

When Recorded Return To:

Donald D. Peterson  
12940 Sunset Lane  
Anacortes, Washington 98221



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Skagit County Auditor

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**DECLARATION  
OF  
COVENANTS, CONDITIONS, RESTRICTIONS,  
EASEMENTS AND RESERVATIONS  
FOR  
THE ISLES P.U.D.**

Grantor: Donald D. Peterson and Habitat Construction Inc.

Grantee: The Public

Abbreviated Legal Description: The Isles P.U.D., including all of Blocks 1402, 1403, and 1404, Northern Pacific Addition to Anacortes, the vacated West 2nd Street right-of-way lying between said Blocks 1403 and 1404 and the vacated alley right-of-way lying between said Blocks 1402 and 1403.

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**THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS, EASEMENTS, AND RESERVATIONS** (this "Declaration") is made by DONALD D. PETERSON and HABITAT CONSTRUCTION INC. (collectively referred to as "Declarant").

## RECITALS

A. Declarant is the owner of certain real property situated in Anacortes, County of Skagit, State of Washington, legally described in Exhibit A attached hereto and incorporated herein by this reference. The real property, which is platted as The Isles P.U.D., a Planned Unit Development, is hereinafter referred to as "The Isles". The Isles consists of seventeen (17) Lots and certain common areas.

B. As of the recording of this Declaration, The Isles Planned Unit Development has been approved by the City of Anacortes subject to the covenants, conditions, restrictions, easements, and reservations set forth herein, as well as any and all others set forth on the face of the Plat.

C. Declarant will convey the Lots and Common Areas included within the Plat subject to said covenants, conditions, restrictions, easements, and reservations.

NOW, THEREFORE, Declarant hereby declares that all of the seventeen (17) Lots and all Common Areas within the Plat shall be held, sold, conveyed, assigned, leased, used, and occupied subject to and together with the following covenants, conditions, restrictions, easements, and reservations and the covenants, conditions, restrictions, easements, and reservations described on the face of the Plat, all of which are for the purposes of enhancing and protecting the value, desirability and attractiveness of the property and providing for perpetual compliance with certain requirements of approval of the Plat by the City of Anacortes. These covenants, conditions, restrictions, easements, and reservations, shall run with the land within the Plat and any portion thereof, and shall be binding upon and inure to the benefit of all present and future parties with an interest in such land and their heirs, successors, and assigns.

## ARTICLE ONE DEFINITIONS

1.1 "Association" means The Isles Homeowners Association.

1.2 "Board" means the Board of Directors of The Isles Homeowners Association.



**1.3** "Common Areas" shall include all areas conveyed to the Association by Declarant or its successors or assigns. Such Common Areas shall be designated on a final plat or other recorded map.

**1.4** "Declarant" means Donald D. Peterson, Habitat Construction, Inc. (a Washington Corporation), their successors and assigns; provided, however, that no successor or assignee of Declarant shall have any rights or obligations of Declarant hereunder unless such rights and obligations are specifically set forth in the event of succession or assignment or other recorded instrument or passed by operation of law.

**1.5** "Declaration" means this instrument, as the same may be supplemented or amended from time to time.

**1.6** "Detached Garage" or "Detached Garages" refers to the garage buildings indicated on the plat map and the individual units therein, an ownership interest in which will be appurtenant to certain Lots in the Isles.

**1.7** "Garage" refers either to an attached garage which is part of a dwelling structure on a Lot or to a Detached Garage.

**1.8** "Governing Documents" means this Declaration and the Articles of Incorporation and Bylaws of the Association, as any of the foregoing may be amended from time to time.

**1.9** "Interim Board" means a Board of Directors appointed by Declarant before the Transition Date.

**1.10** "Lot" means any one of the seventeen (17) lots within the plat of The Isles P.U.D., and includes any improvements constructed on any such lot.

**1.11** "Mortgage" means any recorded mortgage or deed of trust encumbering one or more of the Lots. "First Mortgage" means a Mortgage with priority over other Mortgages. "Mortgagee" means the holder or beneficiary of any Mortgage and shall not be limited to Institutional Mortgagees.

**1.12** "Owner" means the record owner, whether one or more Persons, of fee simple title to a Lot within The Isles, including a contract purchaser. Declarant shall be considered the Owner of all Lots which it has not yet sold, or which it re-acquires.

**1.13** "Person" means an individual, as well as a corporation, limited liability, partnership, trustee, or other legal entity.



1.14 "Plat" means the recorded plat of the property comprising The Isles P.U.D. and any amendments or corrections thereto subsequently recorded.

1.15 "Structure" means any man-made structure constructed within The Isles, including but not limited to a temporary or permanent building, fence or other enclosure, deck, hot tub, or patio.

1.16 "The Isles" or "The Isles P.U.D." means the real property described in Exhibit A, as well as any improvements now or hereafter placed thereon.

