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200602220048
Skagit County Auditor

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AMENDED DECLARATION
OF
PROTECTIVE COVENANTS, CONDITIONS
AND RESTRICTIONS
FOR
ROSEWOOD P.U.D.

P116481

TITLE OF DOCUMENT: AMENDED DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS FOR ROSEWOOD P.U.D.
DOCUMENTS AMENDED: AF # 200205290098, 200403190133
GRANTOR: THE GREAT AMERICAN DREAM, INC., LANDMARK BUILDING
AND DEVELOPMENT, INC.
GRANTEE: THE GENERAL PUBLIC
ABBREV. LEGAL DESCRIPTION: LOTS 1 - 30 and 39 - 49 and 51 - 64 and Tract Y, ROSEWOOD P.U.D.,
PHASE 1, AF# 200002140086
LOTS 31, 36, 37, 38, 50, 65 - 81, 98 - 112, 118 - 130, ROSEWOOD
P.U.D., PHASE 2, DIV I., AF# 200312030041
LOTS 32 - 35, 82 - 97, 113 - 117, ROSEWOOD P.U.D., PHASE 2, DIV
II., AF# 200408170112
LOTS 131 - 152, ROSEWOOD P.U.D., PHASE 2, DIV III., AF#
200505160223

FIRST AMERICAN TITLE CO.

TAX PARCEL NOS:

SEE ATTACHED ACCOMMODATION RECORDING ONLY

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ROSEWOOD TAX PARCELS

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THIS AMENDMENT is made this _____ day of _____, 2006 by THE GREAT AMERICAN DREAM, INC., and LANDMARK BUILDING AND DEVELOPMENT, INC., collectively hereinafter referred to as the "Declarant".

ARTICLE I

PRELIMINARY MATTERS, PURPOSE

1.1. Identification of Original Covenants and Platting Documents.

A Declaration of Protective Covenants, Conditions and Restrictions for Rosewood P.U.D. ("the Declaration of Covenants"), was recorded by its original declarant, Self Help Housing, a Washington Nonprofit Corporation, on May 29, 2002 among the land records of Skagit County, Washington, at Auditor's File No. 200205290098. The original P.U.D. Plat for Rosewood P.U.D. was recorded two years earlier, without covenants, at Auditor's File No. 200002140086. Rosewood P.U.D. was subsequently expanded through the recordation of Plats for Rosewood P.U.D., Phase 2, Divisions I, II and III, at Auditor's File Nos. 200312030041, 200408170112 and 200505160223, respectively.

1.2. Purpose of Amendment - Effect on Original Covenants and Bylaws.

1.2.1. Original Covenants Modified.

The Declaration of Covenants was intended to facilitate the orderly development of a Planned Unit Development known as "Rosewood P.U.D." [hereinafter, the "Planned Community"] located in the City of Mount Vernon which would ultimately include 152 Lots in four phases. The Planned Community contained privately owned common areas and facilities, and a Note on page two of the Plat for Phase 1 required "Rosewood Homeowners Association" to maintain, repair, replace and manage all such facilities. No covenants were recorded concurrently with the Plat for Phase 1 of the Planned Community. The Declaration of Covenants for the Planned Community which were recorded two years later contained a reference in Article III, Section 2 thereof to the "Rosewood Homeowners Association", but the Declaration of Covenants otherwise made no provision for the formation of such homeowners association. This Amendment to the Covenants is designed to supplement the original Covenants to cure these deficiencies. The original Covenants shall remain effective to address the various matters included therein. In case of any inconsistency between the original Covenants and this Amendment, the Amendment shall control.

1.2.2. Bylaws Repealed and Replaced.

Certain Bylaws adopted by a predecessor declarant were recorded at Auditor's File No. 200403190133. Such Bylaws are declared to be a nullity, and have been superceded by provisions of this Amended Declaration of Covenants. See Section 7.5 hereof.

1.3. Description of Procedures Required for Amendment.

Pursuant to Article III, Section 17 of the original Declaration of Covenants, the original declarant or its successors have the "sole authority to make amendments" to the Declaration of Covenants.



1.4. General Purpose - Legally Binding Covenants.

This Declaration of Covenants, together with the Platting Documents referred to herein, state covenants, conditions, restrictions and reservations intended by the Declarant to effect a common plan for the development of the Property mutually beneficial to all of the described Lots. The covenants, conditions, restrictions, reservations and plan, are binding upon and run with the land with respect to the entire Property and upon each such Lot as a parcel of realty, and upon its Owners or Occupants, and their heirs, personal representatives, successors and assigns, through all successive transfers of all or part of the Property or any security interest therein, without requirement of further specific reference or inclusion in deeds, contracts or security instruments, and regardless of any subsequent forfeiture, foreclosures, or sales of Lots under security instruments, or of any forfeiture, foreclosures, or sales instituted for nonpayment of government tax, levy or assessment of any kind.

1.5. Specific Purpose - Governance of Planned Community.

The specific purpose of this Declaration of Covenants is to develop and maintain an effective governance structure for the Planned Community to facilitate its perpetual existence so that goods and services essential to the Upkeep of common property and to the well-being of the Occupants of the Planned Community may be assured. The Planned Community shall remain governed by the Community Association described at Section 7.1 of this Declaration of Covenants.

ARTICLE II

DEFINITIONS

2.1. "Assessment" means all sums chargeable by the Community Association against a Lot including, without limitation: (a) Regular, Special and Limited Assessments for Common Expenses, charges, and fines imposed by the Community Association; (b) interest and late charges on any delinquent account; and (c) costs of collection, including reasonable attorneys' fees, incurred by the Community Association in connection with the collection of a delinquent Owner's account.

2.2. "Board of Directors" means the body with primary authority to manage the affairs of the Community Association.

2.3. "City" means the City of Mount Vernon.

2.4. "Common Areas" means all portions of the Planned Community other than the Lots. Such areas are denoted as "Tracts" on the Platting Documents and include areas of land, along with specific facilities and improvements. To the extent that Common Areas are depicted within the boundaries of any Lot within this Planned Community, the Common Areas consist of an easement burdening such Lot for the benefit of utility providers or for the benefit of the other Owners and Occupants of the Property within this Planned Community.

2.5. "Common Expenses" means expenditures made by or financial liabilities of the Community Association, together with any allocations to reserves.

2.6. "Common Expense liability" means the liability for Common Expenses allocated to each Lot



pursuant to Section 10.6 of this Declaration of Covenants.

2.7. "Community Association" means the nonprofit corporation incorporated at the direction of the Declarant to manage the Common Areas of this Planned Community.

2.8. "Conveyance" means any transfer of the ownership of a Lot, including a transfer by deed or by real estate contract, but shall not include a transfer solely for security.

2.9. "Declarant" means the entity, person or group of persons acting in concert (a) who executes this Declaration of Covenants, or (b) who reserves or succeeds to any Special Declarant Right under the Declaration of Covenants [a "Successor Declarant"].

2.10. "Declarant control" means the right of the Declarant or persons designated by the Declarant to appoint and remove officers and members of the Board of Directors or to veto or approve a proposed action of the Board or Community Association pursuant to Sections 8.1 and 16.6 of this Declaration of Covenants.

2.11. "Declaration of Covenants" means this document, which facilitates the governance and management of this Planned Community; the term also includes any lawful amendments to this document.

2.12. "Design Guidelines" means the standards developed by the Board of Directors or the Covenants Committee pursuant to Section 9.2 hereof, and any standards established by the Declarant.

2.13. "Development Plan" means any formal plan of development, however termed under the Ordinance, approved by the City of Mount Vernon. The term also includes any amendments thereto approved by applicable governmental entities.

2.14. "Development Right" means any right or combination of rights reserved by the Declarant in the Declaration of Covenants to: (a) Add real property or improvements to the Planned Community; (b) create Villages and Neighborhoods within the real property included in or added to the Planned Community; (c) create Lots, Common Areas, or Limited Common Areas within real property included in or added to the Planned Community; (d) subdivide Lots or convert Lots into Common Areas; or (e) withdraw real property from the Planned Community. Development Rights affecting this Planned Community are described in Section 3.3.1 hereof. Development Rights are personal to the Declarant and may be exercised, or not exercised, in Declarant's sole and absolute discretion.

2.15. "Dispose" or "disposition" means a voluntary transfer or conveyance to a purchaser or lessee of any legal or equitable interest in a Lot, but does not include the transfer or release of a security interest.

2.16. "Dwelling" or "Dwelling Unit" means an improved portion of the Property designed for separate ownership and intended to serve as a personal residence. The term includes single family detached housing units, or any Lot comprising a unit in a townhouse building.

2.17. "Eligible Insurer" means the insurer or guarantor of a mortgage on a Lot that has filed with the secretary of the Community Association a written request that it be given copies of notices of any action by the Community Association that requires the consent of mortgagees. The term "Eligible Insurer" includes such entities as the Veterans Administration, the Federal Housing Administration and the like.

