrictions contained in this section shall be known as the "Rental Limitation".



(3) Procedure for Obtaining Approval for Renting Unit. Owners interested in renting their Unit (after Declarant no longer has the sole right to approve rentals) shall submit a written request for Rental Approval to the Board in such form as shall be reviewed and accepted by the Board. Once Rental Approval has been granted by the Board, the Owner shall have ninety (90) days within which to rent the Unit. In the event the Unit is not rented within the 90-day period, Rental Approval shall automatically be revoked. Renting of a Unit within ninety (90) days of the granting of Rental Approval shall be deemed to occur if the Unit is occupied by a Tenant within the 90-day period, or if a written rental agreement is signed within the 90-day period and the term commences within 30 days of the signing of the rental agreement.

(4) Waiting List. Request for Rental Approval shall be processed and approved in the order received by the Board. Once the number of rental Units reaches the Rental Limitation, then an Owner who submits a written request for Rental Approval shall go on a Waiting List. Each Owner who has rented his/her Unit shall promptly give written notice to the Neighborhood Association of any rental agreement termination and the intent by the Owner to no longer rent the Unit. The Owner in the next available position on the Waiting List shall be notified and provided a reasonable opportunity to rent his/her Unit in accordance with the terms and conditions of this Article. If that Owner fails to rent his/her Unit within such reasonable period of time as determined by the Board (or otherwise advises the Board of his/her waiver of a right to then seek to rent his/her Unit), then that Owner's name shall be placed at the bottom of the Waiting List, and the opportunity to rent shall then be offered to the next highest person on the Waiting List.

(5) Approved Rental Unit. A Unit shall be an Approved Rental Unit if and only if the Owner and the Tenant have strictly complied with the terms and conditions of this Section. A Unit shall remain an Approved Rental Unit in the event the Owner extends or renews an existing rental agreement or rents the Unit to a new renter in strict accordance with this Article. However, in the event an Approved Rental Unit (1) is subsequently occupied by an Owner or persons not bound by a written rental agreement in strict accordance with this Article for a period of thirty (30) days or more, or (2) is the subject of a transfer other than an exempt transfer (as defined below), made by the Owner to a new Owner, the Unit shall be deemed to be an Owner Occupied Unit. Upon either occurrence, any previous rental approval shall be deemed revoked, and the Owner shall thereafter be required to reapply to the Board for Rental Approval in accordance with this Article. For the purposes of this Article, exempt transfers are transfers that occur (1) as a result of a gift by the Owner to a Related Party or (2) by a testamentary transfer from an Owner to any person.



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(6) Hardship Exception. The Board shall have the right, in the exercise of reasonable discretion, to permit exceptions to the rental limitations in connection with hardship cases. In other words, where the Board determines that a hardship exists due to circumstances beyond the control of the Owner, and that the Owner would suffer serious harm by virtue of the rental limitations, and where the Board further determines that a variance from the rental limitations contained herein would not detrimentally affect the other Owners or the quality of the single-family, owner-occupied neighborhood, then the Board may, in its discretion, grant an Owner a waiver of the Rental Limitation for such a temporary period as to be determined by the Board. In addition, the Board shall have the authority, notwithstanding the Rental Limitation, to consent to the Rental of a Unit, title to which is acquired following a default in a mortgage or Deed of Trust.

(7) Copies of Rental Agreement Provided to Association. In addition to the requirement that the Association approve the Rental Agreement prior to execution of the Rental Agreement, copies of all Rental Agreements, and any amendments thereto, as executed by the Owner and the Tenant, shall be delivered to the Association before the tenancy commences.

(8) Delivery of Governing Documents to Tenants. Prior to signing any rental agreement, it shall be the responsibility of the Owner to deliver to the Tenant a copy of all Governing Documents, i.e. this Declaration, the Bylaws, and the Rules and Regulations of the Association. If it is determined that the Owner has failed to provide copies of such documents to the Tenant, the Association may furnish a copy of the documents to the Tenant and charge the Owner an amount to be determined by the Board, which copying charge shall be collectible as a special assessment against the Unit and its Owner.

(9) Violation of Governing Documents by Tenants. The Association shall have and may exercise the same rights of enforcement and remedies for breach of the Governing Documents against a Tenant, as it has against an Owner, including all such rights and remedies as are otherwise provided in the Governing Documents or by applicable Washington law. In addition, if any Tenant or Occupant of a Unit violates or permits the violation by his guests and invitees of any provisions of the Governing Documents, the Board may give notice to the Owner to immediately cease such violations. If the violation is thereafter repeated, the Board shall have the authority, on behalf and at the expense of the Owner, to terminate the tenancy and evict the Tenant (and all occupants) if the Owner fails to do so after Notice from the Board and an opportunity by the Owner to be heard. The Board shall have no liability to an Owner or Tenant for any eviction made in good faith. The Association shall have a lien against title to the Owner's Unit for any costs incurred by it in connection with such



eviction, including reasonable attorneys' fees, which may be collected and foreclosed by the Association in the same manner as assessments are collected and foreclosed.

(10) Rules and Regulations. The Board may adopt Rules and Regulations in furtherance of the administration of this Article, which Rules and Regulations shall be effective upon publication to the Association and its members.

(11) Requirements of Rental Agreement. All leases and rental agreements shall be in writing. Any lease or rental agreement must provide that its tenants shall be subject in all respects to the provisions of this Declaration and the Bylaws and rules and regulations of the Association and that any failure by the tenant to comply with the terms of such documents shall be a default under the lease or rental agreement.

(12) Rent Paid to Association. If a Unit is rented by its Owner, the Board may collect, and the tenant shall pay over to the Board, so much of the rent for such Unit as is required to pay any amounts due from the owner or the tenant to the Association hereunder, plus interest, costs, litigation expenses and attorney's fees if the same are in default over thirty (30) days. The tenant shall not have the right to question payment to the Board, and such payment will discharge the tenant's duty of payment to the Owner for rent to the extent such rent is paid to the Association, but will not discharge the liability of the Owner or purchaser of the Unit under this Declaration for Assessments and charges, or operate as approval of the lease. The Board shall not exercise this power where a receiver has been appointed with respect to the Unit or its Owner, nor in derogation of any right which a Mortgagee of such Unit may have with respect to such rents.

(iii) Further Subdivision. Subdivision of a Unit into two or more Units after a subdivision plat including such Unit has been approved and filed, or changing the boundary lines of any Unit, except that Declarant and Builders, with Declarant's consent, shall be permitted to subdivide or change the boundary lines of Units which they own.