1.17 "Transition Date" means the date upon which the authority to manage The Isles passes from Declarant to the Association, as defined in Article Three of this Declaration.

1.18 "Vehicles" means automobiles, recreational vehicles, campers, trailers, boats, motorcycles, or any other mechanized device of conveyance.

1.19 "Voting Representative" means a Person designated to vote on behalf of an Owner, as described in Article Two of this Declaration.

## ARTICLE TWO HOMEOWNERS ASSOCIATION

2.1 **ASSOCIATION.** The Owners shall constitute the members of The Isles Homeowners Association, which will be a nonprofit corporation formed under the laws of the State of Washington. The Association shall be charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents.

2.2 **ARTICLES AND BYLAWS.** Before the Transition Date, Declarant will adopt the Articles of Incorporation and Bylaws of the Association, to supplement this Declaration and to provide for the administration of the Association. The Articles of Incorporation and Bylaws shall not conflict with the terms of this Declaration, nor shall they be amended or otherwise changed or interpreted so as create such a conflict. In the case of any such conflict in terms, this Declaration, as amended from time to time, shall prevail.

2.3 **QUALIFICATION FOR MEMBERSHIP.** Each Owner (including Declarant) shall be a member of the Association and the Owners shall be entitled to one vote for each Lot owned; provided, that if a Lot has been sold on contract, the contract purchaser shall exercise the rights of an Owner for purposes of the Association, this Declaration, and the Bylaws, except as otherwise limited, and shall be the Voting



Representative for the Lot unless otherwise specified. Ownership of a Lot shall be the sole qualification for membership in the Association.

**2.4 TRANSFER OF MEMBERSHIP.** The Association membership of each Owner (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, hypothecated, conveyed, or alienated in any way except upon the transfer of the Lot. Any transfer of title to a Lot shall operate automatically to transfer the membership in the Association to the new Owner.

**2.5 NUMBER OF VOTES.** The total voting power of all Owners within the Homeowners Association shall be seventeen (17) votes.

**2.6 VOTING REPRESENTATIVES.** An Owner may, by written notice to the Board, designate a Voting Representative for its Lot. The designated Voting Representative need not be an Owner. The designation may be revoked at any time by written notice to the Board from a Person having an ownership interest in a Lot, or by actual notice to the Board of the death or judicially declared incompetence of any Person with an ownership interest in the Lot, except in cases in which the Person designated is a Mortgagee of the Lot. This power of designation and revocation may be exercised by the guardian of an Owner, the attorney-in-fact for the Owner under a durable power of attorney, and/or the administrator or executor of an Owner's estate. If no designation has been made, or if a designation has been revoked and no new designation has been made, the voting representative of each Lot shall be the group composed of all of its Owners. If a Lot is owned by husband and wife and only one of them is at a meeting, the one who is present will represent the marital community.

**(a) Joint Owner Disputes.** The vote for a Lot must be cast as a single vote and fractional votes shall not be allowed. If joint Owners are unable to agree among themselves how their vote shall be cast, before the vote is taken, they shall lose their right to vote on the matter in question.

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



**2.7 ANNUAL AND SPECIAL MEETINGS.** Within the period commencing thirty (30) days before the Transition Date (as defined below) and ending thirty (30) days after the Transition Date, there shall be a meeting of the members of the association (the Owners) and thereafter there shall be an annual meeting of the members of the Association in the first quarter of each fiscal year at such reasonable place and time as may be designated by written notice from the Board delivered to the Owners no less than thirty (30) days before the meeting. At the first annual meeting, and at each annual meeting thereafter, the Owners shall elect by majority vote individuals to serve as Board members until a successor is elected at the next annual meeting. Each Lot shall be entitled to one vote for each Board seat and the voting for directors shall be non-cumulative. The financial statement for the preceding fiscal year (if any) and the budget the Board has adopted for the pending fiscal year shall be presented at the annual meeting for the information of the members. Special meetings of the members of the Association may be called at any time upon not less than fourteen (14) days prior written notice to all Owners, for the purpose of considering matters which require the approval of all or some of the Owners, or for any other reasonable purpose. Any first mortgagee of a lot may attend or designate a representative to attend the meetings of the Association.

**ARTICLE THREE  
TRANSITION DATE; RIGHTS RETAINED BY DECLARANT**

**3.1 TRANSITION DATE DEFINED.** The "Transition Date" shall be the date upon which the authority to manage The Isles passes from Declarant to the Association. The Transition Date shall be earliest of: (a) the date on which Declarant elects to permanently relinquish all of its authority under this Article by written notice to all Owners; (b) the sixtieth (60th) day after Declarant has transferred title to purchasers of all seventeen (17) lots; or (c) five (5) years after the date of the recording of this Declaration with the Skagit County Auditor's office. Prior to the transition date, the Declarant shall be responsible for the fulfillment of all obligations of the Association to the City of Anacortes.