2.18. "Eligible Mortgagee" means the holder of a mortgage on a Lot that has filed with the secretary of the Community Association a written request that it be given copies of notices of any action by the Community Association that requires the consent of mortgagees. The term "Eligible Mortgagee" also includes the "servicer" of a mortgage which has been acquired or securitized by secondary mortgage market entities such as the Federal National Mortgage Association ("FNMA" or "Fannie Mae") or the Federal Home Loan Mortgage Corporation ("FHLMC" or "Freddie Mac") or the like.

2.19. "Foreclosure" means a forfeiture or judicial or nonjudicial foreclosure of a mortgage or a deed in lieu thereof.

2.20. "Governing Documents" means this Declaration of Covenants, the Platting Documents, the Articles of Incorporation and Bylaws of the Community Association, along with any Rules and Regulations adopted by the Board of Directors, and any lawfully adopted amendments to any of the above.

2.21. "Limited Common Expenses" are portions of the Common Expenses for which one or more, but fewer than all Lot Owners may become liable under the terms of the Governing Documents.

2.22. "Lot" means a physical portion of the Planned Community designated for separate ownership, the boundaries of which are depicted on the Platting Documents as a separate lot of record.

2.23. "Lot Owner" means the Declarant or any other person who owns a Lot, but does not include a person who has an interest in a Lot solely as security for an obligation. "Lot Owner" means the vendee, not the vendor, of a Lot under a real estate contract.

2.24. "Mortgage" means a mortgage, deed of trust or real estate contract.

2.25. "Occupant" means a person lawfully occupying any Lot; the term includes without limitation Lot Owners, family members, tenants and sub-tenants of Lot Owners.

2.26. "Ordinance" or "the Ordinance" means the law, statute, ordinance authorizing the creation of this Planned Community in the jurisdiction in which the Property is situated, described with greater particularity in Section 3.1 hereof, along with any administrative regulations implementing same. The term includes any changes, revisions, substitutions and/or deletions in such law or regulations which may exist from time to time.

2.27. "Person" means a natural person, corporation, partnership, limited partnership, trust, governmental subdivision or agency, or other legal entity.

2.28. "Planned Community" means all the Property within the Platting Documents, along with all the improvements constructed therein, and all other institutions and things serving the Owners of Lots therein governed by the Community Association.

2.29. "Property" or "the Property" means the real property designated on the Platting Documents and legally described thereon, and includes all real property which may be from time to time acquired by the Community Association pursuant to Section 8.3.3 hereof.

2.30. "Purchaser" means any person, other than the Declarant or a dealer, who by means of a disposition acquires a legal or equitable interest in a Lot other than as security for an obligation.



2.31. "Residential purposes" means use for dwelling and human habitation, whether on an ownership, rental or lease basis and for reasonable social, recreational or other uses normally incident to such purposes.

2.32. "Special Declarant Rights" means rights reserved for the benefit of the Declarant to: (a) Complete improvements indicated on the Platting Documents filed with the Declaration of Covenants; (b) exercise any Development Right described in Section 3.3 hereof; (c) maintain sales offices, management offices, signs advertising the Planned Community, and models; (d) use easements through the Common Areas for the purpose of making improvements within the Planned Community or within real property which may be added to the Planned Community under Development Rights reserved hereinafter; or (e) appoint or remove any officer of the Community Association or any member of the Board of Directors, or to veto or approve a proposed action of the Board or of the Community Association during any period of Declarant Control reserved in this Declaration of Covenants. Special Declarant Rights are described in Section 16.6 hereof.

2.33. "Upkeep" means any care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction that is required to maintain property in a decent, safe and sanitary condition, in keeping with the high standards of the Planned Community.

ARTICLE III

DESCRIPTION OF DEVELOPMENT SCHEME AND DEVELOPMENT RIGHTS

3.1. Development Plan.

The Planned Community has been developed in the City of Mount Vernon in accordance with its Planned Unit Development Ordinance, ("the Ordinance", i.e., Chapter 17.69 of the Mount Vernon Municipal Code), under which a Planned Unit Development plan describing the future development of all possible phases of the Planned Community was developed. All further use and development of the Property in this Planned Community shall be consistent with the Ordinance and with such Development Plan.

3.2. Development Scheme.

The Planned Community has been developed in phases by the Declarant and its predecessors, in accordance with the Development Plan approved by the City of Mount Vernon. The Planned Community is served by Common Areas identified on the Platting Documents as common area "tracts" designed to serve the Occupants of the Planned Community. The Planned Community shall be governed by the Community Association described in Article VII hereof, which is charged with responsibility for providing a panoply of goods and services designed to serve and support all Occupants of the Planned Community.

3.3. Development Rights.

In the original Declaration of Covenants, the original declarant reserved Development Rights to facilitate the future development of the Planned Community in several phases, by adding additional real property through separate platting processes in which the Two Phases of Rosewood P.U.D. were lawfully created, in successive platted Phases. All such Phases and Divisions have been added to the Planned



Community. At this time, the Declarant retains only certain Special Declarant Rights, described with greater particularity in Section 16.6 hereof, which permit the Declarant to complete the development of the Planned Community in the manner permitted under the Covenants and the Development Plan.

ARTICLE IV

LOTS AND DWELLINGS

4.1. Number and Location.

The Community contains 152 Lots which are depicted on the Platting Documents.

4.2. Construction of Dwellings and Other Improvements Within Lots.

Dwellings and other improvements have been and shall be constructed within the Lots under the terms and conditions of the original Declaration of Covenants.

4.3. Building Setbacks.

Building setback requirements are specified on the Platting Documents..

4.4. Upkeep of Lots.

4.4.1. Owners' Responsibility.

Each Lot Owner shall, at his or her sole expense, have the right and the duty to keep the improvements erected within the Lot and any equipment, appliances, and fixtures contained therein in good order, condition and repair and shall do all interior and exterior redecorating and painting at any time necessary to maintain the good appearance and condition of such property. This Section shall not be construed as permitting any interference with or damage to the structural integrity of either the Common Areas or of any other Lot(s), nor shall it be construed to limit the powers or obligations of the Community Association hereunder. See also Section 8.4 hereof.

4.4.2. Upkeep by Community Association.

If Upkeep to portions of any Dwelling or other portions of a Lot for which the Owner is responsible, is reasonably necessary, in the opinion of the Board, to protect the Common Areas or to preserve the appearance and value of the Planned Community, and the Owner of said Lot has failed or refused to perform said maintenance or repair as required the Covenants, within a reasonable time after written notice of the necessity of said maintenance or repair has been delivered by the Board to the Owner, the Community Association may, but is not obligated, to perform such Upkeep. The costs of such Upkeep shall constitute a special Assessment against such Lot, pursuant to Section 10.8 of this Declaration of Covenants.

4.5. Damaged Improvements.

If a building or other major improvement located upon a Lot is damaged or destroyed, the Owner thereof shall restore the site either (i) by repairing or reconstructing such building or improvement or (ii) by



clearing away the debris and restoring the site to an acceptable condition compatible with the remainder of the Property. Unless the Board of Directors permits a longer time period, such work must be commenced within four months after the casualty and be substantially completed within twelve months after the casualty. The four-month period may be extended for a reasonable period thereafter in the event that repairs or reconstruction have not commenced because of factors beyond the control of the Owner, provided that the Owner has exercised and does thereafter continue to exercise due diligence in an effort to commence required work.

4.6. Upkeep of Private Drainage Easement Areas By Lot Owners.

Under the terms of the Platting Documents, Upkeep of portions of Lots burdened with private drainage easements shall be the responsibility of the affected Lot Owner(s).

ARTICLE V

COMMON AREAS

5.1. Common Areas and Common Facilities.

The Common Areas and Common Facilities of the Planned Community consist of several separately depicted Tracts identified on the Platting Documents. They include:

5.1.1. The Planned Community's four entrance areas, project identification signs and landscaped areas abutting North 30th Street at the entrances to the Property.

5.1.2. The following described Tracts and facilities: Tract B [open space, playground, critical area preservation and landscaping]; Tract C [landscaping and playground area with playground equipment]; Tract L [open space, recreational area and private storm drainage]; Tract M [open space, recreational area and private storm drainage]; Tract V [open space and recreational area]; Tract Z [subject to easement in favor of City of Mount Vernon; Association responsible for Upkeep of walking path and landscaping].

5.1.3. Any other tract, parcel or area, whether or not denominated as a "Tract" on the Plat but excluding any platted Lot, which has not been dedicated to public use nor reserved for commercial development.

5.2. Partition, Conveyance, or Encumbrance.

Except as permitted by this Declaration of Covenants or the Ordinance, the Common Areas shall remain undivided and shall not be abandoned by act or omission, and no Lot Owner or other person may bring any action for partition or subdivision of the Common Areas. Any purported conveyance, encumbrance, or other voluntary transfer of Common Areas, unless made pursuant to this Section, is void.

5.3. Allocated Interests - Common Areas Declared an Appurtenance.

The Declarant declares that each Lot in the Planned Community has allocated to it an equal undivided interest in the Common Areas of the Planned Community, which interest shall be conclusively



presumed to be a perpetual appurtenance to such Lot, and which is known as the Lot's Allocated Interest in the Common Areas. This Allocated Interest shall be deemed included with each Lot in any conveyance of such Lot, irrespective of whether so stated in the conveyance deed. No Allocated Interest in the Common Areas may be severed from, mortgaged or conveyed separately from the Lot. Any purported severance, mortgaging or conveyance shall be void. Each Lot Owner shall thus be a tenant in common with all other Lot Owners with respect to the Common Areas.

5.4. Upkeep By Community Association.

5.4.1. Upkeep of Common Areas and Facilities.

The Community Association is responsible for all necessary maintenance, repair, and replacement of the Common Areas, and specifically Tracts B, C, L, M and V & Z.

5.4.2. Upkeep of Areas Dedicated to City of Mount Vernon.

The Community Association is also responsible under the Development Plan for placement, maintenance and replacement of wetland signs and landscaping around Tract A, the stormwater detention facility which has been dedicated to the City of Mount Vernon.

5.5. Right of Access.

Each Lot Owner shall afford to the Community Association and to its employees, agents, and licensed contractors, access through the Owner's Lot as may be reasonably necessary for the purposes of maintenance, repair and replacement of Common Areas. If damage is inflicted on the Common Areas, or on any Lot through which access is taken, the Lot Owner responsible for the damage, or the Community Association, as appropriate, shall be liable for the repair thereof, as provided in Section 8.4 hereof.

5.6. Use of Common Areas.

The Common Areas shall be used only for the furnishing of such services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the Lots. The improvements located on the Common Areas shall be used only for their intended purposes. Except as otherwise expressly provided in the Governing Documents, no Owner shall make any private, exclusive or proprietary use of any of the Common Areas.

5.7. Interference with Common Areas.

No Lot Owner shall obstruct any of the Common Areas nor shall any Lot Owner place or cause or permit anything to be placed on or in any of the Common Areas without the approval of the Board. Nothing shall be altered or constructed in or removed from the Common Areas except with the prior written consent of the Board of Directors.

5.8. Rights of the City of Mount Vernon.

5.8.1. General Rights and Benefits.

These Covenants contain provisions which require the owners of Lots within the Community



and the Association to provide ongoing compliance with the conditions of approval of the Plat. The obligations of the Lot Owners and of the Association to the City are for the benefit of the City, and shall not operate to create an obligation of the City or by the City to the Owners or to any third party. The rights of the City contained in this Section 5.6 are cumulative, and in addition to all other rights and privileges held by the City, and are not in lieu thereof. The obligations of the Owners to the City shall not be amended or altered without the express written consent of the City.

5.8.2. Specific Rights.

The City shall have the right, for the benefit of the City and of the public health, safety and welfare, to perform or provide Upkeep to any or all of the Common Areas of the Community in the event that the Association or the Owners, or any of them, should fail to perform or provide such Upkeep in a competent and/or timely manner. In the event that the City shall incur any costs or expend any funds, directly or indirectly [including without limitation the cost of the City's own equipment and employees in performing or providing any such Upkeep], the Association shall be liable to the City for all costs and expenses so expended or incurred.

ARTICLE VI

SPECIAL USE AND UPKEEP PROVISIONS FOR PRINCIPAL COMMON AMENITIES

6.1. Description of Principal Common Amenities.

The Open Space Areas and walking paths in the Planned Community provide Lot Owners of the Planned Community with various benefits. The Wetland Areas comprise part of the Planned Community's storm-water system and also provide fish and wildlife habitat. All the large Open Space Tracts are subject to Critical Areas designation and protection under the City's Critical Areas Ordinance. No construction, clearing, grading, filling, landscaping, mowing, burning or chemical maintenance of plants shall occur within this area, other than in a manner consistent with the City's Critical Areas Ordinance; the Board of Directors is charged with responsibility to maintain these areas in a condition suitable for their multiple purposes.

6.2. Responsibility for Operations and Upkeep.

The Community Association shall be responsible for the operation and Upkeep of the Principal Common Amenities.

6.2.1. Upkeep of Open Space Areas.

All Tracts depicted on the Platting Documents with the legend "Open Space" shall be maintained in a natural state for recreational use and enjoyment of Occupants of the Planned Community. No clearing, grading, filling, logging or removal of woody material, nor any building or construction of any kind, or planting of non-native vegetation is allowed within such areas absent the written approval of the City of Mount Vernon.

6.2.2. Upkeep of Stormwater Detention and Drainage Facilities.

Open Space Tract "A" on the Platting Documents has been dedicated to the City of Mount



Vernon for stormwater detention purposes, and thus must be protected and left in an undisturbed condition suitable for such purposes. Nevertheless, the Community Association remains charged by the City with responsibility to maintain wetland signage and some landscaping.

6.2.3. Upkeep of Landscape Buffer Areas.

The several Open Space Tracts serving as landscape buffer areas depicted on the Platting Documents exist for the protection of trees and other vegetation to preserve and enhance the aesthetic and environmental values of the Planned Community. No structures or improvements are permitted to be constructed in these areas other than as identified on the face of the approved Platting Documents. Dumping of debris, yard waste or organic matter in such areas is prohibited.

6.2.4. Upkeep of Common Facilities.

The Association shall provide Upkeep to the playground facilities and equipment, and shall maintain reasonable reserves to repair and replace such facilities and equipment.

6.2.5. Prohibition Against Dumping.

The dumping of solvents, oil, concrete or concrete residue, or water that is heavily laden with sediments, is expressly prohibited anywhere in the Planned Community.

6.3. Use by Lot Owners.

Owners and occupants of the Planned Community may use the Open Space Areas and Wetland Areas for wildlife viewing, picnicking and other low-impact recreational uses which will not disturb wildlife or interfere with the proper functioning of the storm-water system.

6.4. Reserves to Maintain, Repair & Replace Common Facilities and Amenities.

Pursuant to Sections 8.3.2 and 10.1 hereof, a portion of the annual budget for the Community Association shall be devoted to reserves for maintenance, repairs and replacement of the Principal Common Amenities, and all Owners shall be assessed by the Community Association for their share of such costs and expenses in proportion to the Allocated Interest for common expense liability, as described in Sections 10.4 and 10.6 hereof.

ARTICLE VII

COMMUNITY ASSOCIATION

7.1. Name and Form of Community Association.

The name of the Community Association shall be "Rosewood Homeowners Association" The Community Association has been incorporated by the Declarant as a non-profit corporation under the laws of the State of Washington. The rights and duties of the members and of said corporation shall be governed by the provisions of the Ordinance and of this Declaration of Covenants. The Community Association shall remain organized as a nonprofit corporation. In case of any conflict between Chapter 24.03 RCW, the



Nonprofit Corporation Act, and the Homeowners Association Act, Chapter 64.38 RCW, the Homeowners Association Act shall control.

7.2. Powers of Community Association.

The Community Association shall have, through its Board of Directors, all powers available to homeowners associations under the Homeowners Association Act, and such additional powers as may be prescribed in the Bylaws of the Community Association.

7.3. Membership Rights and Privileges.

The Owner of each Lot shall be a member of the Community Association, and such membership shall be an inseparable appurtenance to the Owner's Lot. Membership rights and privileges are specified in the Bylaws of the Community Association

7.4. Voting.

7.4.1. Voting Rights.

The manner of voting shall be as prescribed in the Articles of Incorporation and Bylaws.

7.4.2. Allocated Interests for Voting.

Each Lot in the Planned Community shall have an equal vote in the Community Association which is known as the Lot's Allocated Interest for voting, or "vote".

7.5. Bylaws of Community Association.

Bylaws adopted by a predecessor declarant were recorded at Auditor's File No. 200403190133. Said Bylaws were inconsistent with provisions of the Homeowners Association Act and the Corporation Act. Amended Bylaws for the administration of the Community Association and for other purposes not inconsistent with the Homeowners Association Act and this Declaration of Covenants have been adopted by the Board of Directors of the Community Association. Such Amended Bylaws will not be recorded, but will entirely supercede the original Bylaws, which are declared to be a nullity.

7.6. Perpetual Existence - Rights of City of City of Mount Vernon.

The Community Association shall have perpetual existence; it may not be dissolved or abandoned, nor may the Community Association's obligations under this Declaration of Covenants with respect to the Common Areas be altered or abandoned absent the advance written approval of the City of Mount Vernon, following a public hearing before the Planning Commission. Should the corporate charter for the Community Association be dissolved for any reason in violation of the foregoing, the Lot Owners shall become jointly and severally liable for all obligations imposed upon the Community Association under these Covenants.

ARTICLE VIII

MANAGEMENT OF THE PLANNED COMMUNITY



8.1. Management by Declarant.

The Declarant has reserved the rights to (a) appoint and remove the Officers and members of the Board of Directors of the Community Association, and (b) veto or approve a proposed action of the Board or the Community Association, for a period of time known as the "Declarant Control Period". The Declarant Control Period will persist until construction has been completed and a certificate of occupancy has been issued by the City of Mount Vernon for the last Dwelling constructed within the Planned Community.

8.2. Professional Management.

The Community Association shall be maintained by a professional property manager with substantial community association management experience. Provisions for professional management of the Community Association are made in Section 8.2 of its Bylaws.