**3.2 DECLARANT'S POWERS UNTIL TRANSITION DATE.** Until the Transition Date, Declarant shall have the full power to exercise all of the rights, duties and functions of the Association and its Board of Directors and officers, including but not limited to the adoption of rules and regulations, contracting for the purchase of goods and services, buying insurance and collecting and expending all assessments and other Association funds. Declarant may at such times as it deems appropriate select and from time to time replace an Interim Board of three (3) directors, who need not be Owners and who shall have all the powers, duties, and functions of the Board.

**3.3 TRANSFER OF ADMINISTRATION.** On the Transition Date, the authority and responsibility to administer and manage the Association, subject to this

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Declaration and the other Governing Documents, shall pass to the Association. A Board of not fewer than three (3) Directors elected from among the Owners shall govern the Association. The first Board elected by the Owners shall have three directors. Declarant or the Board shall call a meeting of all Owners, to be held before the Transition Date, for the purpose of electing the first Board.

#### **ARTICLE FOUR BOARD OF DIRECTORS**

**4.1 ADOPTION OF RULES AND REGULATIONS.** The Board is empowered to adopt, amend and revoke on behalf of the Association detailed administrative rules and regulations necessary or convenient from time to time to insure compliance with this Declaration and to promote the comfortable use, value and enjoyment of The Isles. The rules and regulations of the Association shall be binding upon all Owners, occupants, and all other Persons claiming an interest in any portion of the Isles other than a governmental entity.

**4.2 ENFORCEMENT OF DECLARATIONS.** The Board shall have the power and the duty to enforce the provisions of the Governing Documents and the rules and regulations of the Association for the benefit of the Association. The failure of any Owner to comply with the provisions of the Governing Documents or the rules and regulations of the Association will give rise to a cause of action in the Association (acting through the Board) and/or any aggrieved Owner for recovery of damages, for injunctive relief, or both. Any Owner failing to comply with the provisions of the Governing Documents shall reimburse the association for all its reasonable attorney fees and other costs incurred in enforcing those provisions. If a legal action is commenced to interpret or enforce compliance with the provisions of the Governing Documents or the rules and regulations of the Association, the prevailing party shall be entitled to judgment against the other party for its reasonable expenses, court costs, and reasonable attorney fees in the amount awarded by the Court.

**4.3 GOODS AND SERVICES.** The Board shall acquire and pay for, as common expenses of the Association, all goods and services reasonably necessary or convenient for the efficient and orderly functioning of the Common Areas other than Lots. The goods and services shall include (by way of illustration and not limitation) policies of insurance and fidelity bonds, legal and accounting services, maintenance, repair, landscaping, gardening, and general upkeep, and all supplies, materials, fixtures, and equipment that are in the Board's judgment necessary or desirable for the operation of The Isles and enjoyment of it by the Owners. The Board may hire such full-time or part-time employees or independent contractors as it considers desirable.



**4.4 NO WAIVER OF STRICT PERFORMANCE.** Failure of the Board in any instance to insist upon the strict compliance with the Governing Documents or rules and regulations of the Association, or to exercise any right contained in such documents, or to serve any notice or institute any action, shall not be construed as a waiver or a relinquishment for the future of any term, covenant, condition, or restriction. The acceptance by the Board of payment of any assessment from any Owner, with knowledge of any breach by the Owner, shall not constitute a waiver of the breach. No waiver by the Board of any requirement shall be effective unless expressed in writing and signed by the Board. This paragraph shall also apply to any such failure by the Declarant or an Interim Board exercising the power of the Board before the Transition Date.

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

**4.6 INDEMNIFICATION.** Each Board member and Declarant shall be indemnified by the Association against all expenses and liabilities, including attorney fees, reasonably incurred by or imposed in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of holding or having held such position, or any settlement thereof, whether or not he or she holds such position at the time such expenses or liabilities are incurred, except to the extent that such expenses and liabilities are covered by insurance and except in such cases wherein such Board member or Declarant is adjudged guilty of willful misfeasance in the performance of his or her duties; provided, that in the event of a settlement, the indemnification shall apply only when the Board approves such settlement and reimbursement as being in the best interests of the Association.