8.3. Authority of the Board.

8.3.1. General Authority.

The Board, for the benefit of the Planned Community and the Owners, shall enforce the provisions of the Governing Documents and shall have all powers and authority granted to the Board or the Community Association under the Homeowners Association Act and this Declaration of Covenants which are not expressly subject to the approval of the Owners.

8.3.2. Incurring and Payment of Common Expenses.

The Board shall acquire and shall pay for, as Common Expenses, all goods and services deemed necessary or desirable for the proper functioning of the Community Association. Without limitation, such Common Expenses may include:

(a) Common water and sewer, common electrical and, if deemed necessary or desirable by the Board of Directors, common garbage and/or trash collection, common gas, and any other necessary utility service as required for the Common Areas.

(b) Policies of insurance or bonds required by Article XI.

(c) The services of persons or firms as required to properly manage the affairs of the Planned Community to the extent deemed advisable by the Board as well as such other personnel as the Board shall determine are necessary or proper for the operation of the Common Areas, whether such personnel are employed directly by the Board or are furnished by a Manager.

(d) The services of attorneys, along with bookkeepers and accountants qualified to maintain Association records in the manner required by Section 8.4 of the Bylaws, and to perform the independent audit required under Section 8.5 of the Bylaws.

(e) Painting, maintenance, repair and replacement of the Common Areas, landscaping and gardening work for the Common Areas, and such furnishings and equipment for the Common Areas as the Board shall determine are necessary and proper.



(f) Any other materials, supplies, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Board is required to by law to pay or procure or which in its opinion shall be necessary or proper for the operation of the Planned Community, the maintenance, repair or replacement of the Common Areas, or for the enforcement of this Declaration of Covenants.

(g) If maintenance or repair to portions of any such Dwellings or other portions of the Lots for which the Owner is responsible is reasonably necessary, in the opinion of the Board, to protect the Common Areas or to preserve the appearance and value of the Planned Community, and the Owner of said Lot has failed or refused to perform such Upkeep as required by Section 4.4.1 of the Declaration of Covenants within a reasonable time after written notice of such failure has been delivered by the Board to the Owner, the Community Association may cause such Upkeep to be performed. The cost of such maintenance or repair shall constitute a special Assessment against the Lot of such Owner, pursuant to Section 10.8 of the Declaration of Covenants.

8.3.3. Acquisition of Property.

The Board may acquire and hold in the name of the Community Association, for the benefit of the Owners, tangible and intangible personal property and real property and interests therein, and may dispose of the same by sale or otherwise. Such property shall thereafter be held, sold, leased, rented, mortgaged or otherwise dealt with for the benefit of the Community Association as the Board may direct.

8.3.4. No Business Authority.

Nothing herein contained shall be construed to give the Board authority to conduct an active business for profit on behalf of all of the Owners or any of them.

8.4. Right of Entry.

The Board and its agents or employees may enter any Lot or Limited Common Area when necessary in connection with any maintenance, landscaping or construction for which the Board is responsible, or in the event of emergencies. Except in the case of an emergency, reasonable advance notice shall be given to the Lot Owner and, if applicable, to any lawful tenant or subtenant in any Dwelling on the Lot. Such entry shall be made with as little inconvenience to the occupant(s) as practicable, and any damage caused thereby shall be repaired by the Community Association out of the Common Expense fund if the entry was due to an emergency (unless the emergency was caused by the Owner or lawful occupant of the Lot entered, in which case the cost shall be specially assessed to the Lot entered) or for the purpose of maintenance, or repairs, to Common or Limited Common Areas where the repairs were undertaken by or under the direction or authority of the Board. If the repairs or maintenance were necessitated by or for the Lot entered or its Owners or lawful occupants, or requested by its Owners, the costs thereof shall be specially assessed to such Lot.

8.5. Board as Attorney in Fact.

Each Owner, by the act of becoming an Owner of a Lot, shall be deemed to have irrevocably appointed the Board of Directors as his or her attorney-in-fact, with full power of substitution, to take such actions as are reasonably necessary to perform the duties of the Community Association and Board hereunder, including, but not limited to, the duties to maintain, repair and improve the Property, to grant licenses and easements, and to secure and distribute condemnation awards and/or insurance proceeds



affecting the Common Areas.

8.6. Board's Authority Exclusive - Owners May Not Direct Association Employees.

The Board's authority with respect to the Common Areas is exclusive. No person shall attempt to engage or direct any employee of the Community Association or its Manager on any private business of such person, or to otherwise direct, supervise or in any manner attempt to assert control over such employee during the hours that such employee is working on behalf of the Community Association.

ARTICLE IX

PERMITTED USES; ARCHITECTURAL CONTROL

9.1. Permitted Uses.

9.1.1. Residential Use.

Dwellings constructed within Lots in this Planned Community shall be used primarily for residential purposes. The Board may also permit the use of portions of a Dwelling for a professional office or other low impact commercial use, provided that such use is consistent with all applicable laws, ordinances and regulations of any governmental authority, and so long as such use does not generate any appreciable levels of client or customer traffic, noise or other disturbance to other members of the Planned Community. As a condition to consenting to such office use, the Board may require the Lot Owner to provide proof of adequate commercial liability insurance coverage under which the Community Association and any Village Association shall be named an additional insureds.

9.1.2. Commercial Uses.

In addition to the home office and other uses described in Section 9.1.1 hereof, permitted commercial activities conducted within the Property consist of the operation of a Day Care facility on Tract Y in Phase 1.

9.1.3. Original Covenants Still Binding.

Provisions of the original Declaration of Protective Covenants, Conditions and Restrictions for Rosewood P.U.D. are still applicable and binding upon all Owners and Occupants of Lots in the Planned Community.

9.2. Architectural Control.

9.2.1. General Authority of Declarant and Board of Directors.

To assure the health, safety and enjoyment of persons lawfully using any portion of this Planned Community, and to promote visual harmony within the Planned Community, both the Declarant and the Board of Directors shall have the power to enforce architectural control over the improvements constructed within the Planned Community, in the manner hereafter provided. The Board of Directors may regulate the external design, signage, appearance, use and maintenance of the Property in accordance with



the provisions of the Declaration of Covenants, and with Design Guidelines and procedures adopted by the Declarant for this purpose. The Board of Directors shall have the power to impose reasonable application fees to evaluate any additions or changes to a Dwelling proposed by an Owner. Such fees shall be specially assessed against the affected Owner. Following the sale by the Declarant of its last Lot in the Planned Community, or at such earlier time as the Declarant may permit, the Board of Directors may promulgate or modify Design Guidelines for the Planned Community. Design Guidelines approved by the Declarant or by the Board of Directors shall be enforceable as if set forth herein in full.

9.2.2. Time for Approval - No Construction Prior to Approval.

The Board shall approve or disapprove plans, specifications and details within fourteen (14) days of receipt thereof. If the Board fails to respond such period, then the plans shall be deemed approved. No construction activity may commence prior to such approval.

9.2.3. Authority to Grant Variances.

The Board of Directors shall have the authority, either by act or omission, to waive enforcement of or grant variances from any written Design Guidelines without a specific finding that enforcement of such guidelines would impose an unfair burden on such Owner, but describing the variance and the reasons therefor in a written instrument which shall be part of the records of the Community Association. Upon such written approval of any specific variance or exception from the requirements of the Design Guidelines, all development conforming to such variance or exception shall be deemed lawful.

9.2.4. Authority to Delegate Review Functions.

The Board may designate an individual known as the "Architectural Review Coordinator" ('ARC') or a Committee to coordinate compliance with the Design Guidelines of the Planned Community.

9.2.5. No Liability for Architectural Review.

Neither the Declarant nor the Community Association nor any permitted designee shall be liable to any party for any good faith action or failure to act under the provisions of this Declaration of Covenants.

ARTICLE X

COMMON EXPENSES AND ASSESSMENTS

10.1. Budget for Common Expenses.

Not less than sixty (60) days prior to the Annual meeting of the Community Association, or at such other time as may be deemed necessary or desirable by the Community Association's accountant, the Board shall prepare an Annual Budget which shall estimate the Common Expenses, described generally in Sections 2.5 and 8.3.2 of this Declaration of Covenants, to be paid during such year. The Budget shall make provision for creating, funding and maintaining reserves required by Section 10.3 hereof, and shall take into account any expected income and any surplus available from the prior year's operating fund.



10.2. Meeting of Community Association to Ratify Budget.

Within thirty days after adoption of any proposed regular or special budget for the Community Association, the Board of Directors shall provide a summary of the budget to all the Lot Owners and shall set a date for a meeting of the Lot Owners to consider ratification of the budget not less than fourteen nor more than sixty days after mailing of the summary. Unless at that meeting the Owners of Lots to which a majority of the votes in the Community Association are allocated reject the budget, the budget is ratified, whether or not a quorum is present. In the event the proposed budget is rejected or the required notice is not given, the periodic budget last ratified by the Lot Owners shall be continued until such time as the Lot Owners ratify a subsequent budget proposed by the Board of Directors.

10.3. Reserves for Capital Improvements, Replacements, Major Repairs & Insurance Deductibles.

The Board of Directors shall establish and maintain reasonable reserves for capital improvements, replacements, major repairs of the Common Areas, along with the amount(s) of any deductible from insurance policies obtained by the Community Association pursuant to Article XI hereof, by providing for such reserves in the Annual Budget, segregating such reserves on the books of the Community Association. The portion of the Lots' Assessments paid into such reserves shall be conclusively deemed to be non-refundable contributions to the capital of the Community Association by the Lot Owners. Such reserves may be expended only for the purposes for which they were established [i.e., repair and replacement reserves may not be used to construct capital additions or capital improvements], unless another use for same may be ratified in the manner described in Section 10.2 hereof. The Board may also establish and maintain reserve funds for such other purposes as may in its discretion appear advisable.

10.4. Assessments for Common Expenses.

10.4.1. Liability of Lots.

Except as provided in Section 10.8 below, the total amount of the estimated funds required to pay the Common Expenses of the Community Association set forth in the Annual Budget adopted by the Board of Directors for the fiscal year shall be assessed against the Lots in proportion to their respective Allocated Interests for Common Expense liability described in Section 10.6 hereof.

10.4.2. No Assessment of Undeveloped Lots.

Until the Dwelling on a Lot is substantially completed and sold to a purchaser other than the Declarant, such Lot shall not be subject to assessment by the Association.

10.4.3. Timing of Payments / Authority for Installment Payments.

Unless otherwise determined by the Board of Directors, the annual Assessment against each Lot for its proportionate share of the Common Expenses shall be payable on or before February 1st of each year. If deemed desirable, the Board has the authority to require that assessments be paid instead in 12 equal, monthly installments, each payable in advance on the first day of the month.

10.5. Assessments to Pay Judgment Against Community Association.

Assessments to pay a judgment against the Community Association may be made only against the



Lots in the Planned Community at the time the judgment was entered, in proportion to their Allocated Interests for Common Expense Liability at the time the judgment was entered.

10.6. Allocated Interests.

The Declarant has allocated to each Lot in the Planned Community an equal obligation to pay the general Common Expenses of the Community Association, which obligation is known as the Lot's Allocated Interest for Common Expense Liability. Notwithstanding the foregoing, Lots may be subject to differential assessments for Common Expenses under Sections 10.4.2 and 10.8 hereof.

10.7. Special Assessments.

The Board of Directors may levy a Special Assessment for the purpose of defraying the cost of any unexpected repair or other nonrecurring contingency, or to meet any other deficiencies in operations or reserves occurring from time to time. The Board of Directors shall give notice to the Lot Owners of any such Special Assessment by a statement in writing giving the amount and reasons therefor, along with a date for a Special Meeting of the Community Association to be held not less than 14 days following such notice, for approval of the Special Assessment. Subject to the provisions of Section 10.2 hereof, such Special Assessments shall become due and payable, unless otherwise specified in the notice, within thirty days after the delivery or mailing of such notice. All Lot Owners shall be obligated to pay the adjusted monthly amount or, if the Special Assessment is not payable in installments, the full amount of such Special Assessment, in proportion to their Allocated Interests for Common Expense Liability.

10.8. Limited Common Assessments.

10.8.1 To the extent that any Common Expense is caused by the negligence or misconduct of any Lot Owner, the Community Association may, subject to the provisions of Section 7.10 of the Bylaws, levy a Limited Common Assessment for that expense against the Owner's Lot. In addition and without limitation, the liability of a Lot Owner to pay for charges, insurance deductibles or fines imposed or incurred by the Community Association associated with the Lot, along with any costs and/or attorney's fees recoverable under the Governing Documents, and interest on any delinquent account shall be deemed a Limited Common Assessment which, unless otherwise directed by the Board, shall be due and payable within thirty (30) days following their imposition.

10.8.2 Any portions of the Common Expenses which vary among the Lots based upon divergent usage of special services or facilities, or other factors which justify differential assessment rates, shall be assessed differentially among the Lots. Any other Common Expense or portion thereof which benefits fewer than all of the Lots shall be assessed exclusively against the Lots so benefitted.

10.9. Accounts; Commingling Prohibited.

Amounts collected by the Board of Directors as Assessments against the Lots for operating expenses or Reserves shall be kept in accounts in the name of the Community Association and shall not be commingled with funds of any other Community Association, nor with the funds of any Managing Agent or any other person responsible for the custody of such funds. Any reserve funds shall be kept in one or more insured, segregated accounts and any transaction affecting such funds, including the issuance of checks, shall require the signature of at least two persons who are Officers or Directors of the Community Association.



10.10. Surplus Funds.

Any surplus funds of the Community Association remaining after payment of or provision for Common Expenses and any prepayment of reserves shall, in the discretion of the Board of Directors, either be paid to the Lot Owners in proportion to their Allocated Interest for Common Expense Liability or credited to them to reduce their future Common Expense Assessment liability.

10.11. Liability of Lot Owners for Community Association Obligations.

The liability of any Lot Owner arising out of any contract made by the Board of Directors, or tort of the Community Association not fully covered by insurance, or arising out of the indemnification of the Board of Directors, shall be limited to that proportion of the total liability thereunder as the Allocated Interest of his or her Lot bears to the aggregate Allocated Interests of all Lots.

10.12. Owners Personally Liable for Common Expenses.

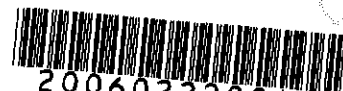
Each Assessment shall be the joint and several obligation of the Owner or Owners of the Lot to which the same are assessed as of the time the Assessment is due. Suit to recover a personal judgment for any delinquent Assessment shall be maintainable in any court of competent jurisdiction without foreclosing or waiving the lien securing such sums. No Lot Owner may exempt himself or herself from liability with respect to the Common Expenses by waiver of the enjoyment of the right to use any of the Common Areas or by leasing, rental or abandonment of his or her Lot or otherwise. The failure or delay of the Board of Directors to adopt the Annual Budget for any year shall not constitute a waiver or release in any manner of a Lot Owner's obligation to pay his or her allocable share of the Common Expenses as herein provided, and in the absence of an Annual Budget or adjusted Annual Budget, each Lot Owner shall continue to pay (with or without notice) at the same rate and at the same times as were established for the preceding fiscal year until an Assessment is made under a current Annual Budget or adjusted Annual Budget and notice thereof has been sent to the Lot Owner.

10.13. Liability Following Conveyance of Lot.

A selling Lot Owner shall not be liable for the payment of any part of the Common Expenses assessed against his or her Lot subsequent to a sale, transfer or other conveyance by him of such Lot. The purchaser of a Lot shall be jointly and severally liable with the selling Lot Owner for all unpaid Assessments against the Lot up to the time of the conveyance without prejudice to the purchaser's right to recover from the selling Lot Owner the amounts paid by the purchaser therefore. Except as provided in Section 10.17 hereof, the holder of a mortgage or other purchaser of a Lot who obtains the right of possession of the Lot through foreclosure shall not be liable for Assessments that became due prior to such right of possession. Such unpaid Assessments shall be deemed to be Common Expenses collectible from all the Lot Owners, including such mortgagee or other purchaser of the Lot. Foreclosure of a mortgage does not relieve the prior Owner of personal liability for Assessments accruing against the Lot prior to the date of such sale as provided above.

10.14. Statement of Unpaid Assessments.

The Community Association, upon written request, shall furnish to a Lot Owner or a mortgagee a statement signed by an officer or authorized agent of the Community Association setting forth the amount of unpaid Assessments against that Lot. The statement shall be furnished within fifteen days after receipt



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of the request and is binding on the Community Association, the Board of Directors, and every Lot Owner, unless and to the extent known by the recipient to be false.

10.15. Lien for Assessments.

The Community Association shall have a lien on each Lot for any unpaid Assessments levied against a Lot from the time the Assessment is due. If an Assessment is payable in installments, the Community Association has a lien for the full amount of the Assessment from the time the first installment thereof is due.

10.16. Perfection of Lien.

Recording of this Declaration of Covenants constitutes record notice and perfection of the lien for Assessments. While no further recording of any claim of lien for Assessments shall be required to perfect the Community Association's lien, the Community Association may record a notice of claim of lien for Assessments under this Section in the real property records of Skagit County.

10.17. Priority of Lien.

10.17.1. A lien under this Section shall be prior to all other liens and encumbrances on a Lot except: (a) Liens and encumbrances recorded before the recording of the Declaration of Covenants; (b) a mortgage on the Lot recorded before the date on which the Assessment sought to be enforced became delinquent; and (c) liens for real property taxes and other governmental assessments or charges against the Lot.

10.17.2. The Community Association's lien shall also be prior to the mortgages described in subpart (b) of Section 10.17.1 hereof, to the extent of Assessments for Common Expenses, excluding any amounts for capital improvements, based on the annual Budget adopted by the Community Association which would have become due during the six months immediately preceding the date of a sheriff's sale in an action for judicial foreclosure by either the Community Association or a mortgagee, the date of a trustee' sale in a nonjudicial foreclosure by a mortgagee, or the date of recording of the declaration of forfeiture in a proceeding by the vendor under a real estate contract.