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



**ARTICLE FIVE  
BOOKS, BUDGET, ASSESSMENTS, AND LIENS**

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

**5.2 FISCAL YEAR, PREPARATION OF BUDGET.** The Board may adopt such fiscal year for the Association as it deems convenient. Unless another year is adopted, the fiscal year will be the calendar year. Within thirty (30) days prior to the beginning of each fiscal year, the Board shall prepare a budget, estimating the charges (including common expenses, special charges for particular Lots, and reserves) to be paid during such year, making provision for creating, funding and maintaining reasonable reserves, as the Board deems appropriate, for contingencies and operations (including, but not limited to, maintenance of Common Areas), taking into account any expected income and any surplus available from the prior year's operating fund. In the budget, the Board shall separately account for any and all charges or reserves pertaining to the Detached Garages. If the sums estimated and budgeted at any time prove inadequate for any reason (including non-payment for any reason of any Owner's assessment), the Board may at any time levy a further assessment, which shall be assessed to the Owners. Notwithstanding the provisions of this paragraph, until the Transition Date, Declarant shall have the option to collect and expend only the actual costs of operation in lieu of a full budgeted assessment or assessments for reserve funds.

**5.3 REGULAR ASSESSMENTS.** Each Owner, by acceptance of a deed to a Lot, whether or not it is stated in the deed, is deemed to covenant and agree to pay to the Association all assessments and charges against the Lot pursuant to this Declaration. Upon the initial closing of each Lot in the Plat, the buyer of each Lot shall be charged an initial assessment in the amount of three hundred dollars (\$300.00), which shall be used to defraying the costs of the maintenance (but not the improvement) of the Lots and Common Areas and the start-up costs of the Association during the time prior to the Transition Date. To the extent that the initial assessments are insufficient to defray such costs, Declarant reserves the right to levy an additional assessment in the same fashion as the Board, as described in this Article. After the Transition Date, the Board shall set a budget for determining assessments for the remainder of that fiscal year.

**5.4 SPECIAL ASSESSMENTS.** In addition to the regular assessment authorized above, the Association may levy, in any assessment year, a special assessment



applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and Personal property related thereto, provided that the written consent of seventy-five percent (75%) of the members of the Association or their Voting Representatives shall be required prior to any special assessment.

**5.5 DIVISION OF ASSESSMENTS.** The sums required by the Association for common expenses, as reflected by the annual budget and any supplemental budgets shall be equally assessed to each Lot and its respective Owner, in the ratio that each Lot bears to the total number of Lots in The Isles, except that:

(a) **Declarant exempt.** Notwithstanding any other provision contained herein, prior to the Transition Date, Declarant shall be exempt from assessments for any and all Lots it owns;

(b) **No assessments upon Common Areas.** No assessments shall be levied upon Common Areas; and

(c) **Certain Owners exempt from Assessments pertaining to Detached Garage Facility.** Any Owner who does not own a Detached Garage Unit shall be exempt from such portion of any regular or special assessment that is attributable to maintenance, upkeep, construction, reconstruction, repair, replacement, improvement, utility charges, or any other expense pertaining to any Detached Garage Facility, as such portion is determined by the Board.

**5.6 NOTICE AND PAYMENT OF ASSESSMENT.** The Board shall give each Owner not less than thirty (30) days written notice of any assessment, before it shall be due. In the case of a regular assessment, such notice shall be accompanied by a copy of the budget upon which the assessment is based. The Board, at its election, may require the Owners to pay the amount assessed in monthly or quarterly installments or in one annual installment.

**5.7 PROCEEDS BELONG TO ASSOCIATION.** All assessments and other receipts received by the Association shall belong to the Association.

**5.8 FAILURE TO ASSESS.** Any failure of the Board to make the budget and assessments hereunder before the expiration of any fiscal year for the next fiscal year shall not be deemed a waiver or modification in any respect of the provisions of this Declaration or a release of the Owners from the obligation to pay assessments during that or any subsequent year, and the annual assessment amount and frequency of payment established for the preceding fiscal year shall continue until a new assessment is prospectively established, whether for all or a portion of the a year.



**5.9 SUSPENSION FOR NON-PAYMENT OF ASSESSMENT.** If, for a period of thirty (30) days, an Owner is in arrears in the payment of any assessment due or is otherwise in default in the performance of any terms of the Governing Documents (including but not limited to non-payment of a liability described at Section 4.2 of this Declaration), that Owner's voting rights shall, without further action by the Association, be suspended (except as against foreclosing Mortgagees) and shall remain suspended until all payments, including interest thereon, are brought current and any other default is remedied. No Owner is relieved of liability for assessments by non-use of the Common Areas or by abandonment of a Lot.

**5.10 CERTIFICATE OF UNPAID ASSESSMENTS.** Upon the request of any Owner or Mortgagee or prospective Mortgagee of a Lot, the Board will furnish a certificate in a recordable form stating the amount, if any, of unpaid assessments charged to the Lot. The certificate shall be conclusive upon the Board and the Association as to the amount of such indebtedness on the date of the certificate in favor of all purchases and Mortgagees of the Lot who rely on the certificate in good faith. The Board may establish a reasonable fee to be charged to reimburse it for the cost of preparing the certificate.