10.18. Enforcement of Lien.

The lien arising under this Section shall be enforced judicially by the Community Association or its authorized representative in the manner set forth in Chapter 61.12 RCW. The Community Association or its authorized representative shall have the power, subject to the provisions of Section 8.3.4 hereof, to purchase the Lot at the foreclosure sale and to acquire, hold, lease, mortgage, or convey the same. Upon an express waiver in the complaint of any right to a deficiency judgment in a judicial foreclosure action, the period of redemption shall be eight months. The Community Association may elect to take a deed in lieu of foreclosure in any such proceeding.

10.19. Limitation of Lien Enforcement.

A lien for unpaid Assessments and the personal liability for payment thereof is extinguished unless proceedings to enforce the lien are instituted within six years after the amount of the Assessments sought to be recovered becomes due.

10.20. Rent Subject to Lien for Assessments.

10.20.1. Rent Payable to Community Association Upon Default of Owner.

If a Lot is rented or leased by its Owner, the Community Association may collect and the tenant shall pay over to the Community Association so much of the rent for such Lot as is required to pay any delinquency in assessments that has existed for greater than 30 days, plus interest, attorneys' fees and other costs of collection. The tenant shall not have the right to question payment to the Community Association, and such payment shall discharge both the tenant's duty to pay rent to the Lot Owner and the Lot Owner's obligation to pay assessments, *pro tanto*. The Community Association shall not resort to this remedy where a receiver has been appointed and is collecting such rents under Section 10.20.2 hereof.

10.20.2. Community Association Entitled to Appointment of Receiver.

From the time of commencement of an action by the Community Association to foreclose a lien for nonpayment of delinquent Assessments against a Lot that is not occupied by the Owner thereof, the Community Association shall be entitled to the appointment of a receiver to collect from the lessee thereof the rent for the Lot as and when due. If the rental is not paid, the receiver may obtain possession of the Lot, refurbish it for rental up to a reasonable standard for rental dwelling units in this type of project, rent the Lot or permit its rental to others, and apply the rents first to the cost of the receivership and attorneys' fees thereof, then to the cost of refurbishing the Lot, then to applicable charges, then to costs, fees, and charges of the foreclosure action, and then to the payment of the delinquent Assessments. Only a receiver may take possession under this subsection, and a receiver shall not be appointed less than ninety days after the delinquency. The exercise by the Community Association of the foregoing rights shall not affect the priority of preexisting liens on the Lot.

10.21. Remedies Cumulative.

The remedies provided are cumulative and the Board may pursue them concurrently, along with any other remedies which may be available under the law although not expressed herein.

ARTICLE XI

INSURANCE AND RELATED MATTERS

11.1. Authority, Name of Insured.

The Board of Directors may obtain and maintain casualty and liability insurance under such terms and for such amounts as shall be deemed necessary by the Board of Directors.

11.2. Deductible.

The deductible, if any, on any policy of insurance purchased by the Board of Directors, shall be paid by the Association as a Common Expense. Funds to cover the deductible should be included in the Association's operating reserve account.

ARTICLE XII

CONDEMNATION

In the event that Common Areas of the Planned Community are become subject to eminent domain proceedings, the Association shall be a necessary party to such proceedings.

ARTICLE XIII

COMPLIANCE WITH LAW AND COVENANTS

13.1. Compliance by Owners and Occupants.

Each Owner and occupant of a Lot shall comply strictly with the provisions of the Ordinance, this Declaration of Covenants, the Bylaws and any Rules and Regulations properly adopted by the Board of Directors, as the same may be lawfully amended from time to time.

13.2. Enforcement by Community Association.

13.2.1. Authority of the Board.

The Board of Directors shall have primary responsibility for maintaining and enforcing compliance with the covenants, conditions and restrictions contained in this Declaration of Covenants, the Bylaws, and any Rules and Regulations adopted by the Board of Directors. Without limiting the authority and powers conferred upon the Board, the Board shall have the following power and authority:

13.2.2. Abatement of Violations.

The violation of any of the Rules and Regulations adopted by the Board of Directors, the breach of any provision of the Governing Documents or the Ordinance shall give the Board of Directors the right, in addition to any other rights set forth in the Bylaws, to enter the Lot or any Limited Common Area in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Lot Owner, any thing or condition that constitutes such a violation, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass. PROVIDED, that this remedy is subject to the provisions of Section 8.4 hereof, and the remedy shall not be utilized when a breach of the peace is likely to occur or if any items of construction within the Lot or any of the Common Areas will be altered or demolished.

13.2.3. Legal Proceedings.

Failure to comply with any of the terms of the Governing Documents shall be grounds for legal relief, including without limitation, actions to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of Assessments, any other relief provided for in the Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Community Association, the Board of Directors, the Managing Agent or, if appropriate, by any aggrieved Lot Owner, and shall not constitute an election of remedies.



13.2.4. Costs and Attorney's Fees.

The Community Association shall be entitled to recover any costs and reasonable attorneys' fees incurred in connection with the collection of delinquent Assessments, whether or not such collection activities result in suit being commenced or prosecuted to judgment. In addition, the Community Association shall be entitled to recover costs and reasonable attorneys' fees if it prevails on appeal, or in the enforcement of a judgment. In any other proceeding arising out of an alleged default by a Lot Owner, the prevailing party shall be entitled to recover the costs of the proceeding, and such reasonable attorney's fees as may be determined by the court. In the event that the prevailing party is the Community Association, the costs and attorney's fees so awarded shall constitute a Special Assessment against the Owner's Lot.

13.2.5. Late Charges and Interest.

The Board may impose and collect reasonable late charges to encourage prompt payment of Assessments. Until changed by resolution of the Board with advice of counsel, the Board may collect a late charge: (a) when any Assessment or installment thereof is received by the Community Association more than ten (10) days beyond the due date of such Assessment or installment; (b) in an amount not to exceed the greater of \$25.00 or ten percent (10%) of the amount of said Assessment or installment. Delinquent Assessments shall bear interest from the date of delinquency at the rate of 12% per annum, or the maximum rate permitted under RCW 19.52.020 on the date on which the Assessments became delinquent.

13.2.6. Fines.

The Board may impose and collect reasonable fines against Lot Owners for violations of the Ordinance or the Governing Documents. PROVIDED, however, that no fine may be levied unless (1) the Board has by resolution established a schedule of fines which has been furnished to all Lot Owners prior to the alleged violation, and (2) the allegedly offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to provisions of the Bylaws. Until changed by resolution of the Board with advice of counsel, the amount of any fine so assessed shall not exceed one hundred dollars for a single offense or twenty dollars per diem for any offense of a continuing nature, and shall constitute a Special Assessment against such Lot Owner's Lot.

13.2.7. Liability for Conduct Causing Common Expense.

Each Lot Owner shall be liable for the cost of all maintenance, repair or replacement rendered necessary by his or her or her act, neglect or carelessness, or the act, neglect or carelessness of any member of his or her or her family or his or her or her employees, agents, tenants or licensees, but only to the extent that such cost is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of any Lot or its appurtenances. To the extent that any Common Expense is caused by the negligence or misconduct of any Lot Owner, the Community Association may specially assess that expense against the Owner's Lot, PROVIDED that no such Special Assessment may be levied unless the allegedly offending Owner has been provided with notice of and an opportunity to be heard at a hearing to be conducted pursuant to Section 7.10 of the Bylaws.

13.2.8. No Waiver of Rights.

The failure of the Community Association, the Board of Directors or of a Lot Owner to



enforce any right, provision, covenant or condition which may be granted by the Governing Documents or the Ordinance, shall not constitute a waiver of the right of the Community Association, the Board or the Lot Owner to enforce such right, provision, covenant or condition in the future.

13.2.9. Remedies Cumulative.

All rights, remedies and privileges granted to the Community Association, the Board of Directors or any Lot Owner pursuant to any term, provision, covenant or condition of the Governing Documents or the Ordinance shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other rights, remedies or privileges as may be granted to such party by the Governing Documents or the Ordinance or at law or in equity.

13.2.10. Alternative Forms of Dispute Resolution Authorized.

In addition to the rights, remedies and procedures described above, the Community Association may, with the consent of an affected Lot Owner and/or any other interested party, agree to resolve any dispute through mediation, binding or non-binding arbitration, or such other alternative dispute resolution mechanism as may be deemed appropriate, at the discretion of the Board.

ARTICLE XIV

LIMITATION OF LIABILITY

14.1. No Liability for Utility Failure, Etc.

Except to the extent covered by insurance obtained by the Board pursuant to Article XI, neither the Community Association nor the Board nor the Declarant shall be liable for any failure of any utility or other service obtained by the Board; or for injury or damage to person or property caused by the elements, or resulting from electricity, water, rain, dust or sand which may lead or flow from any of its pipes, drains, conduits, appliances, or equipment, or from any other place, or for inconvenience or discomfort resulting from any action taken to comply with any law, ordinance or orders of a governmental authority. No diminution or abatement of liability for Common Expense Assessments shall be claimed or allowed for any such utility or service failure, or for such injury or damage, or for such inconvenience or discomfort.