**5.11 ASSESSMENTS ARE A LIEN, PRIORITY.** All unpaid sums assessed by the Association for the share of the common expenses chargeable to any Lot, any sums specially assessed to any Lot under the authority of this Declaration or the Bylaws and any charge or expense otherwise imposed pursuant to this Declaration (including an unpaid liability described in Section 4.2 of this Declaration) shall constitute a lien on the Lot and all of its appurtenances from the date the assessment becomes due and until fully paid. The lien for such unpaid assessments or sums shall be subordinate to tax liens on the Lot in favor of any assessing or special district and to all sums unpaid on all First Mortgages of record as provided in the Article of this Declaration pertaining to Subordination of Liens, but, to the extent permitted by applicable law, shall have priority over all other liens against the Lot.

**5.12 LIEN MAYBE FORECLOSED.** The lien for delinquent assessments may be foreclosed by suit by the Board in like manner as the foreclosure of a mortgage of real property. The Board, acting on behalf of the Association, shall have the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, encumber, and convey the same.

**5.13 ASSESSMENTS ARE PERSONAL OBLIGATIONS.** In addition to constituting a lien on the Lot, all sums assessed by the Association chargeable to any Lot, together with interest, late charges, costs and attorney fees in the event of delinquency, shall be the joint and several Personal obligations of the Owner and any contract



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

**5.14 LATE CHARGES AND INTEREST ON DELINQUENT ASSESSMENTS.** The Board may from time to time establish late charges and a rate of interest to be charged on assessments that may thereafter become delinquent. In the absence of another established amount for late charges, a fifty dollar (\$50.00) monthly late charge shall be initially imposed as of the thirty-first (31st) day the assessment is late, and additional fifty dollar (\$50.00) monthly late charges shall accumulate accordingly. In the absence of another established, non-usurious rate, delinquent assessments shall bear interest at the rate of ten percent (10%) per annum from the due date. If an annual assessment against a Lot is not paid when due, the managing agent or the Board may elect to declare all assessments against the Lot to be immediately due and payable.

**5.15 RECOVERY OF ATTORNEY'S FEES AND COSTS.** If the Association hires an attorney to collect delinquent assessments or other liabilities from an Owner, that Owner shall reimburse the Association for all its reasonable attorney fees and other costs of collection. In any action to collect delinquent assessments, the prevailing party shall be entitled to recover as a part of its judgment a reasonable sum for attorneys fees and all costs and expenses reasonably incurred in connection with the action, in addition to taxable costs permitted by law.

**5.16 REMEDIES CUMULATIVE.** The remedies provided herein are cumulative and the Board may pursue them, and any other remedies that may be available under the law although not expressed herein, either concurrently or in any order.

## **ARTICLE SIX SUBORDINATION OF LIENS**

**6.1 INTENT OF PROVISIONS.** The provisions of this Article apply for the benefit of each Mortgagee who lends money for purposes of construction or to secure the payment of the purchase price of a Lot.

**6.2 MORTGAGEE'S NON-LIABILITY.** The holder of a Mortgage shall not, by reason of the security interest only, be liable for the payment of any assessment or charge, nor for the observance or performance of any covenant or restriction, excepting only those enforceable by equitable relief and not requiring the payment of money, and except as hereafter provided.



**6.3 MORTGAGEE'S RIGHTS DURING FORECLOSURE.** During the pendency of any proceeding to foreclose a Mortgage, including any period of redemption, the holder of the Mortgage, or the receiver, if any, may exercise any or all of the rights and privileges of the Owner of the encumbered Lot, including but not limited to the right to vote in the Association to the exclusion of the Owners exercise of such rights and privileges.

**6.4 MORTGAGEE AS OWNER.** At such time as a Mortgagee shall become the record Owner of the Lot previously encumbered by the Mortgage, the Mortgagee shall be subject to all of the terms and conditions of this Declaration, including the obligation to pay for all assessments and charges in the same manner as any Owner.

**6.5 MORTGAGEE'S TITLE FREE AND CLEAR OF LIENS. A** Mortgagee or other secured party acquiring title to a Lot through foreclosure, suit, deed of trust sale, deed in lieu of foreclosure, or equivalent method, shall acquire title to the encumbered Lot free and clear of any lien authorized by or arising out of the provisions of this Declaration, insofar as such lien secures the payment of any assessment or charge installment due but unpaid before the final conclusion of any such proceeding, including the expiration date of any period of redemption. The Association may treat any unpaid assessments against a Lot foreclosed against as a common expense, in which case it shall prorate such unpaid assessments among the remaining Lots, and each such remaining Lot shall be liable for its prorated share of such expense in the same manner as for any other assessment.