14.2. Liability of Officers and Directors, Indemnification.

The Directors and Officers shall exercise ordinary and reasonable care in discharging their responsibilities and shall not be liable to the Community Association or to the Lot Owners for mistakes of judgment or for negligence not amounting to gross negligence, willful misconduct or bad faith. The Lot Owners shall indemnify and hold harmless each of the Directors and Officers from and against all contractual liability to others arising out of contracts made by the Board of Directors or Officers on behalf of the Community Association or the Lot Owners unless such contract was made in bad faith or contrary to the provisions of the Governing Documents. The Directors and Officers shall not be personally liable for contracts made by them on behalf of the Community Association. The Community Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that (s)he is or was a Director or Officer of the



Community Association, against amounts paid in settlement incurred by him in connection with such action, suit or proceeding if (s)he acted in good faith and in a manner (s)he reasonably believed to be in, or not opposed to, the best interests of the Planned Community or the Community Association, to the fullest extent authorized by RCW 23B.08.510, 520, 530, and 570, and any amendments thereto, whether or not the Community Association is incorporated under RCW 23B.

14.3. No Bailment.

Neither the Board of Directors, the Community Association, any Owner nor the Declarant shall be considered a bailee of any personal property stored or placed on the Common Areas (including property located in vehicles parked on the Common Areas), whether or not exclusive possession of the particular area is given to an Owner for parking or otherwise, nor shall they be responsible for the security of such personal property or for any loss or damage thereto, whether or not due to negligence, except to the extent covered by insurance in excess of any applicable deductible.

ARTICLE XV

MORTGAGEE PROTECTION

This Article establishes certain standards and covenants which are for the benefit of the holders, insurers and guarantors of certain mortgages. This Article is supplemental to, and not in substitution for, any other provisions of the Governing Documents, but in the case of conflict, this Article shall control.

15.1. Percentage of Eligible Mortgagees.

Wherever in this Declaration of Covenants the approval or consent of a specified percentage of Mortgagees is required, it shall mean the approval or consent in writing of Eligible Mortgagees holding first lien mortgages on Lots, and the percentage shall be based upon the votes attributable to Lots with respect to which Eligible Mortgagees have an interest.

15.2. Notice of Actions.

The Community Association shall give prompt written notice to each Eligible Mortgagee and Eligible Insurer of, and each Lot Owner hereby consents to, and authorizes the giving of notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the Planned Community or any Lot in which there is a first mortgage held, insured, or guaranteed by such Eligible Mortgagee or Eligible Insurer, as applicable;

(b) Any delinquency in the payment of Common Expense Assessments owed by a Lot Owner whose Lot is subject to a first mortgage held, insured, or guaranteed, by such Eligible Mortgagee or Eligible Insurer, as applicable, which remains uncured for a period of sixty (60) days;

(c) Any lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Community Association.

15.3. Inspection of Books.



The Community Association shall maintain current copies of the Declaration of Covenants, Bylaws, Articles of Incorporation, Rules and Regulations, books and records and financial statements. The Community Association shall permit any Eligible Mortgagee, Eligible Insurer or other first mortgagee of a Lot, or the authorized agent of any of the foregoing, to inspect the books and records of the Community Association during normal business hours.

15.4. Financial Statements.

The Community Association shall provide any Mortgagee or Eligible Insurer who submits a written request, a copy of its annual financial statement within one hundred twenty (120) days following the end of each fiscal year of the Community Association. Such financial statement shall be audited by an independent certified public accountant if:

(a) The Community Association's budget for annual assessments is fifty thousand dollars or more, in which case the cost of the audit shall be a Common Expense; or

(b) The Community Association's budget for annual assessments is less than fifty thousand dollars and any Eligible Mortgagee or Eligible Insurer requests it, in which case the Eligible Mortgagee or Eligible Insurer shall bear the cost of the audit.

15.5. Enforcement.

The provisions of this Article are for the benefit of Eligible Mortgagees and Eligible Insurers and their successors, and may be enforced by any of them by any available means, at law, or in equity.

15.6. Attendance at Meetings.

Any representative of an Eligible Mortgagee or Eligible Insurer may attend and address any meeting which a Lot Owner may attend.

15.7. Limitations on Mortgagees' Rights.

No requirement for approval contained in this Article may operate to (1) deny or delegate control over the general administrative affairs of the Community Association by the Lot Owners or the Board of Directors, or (2) prevent the Community Association or the Board of Directors from commencing, intervening in, or settling any litigation or proceeding, or receiving and distributing any insurance proceeds except as provided in this Declaration of Covenants.

ARTICLE XVI

EASEMENTS AND SPECIAL DECLARANT RIGHTS

16.1. Easements for Lots, Lot Owners and Community Association Functions.

16.1.1. Lots and Lot Owners.

Each Lot has an easement in and through each other Lot and the Common Areas for utilities



and for lateral and/or subjacent support, and each Lot Owner in Good Standing has a perpetual right of ingress to and egress from his or her Lot over any sidewalks or roadways included in the Common Areas.

16.1.2. Easement for Community Association Functions.

There is hereby reserved to the Community Association, or its duly authorized agents and representatives, such easements as are necessary to perform the duties and obligations of the Community Association as are set forth in the Declaration of Covenants, the Bylaws, or the Rules and Regulations. See Section 8.4 hereof.

16.2. Easements for Duplex or Townhouse Dwellings on Adjacent Lots.

Dwellings in Duplex Buildings constructed on adjacent Lots share common improvements and facilities, which require that all such Lots be perpetually benefitted and burdened, as the case may be, by the following additional easements and covenants:

16.2.1. In General.

Each Lot has an easement in and through each other Lot for utilities, for lateral and/or subjacent support, and for the performance of any necessary maintenance, repair or replacement. Any care, inspection, maintenance, operation, repair, repainting, remodeling, restoration, improvement, renovation, alteration, replacement and reconstruction that is or becomes necessary from time to time to maintain the integrity of either or both of the conjoined Dwellings is known herein as "Upkeep".

16.2.2. Interior Boundary Walls - Party Walls.

All Dwellings shall be or have been constructed such that each Dwelling includes at least one separately-framed interior wall abutting upon the common boundary separating the Lots sharing such common boundary; both such walls shall share a common foundation. Those portions of the walls and foundations which serve both Dwellings in the Building shall at all times be considered party walls. Each Lot has an easement of support over the foundation areas on adjacent Lots for maintenance of and Upkeep to the Lot's portions of the party wall. Each interior wall abutting upon the common boundary shall be deemed to exist to provide lateral support and protection from the elements for the adjacent Dwelling. Each such interior wall shall be perpetually maintained by the Owner of its Dwelling for such purposes. The costs of Upkeep to common foundations supporting a party wall shall be borne equally by the Owners of the Dwellings served thereby.

16.2.3. Roofs, Gutters & Siding.

The Owner of each Dwelling shall be responsible for the maintenance, repair and replacement of that portion of the siding materials and the common roof and gutter system as is located or installed upon or attached to the Dwelling. Each Lot has an easement over all structural members of the Dwelling on the adjacent Lot, for the purpose of supporting the roof structure on the Lot. Each Lot also has an easement over the roof of the Dwelling on the adjacent Lot, for the purpose of providing access to such roof to facilitate Upkeep thereof by such Owner.

16.2.4. Shared Fencing, Entrance Areas and Walkways.



Any shared entry area within or adjacent to a Dwelling, along with any fence, private landscaping or other improvements constructed along the common boundary line between two Lots, exist for the benefit of the Dwellings served thereby. Each Owner of a Dwelling sharing such facilities shall be jointly responsible for the maintenance, repair and replacement of those facilities.

16.2.5. Lien for Upkeep Expenses - Alternative Dispute Resolution Preferred.

If an Owner fails to properly maintain, repair or replace any of the improvements which are the responsibility of such Owner under this Article II, or to pay his or her fair share of a shared obligation after thirty (30) days written notice, then the Association or the other Owner may have such work done, by licensed, bonded contractors, on the account of the responsible Owner. The responsible Owner's obligation to pay such costs of maintenance, repair or replacement shall constitute an equitable lien, in favor of the party actually paying such costs, against the responsible Owner's Lot; said lien, if not paid within thirty (30) days following delivery by mail of a reasonably itemized invoice therefor, may be foreclosed in the manner of a mortgage on real property. In addition to the rights, remedies and procedures described above, an Owner may, with the consent of the other Owner and/or the Association, agree to resolve any dispute through mediation, binding or nonbinding arbitration, or such other alternative dispute resolution mechanism as may be deemed appropriate, at the discretion of the affected parties.

16.2.6. Encroachments.

Each Lot has an easement over an adjoining Lot for encroachments resulting from errors in engineering, surveying or original construction, from shifting or settlement of constructed improvements, for building projections and/or overhangs, from repair or reconstruction following partial or total destruction, and from other similar causes, but not from any construction undertaken by the Lot Owner without the approval of the Board of Directors which inadvertently or intentionally causes an encroachment. Any permitted encroachments shall be permitted to remain in place only for so long as the encroaching structure continues to exist within the Lot, and shall not be deemed to create a condition of unmarketable title with respect to the Lot upon which the encroachment exists.