**6.6 SUBORDINATION OF ASSESSMENT LIENS.** The liens for assessments provided for in this Declaration shall be subordinate to the lien of any Mortgage or other security interest placed upon a Lot as a construction loan security interest or as a purchase price security interest, and the Association will, upon demand, execute a written subordination document to conform to the particular superior security interest. The sale or transfer of any Lot or any interest therein shall not affect the liens provided for in this Declaration except as otherwise specifically provided for herein, and in the case of a transfer of a Lot for purposes of a security interest, liens shall arise against the Lot for any assessment payments coming due after the date of completion of foreclosure (including the expiration date of any period of redemption).

## **ARTICLE SEVEN USE COVENANTS, CONDITIONS, AND RESTRICTIONS**

**7.1 RESIDENTIAL CHARACTER OF PROPERTY AND TYPE OF CONSTRUCTION.** The dwelling units within The Isles shall be used as single-family dwellings by their Owners or pursuant to residential leases of not less than one (1) year in duration. Other than the Structures initially constructed upon the Lots by Declarant;

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Structures reconstructed due to damage or other casualty in full conformity to their original plans as supplied by Declarant; or Structures constructed in the Common Areas by Declarant or, after the Transition Date, pursuant to the written consent of seventy-five percent (75%) of the Owners or their Voting Representatives, no Structures shall be erected, placed or permitted to remain anywhere within the Plat, except as expressly authorized in this Declaration. Any Structure reconstructed upon any Lot shall be completed within the earlier of twelve (12) months from the date Construction is started, or twelve (12) months from the date that any damage or demolition to the Structure is visible from outside said Structure.

**7.2 EXTERIOR MATERIALS.** To the greatest extent possible, replacement roofing and siding material shall be the same in color and style as the original roofing and siding materials on residences within the development. Utilization of exterior materials or paint colors on any Structure on any Lot or within any Common Area other than materials used in the original construction of such Structure, shall be prohibited unless utilized with the prior written consent of seventy-five percent (75%) of the Owners or their Voting Representatives.

**7.3 STORAGE SHEDS; FENCES.** No storage sheds, Garages other than the Detached Garages shown on the plat or built in to a dwelling unit in the original construction of that unit, tents, automobile covers, barns, shacks, or other outbuildings, or attached or detached decks, or patios, shall be installed, placed, or used on any Lot, either temporarily or permanently. Owners may construct or cause to be constructed fences on their Lots, provided that such fences: are constructed in a good and workmanlike manner of suitable, natural fencing materials; are artistic in design; and shall not detract from the appearance of any adjacent structures. All fences shall conform to city zoning requirements, and in no event shall any fence exceed three feet in height or encroach on any adjoining lot. Chain link fences are expressly prohibited.

**7.4 PARKING OF VEHICLES.** Other than Vehicles necessary for and active in the construction, maintenance, or repair of the Structures, grounds, other facilities, and Common Areas within the Isles, no Vehicles shall be:

(a) parked or permitted to remain anywhere within The Isles, unless fully enclosed within a Garage, for more than forty-eight (48) consecutive hours or for more than seventy-two (72) hours during any calendar month, or

(b) parked or permitted to remain overnight anywhere within The Isles, except within a Garage or, with the permission of the applicable Owner, fully onto a private driveway so as not to encroach onto any sidewalk, street, or adjoining Lot.



In the event that there is any violation of this parking restriction then the Board shall be authorized to take corrective action as it deems necessary and appropriate, including that it may cause the offending Vehicle to be towed and impounded.

**7.5 VEHICLES IN DISREPAIR.** No goods, equipment or Vehicles shall be dismantled or repaired outside any Building. In addition, no owner shall permit any vehicle that is in a state of disrepair, or is not in running order, to remain parked outside of an enclosed garage on any lot, or the garage detached from the house, but owned by the Homeowner, for more than twenty four (24) hours. A Vehicle will be deemed in a state of disrepair when it has not been moved for a period of twenty-four (24) hours and is not operable in its then present condition.

**7.6 ANTENNAS AND SERVICE FACILITIES.** All permanent utility services and connections thereto shall be provided by underground services exclusively. No radio or television antennas, satellite dishes, or other service facilities shall be placed on a Lot within The Isles, unless enclosed within a Building.

**7.7 ANIMALS.** No animals, livestock, or poultry of any kind shall be raised, bred or kept; provided however, that dogs, cats, or other conventional household pets may be kept if they are not kept, bred or maintained for any commercial purposes. No domestic pet may be kept if it is a source of annoyance or nuisance, particularly dogs that bark in a repetitious, habitual, or consistent nature. Pets shall be attended at all times and when not confined to the Owner's Lot, pets must be kept on a leash and accompanied by a responsible Person.

**7.8 BUSINESS AND COMMERCIAL USE.** No visible or audible trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any lot nor shall any goods, construction equipment, materials or supplies used in connection with any trade, service or business be placed outside on any lot at any time, excepting the right of Declarant to construct residences on any lot at any time and to store construction equipment on said lots in the normal course of construction. Home occupation use of residences as an office, or work space, may be allowed if it is not in violation of any code or regulation of the City of Anacortes. Provided however, that the home occupation use shall in no way affect the appearance of the residential structure and/or garage, and shall be fully enclosed without outside storage and shall not create noise, vibration, smoke, dust, odors, heat, light, or glare beyond which is acceptable in a residential area. No garage, either detached or attached to a residential unit, shall be used as an office or work space.

**7.9 OFFENSIVE ACTIVITIES.** No noxious or offensive activity shall be carried on upon any lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. Further, no lot shall be used in a fashion,

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which unreasonable interferes with the other lot owners' right to the use and enjoyment of their respective properties. All Owners are responsible at all times for the conduct of their guests.

**7.10 RUBBISH AND TRASH.** No Lot, street, or Common Area, within or adjacent to The Isles shall be used or maintained as a dumping ground for rubbish, debris, salvage, garbage, trash, equipment, cars, vehicles, or other waste such as rocks, roots, dead grass and other materials accumulated as a result of landscaping.

**7.11 SIGNAGE.** No sign of any kind shall be displayed to the public view on any lot except one sign of not more than five square feet advertising the property for sale or rent, or signs used by Declarant or its agents to advertise property prior to the Transition Date. Owners may display political signs on their Lots, but only within three (3) weeks of the conclusion of any primary or general election, and only if the aggregate square footage of all political signs on any Lot does not exceed fifteen (15) square feet. In the case of an all mail-in ballot election, the conclusion of the election means the last day on which voters may mail their ballots to the County Auditor on time.

**7.12 MAINTENANCE OF LOTS AND STRUCTURES.** Each Owner shall maintain its Lot and the Structures thereon in a clean and attractive condition, in good repair, and will at all times maintain a high standard of cleanliness in removing any trash paper, cans, bottles, and any other loose material that might clutter the Lot. Each Owner shall be solely responsible for maintaining the interior of any attached Detached Garage assigned to that Owner in a safe and clean condition.

**7.13 MAINTENANCE OF GROUNDS; EASEMENT OVER LOTS IN FAVOR OF ASSOCIATION.** Prior to the Transition Date, Declarant will contract with a service company to maintain the landscaping within The Isles, including the landscaping within each Lot and any landscaping within the Common Areas. The proper removal and disposal of all byproducts of landscaping and landscape maintenance shall be the responsibility of the service company that will maintain the landscaped areas within the individual Lots, and throughout the Common Areas. Declarant may recover the costs for such maintenance from the Owners, by way of assessments, in accordance with the provisions of this Article pertaining to General Assessments. After the Transition Date, the Board shall continue to contract with a service company of its choice to maintain the landscaping within the Isles, including the landscaping within the Lots themselves, unless seventy-five percent (75%) of the Owners or their Voting Representatives consent in writing to a different arrangement. In any event, the grounds within the Isles shall be maintained to a high standard. Each Owner of a Lot within The Isles grants an easement over its Lot to permit Declarant, the Association (through the Board), or their agents, to maintain the landscaping thereon at such times as the Declarant



or the Board reasonably deems necessary or appropriate. Such easement shall attach whether or not it is recited in any deed to a Lot.

**7.14 FIREARMS; MOTORCYCLES.** No firearms of any kind shall be used or discharged within the property except by appropriate government officials. Muffled, licensed motorcycles shall be permitted on the streets and driveways within the Isles, subject to the parking requirements described in this Declaration. Motorcycles shall not be allowed on sidewalks or pathways. Non-licensed motorcycles, non-muffled vehicles of any type, snowmobiles, or similar vehicles, shall not be operated within The Isles and must be stored within a Garage.

**7.15 COMPLIANCE WITH APPLICABLE STATUTES, REGULATIONS AND ORDINANCES.** Notwithstanding anything stated herein, each Owner shall be responsible for compliance with all applicable federal, state, country and/or governmental statutes, ordinances and regulations, and any amendments thereto relating in any way to the ownership and/or improvement of the lots within The Isles.

**7.16 ENFORCEMENT.** Declarant shall have no obligation to enforce or seek the enforcement of these covenants. Declarant shall have no liability for the enforcement or non-enforcement of these covenants. The Board, in its discretion, or any Owner, may prosecute any proceeding at law or in equity against any Person or Persons violating or attempting to violate any covenant herein, to prevent such violation and/or to recover damages for such violation. Should Declarant own any lots after the Transition Date, then Declarant will act in the capacity as an individual lot owner regarding enforcement.