16.3. Easement for Utilities and Emergency Access.

16.3.1. Easement for Utilities.

A non-exclusive perpetual blanket easement is hereby granted over and through the Property for ingress, egress, installation and Upkeep of any utility lines, pipes, wires, ducts, conduits and/or other facilities and equipment for providing to any portion of the Property utilities of any type, whether public or private; such easement is hereby granted to any person installing or providing Upkeep for such utilities. Any pipes, conduits, lines, wires, transformers or any other apparatus necessary for the provision or metering of any utility may be installed, maintained or relocated where permitted by the Declarant or where approved by resolution of the Board of Directors.

16.3.2. Easement for Emergency Access.

A non-exclusive perpetual easement is hereby granted on, over, under and across the Common Areas to all police, fire, ambulance and other rescue personnel for the lawful performance of their functions during emergencies.



16.4. Easements for Declarant.

The Declarant reserves an easement through the Property as may be reasonably necessary for the purpose of discharging the Declarant's obligations or for exercising Special Declarant Rights.

16.5. Easements Shown on Platting Documents.

Any easement shown on the Platting Documents which benefits one or more Lots in the Planned Community, or any easement described on the attached Exhibit A which benefits any real property not included within the Planned Community, confer various rights and benefits upon the owner(s) of such real property, and may also impose obligations upon the Community Association.

16.6. Special Declarant Rights.

16.6.1. General Reservation.

The Declarant has reserved the following Special Declarant Rights for the purpose of furthering and completing the development of the Planned Community: To complete any improvements indicated on the Platting Documents filed with the Declaration of Covenants; to exercise any Development Right under Section 3.3.1 hereof; to maintain sales offices, management offices, signs advertising the Planned Community, and models on the Property, all in such location or locations as the Declarant may unilaterally determine; to use easements through the Common Areas for the purpose of making improvements within the Planned Community; and to control the Community Association during the Declarant Control Period described in Section 16.6.2 below. The Declarant shall be deemed to hold a proxy from all Lot Owners during the Declarant Control Period for all such purposes.

16.6.2. Declarant Control Period.

The Declarant has reserved the right to designate a majority of the members of the Board of Directors of the Community Association, and to appoint or remove any officer of the Community Association or any member of its Board of Directors or of any Committee, or to veto or disapprove a proposed action of the Community Association, its Board of Directors or any Committee. The Declarant Control Period will persist until construction has been completed and a certificate of occupancy has been issued by the City of Mount Vernon for the last Dwelling constructed within the Planned Community.

16.6.3. Legal Status of Special Declarant Rights.

Each Special Declarant Right reserved by Declarant in this Declaration of Covenants has been, is and shall remain an equitable servitude burdening all lands subject thereto and running with such lands. Each Special Declarant Right shall exist for the benefit of the Declarant and/or any assignee of Declarant and/or any successor declarant. Declarant has and shall retain, with respect to each Special Declarant Right, a power coupled with Declarant's interest in said lands.

16.6.4. Continuation of Rights Reserved in Original Declaration of Covenants.

The original declarant reserved special declarant rights in the original Declaration of Covenants, without characterizing them as such. Declarant intends hereby to maintain the same rights, as augmented by the language contained in this Section 16.6.



ARTICLE XVII

AMENDMENT OF DECLARATION OF COVENANTS

17.1. Procedure for Amendment of Declaration of Covenants.

Amendments to the Declaration of Covenants shall be made by an instrument in writing entitled "Amendment to Declaration of Covenants" which sets forth the entire amendment. Except as otherwise specifically provided for in this Declaration of Covenants, any proposed amendment must be approved by a majority of the Board prior to its adoption by the Owners. Except in cases of amendments that may be adopted by the Declarant unilaterally pursuant to Section 17.4 hereof, amendments may be adopted only at a meeting of the Owners if at least sixty percent (60%) of the votes in the Community Association are cast for such amendment, or without any meeting if all Owners have been duly notified and Owners holding at least sixty percent (60%) of the votes in the Community Association consent in writing to such amendment. In all cases, the amendment when adopted shall bear the acknowledged signature of the President of the Community Association.

17.2. Recordation Required.

Every amendment to the Declaration of Covenants must be recorded with the County Auditor and is effective only upon recording. An amendment shall be indexed in the name of the Planned Community and shall contain a cross-reference by recording number to the Declaration of Covenants and each previously recorded amendment thereto.

17.3. Special Restrictions.

No amendment may restrict, eliminate, or otherwise modify any Special Declarant Right provided in the Declaration of Covenants without the consent of the Declarant and any mortgagee of record with a security interest in the Special Declarant Right or in any real property subject thereto, excluding mortgagees of Lots owned by persons other than the Declarant.

17.4. Amendments by Declarant.

The Declarant may unilaterally adopt and file amendments to the Declaration of Covenants and to the Platting Documents for so long as the Declarant is the Owner of any Lot in the Planned Community or until the expiration of the time limit for the exercise of any Development Rights or Special Declarant Rights reserved by the Declarant, in order to:

- (a) conform them to the actual location of any of the constructed improvements and to establish, vacate and relocate utility easements and/or access road easements;
- (b) exercise any Development Right or Special Declarant Right reserved by the Declarant under Sections 3.3.1 and/or 16.6 of this Declaration of Covenants;
- (c) correct any nonmaterial technical errors contained in the Governing Documents or clarify provisions of same.
- (d) conform them to requirements of The City of Mount Vernon, *bona fide* title insurance



companies, secondary mortgage market entities or loan guarantors.

ARTICLE XVIII

MISCELLANEOUS

18.1. Notices for All Purposes, Delivery.

18.1.1 Except as otherwise provided by law, any notice permitted or required to be delivered under the provisions of the Declaration of Covenants or the Bylaws may be delivered either personally or by mail, addressed to the person entitled to such notice at the most recent address given by such person to the Board in writing, or to the most recent address known to the Board. Notice to the Owner of any Lot shall be sufficient if mailed to his or her Lot if no other mailing address has been given to the Board. Mailing addresses may be changed from time to time by notice in writing to the Board. Notice to be given to the Community Association may be given to Declarant until the initial Board has been constituted and thereafter shall be given to the President or Secretary of the Community Association, or to its Registered Agent.

18.1.2 New Lot Owners must supply their names and addresses, along with the names and addresses of their respective Mortgagees, to the Secretary of the Community Association promptly after conveyance.

18.2. Severability.

The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision or portion thereof shall not affect the validity or enforceability of any other provision hereof, if the remainder complies with the Ordinance and furthers the common plan of this Planned Community

18.3. No Right of First Refusal.

There is no right of first refusal in the Community Association limiting or restricting the right of any Lot Owner to sell, transfer or convey his or her Lot.

18.4. Effective Date.

This Declaration of Covenants shall take effect upon recording.

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DATED this 17th day of FEBRUARY, 2006.

DECLARANT:

THE GREAT AMERICAN DREAM, INC.,
a Washington Corporation

By: [Signature] Robert J. Kortwis
TR's vice PRES.

LANDMARK BUILDING AND
DEVELOPMENT, INC.,
a Washington Corporation

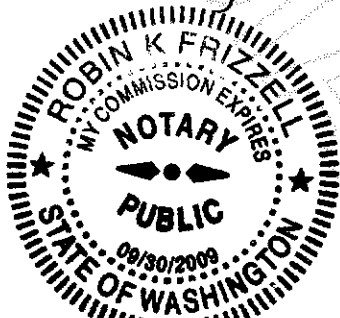
By: [Signature] Robert J. Kortwis
TR's vice PRES.



STATE OF WASHINGTON)
) ss
COUNTY OF SKAGIT)

I hereby certify that I know or have satisfactory evidence that
ROGER KORTHUIS is the person who appeared before me, and said person
acknowledge that he signed this instrument, on oath stated that he was authorized to
execute the instrument and acknowledged it as the Vice President of THE GREAT
AMERICAN DREAM, INC., a Washington Corporation, to be the free and voluntary act
of such party for the uses and purposes mentioned in the instrument.

DATED: February 20, 2006

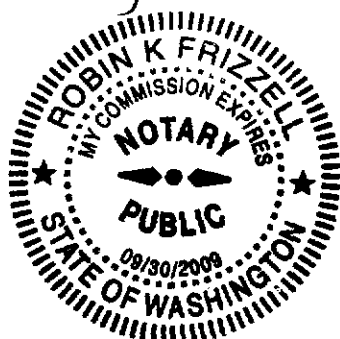


Robin K. Frizzell
NOTARY PUBLIC for the State of
Washington. My commission
Expires 9-30-2009

STATE OF WASHINGTON)
) ss
COUNTY OF SKAGIT)

I hereby certify that I know or have satisfactory evidence that
ROGER KORTHUIS is the person who appeared before me, and said person
acknowledge that he signed this instrument, on oath stated that he was authorized to
execute the instrument and acknowledged it as the Vice President of LANDMARK
BUILDING AND DEVELOPMENT, INC., a Washington Corporation, to be the free and
voluntary act of such party for the uses and purposes mentioned in the instrument.

DATED: February 20, 2006



Robin K. Frizzell
NOTARY PUBLIC for the State of
Washington. My commission
Expires 9-30-2009



200602220048
Skagit County Auditor