## **ARTICLE EIGHT COMMON AREAS; EASEMENTS; MAINTENANCE**

**8.1 TITLE TO COMMON AREAS; EASEMENT IN FAVOR OF ASSOCIATION AND OWNERS.** Declarant shall, from time to time prior to the Transition Date, convey to the Association the Common Areas designated on a final plat map. Upon its creation as a Common Area and whether or not it shall have been conveyed as yet to the Association, every Common Area shall be subject to an easement of common use and enjoyment in favor of the Association and every Owner, their heirs, successors, and assigns, pursuant to the terms and conditions of the Governing Documents and such rules and restrictions as may be adopted by the Board. Such easement shall be appurtenant to and shall not be separated from ownership of any Lot and shall not be assigned or conveyed in any way except upon transfer of title to such Lot, and then only to the transferee of such title and shall be deemed so transferred and conveyed whether or not it shall be expressed as such in the instrument conveying title. Certain rights of use, ingress, egress, occupation, and management authority in the Common Areas set forth elsewhere in this Declaration shall be reserved to Declarant until

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the Transition Date. Upon conveyance to the Association, the Common Areas shall be free and clear of financial liens and encumbrances.

**8.2 ASSOCIATION TO MAINTAIN COMMON AREAS.** The Association shall maintain the Common Areas so as to keep them in good repair and condition. Any action necessary or appropriate to the maintenance and upkeep of the Common Areas, including landscaping; irrigation; or any sewer, storm water, water, gas, electrical, telephone, television, or other utilities not maintained by a utility company or public entity; and all Structures within the Common Areas shall be taken by the Association only. The Association shall maintain the exterior of the Detached Garage buildings as a Common Area, but shall apportion the costs of such maintenance pursuant to Article Five of this Declaration.

**8.3 DRAINAGE FACILITIES.** The Association shall maintain and repair the drainage facilities in accordance with the conditions or other requirements set out in the plat. These conditions shall include annual inspections and permanent maintenance of drainage tight lines, retention pond facilities, and all inflow and outflow systems. The roof drainpipes and footing drains of all Buildings will be connected to the existing storm drain system at time of construction. These conditions for repair and maintenance shall meet the standards of all City of Anacortes ordinances, Washington State Law, and the Department of Ecology Storm Water Manual or subsequent standards. An operation and maintenance schedule shall be provided for all proposed storm water facilities and BMP's, and the parties responsible for maintenance and operation shall be identified. In addition, all steep slopes shall be maintained in accordance with the current approved engineering plan on file with the City of Anacortes. This plan will maintain standards for slope stability, setback, drainage, erosion control, vegetation, earthwork, structural fill, excavation, and other applicable standards.

**8.4 ALTERATIONS TO COMMON AREAS.** Nothing shall be altered, constructed upon, or removed from the Common Areas without the prior written consent of seventy-five percent (75%) of the Owners or their Voting Representatives.

## ARTICLE NINE AMENDMENTS AND REVOCATION

**9.1 AMENDMENT BY DECLARANT OR ASSOCIATION.** Declarant may, prior to the Transition Date, amend this Declaration on its sole signature, provided this does not change any conditions of approval imposed by the City of Anacortes. After the Transition Date, this Declaration may also be amended by an instrument executed by the Association for and on behalf of the Owners, provided, however, that such amendments shall have received the prior written consent of seventy-five percent (75%) of the Owners or their Voting Representatives. The unanimous consent of all Owners

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shall be required for adoption of an amendment changing the voting power of the Owners or of this Article. In addition to the consent required of Owners, the approval of fifty-one percent (51%) of all First Mortgagees who have requested notice pursuant to Section 10.6 of any amendment changing the voting powers of the Owners, any amendment to this Articles, and any amendment to the Article of this Declaration pertaining to Subordination of Liens.

**9.2 EFFECTIVE DATE OF AMENDMENTS.** Amendments shall take effect only upon recording with the Skagit County Auditor's office.

## **ARTICLE TEN GENERAL PROVISIONS**

**10.1 TRANSFER OF CERTAIN UTILITIES; UTILITY REPAIR EASEMENT.** Declarant, and after the Transition Date, the Association, may transfer and convey any sewer, water, storm drainage, or other general utility in The Isles to a public body for ownership and maintenance, together with any necessary easements relating thereto, and each Lot shall become burdened thereby.

**10.2 TAXES.** Each Owner shall pay without abatement, deduction, or offset, all real and Personal property taxes, general and special assessments, including local improvement assessments, and other charges of every description levied upon or assessed against its Lot, Personal property located on or in the Lot. The Association shall likewise pay without abatement, deduction or offset, all of the foregoing taxes, assessments, and charges levied or assessed against the Common Areas.

**10.3 INTERPRETATION.** The captions of the various articles, sections and paragraphs of this Declaration are for the convenience of use and reference only and do not define, limit, augment, or describe the scope, content, or intent of this Declaration or any parts of this Declaration. The neuter gender includes the feminine and masculine, the masculine includes the feminine and neuter, and the feminine includes the masculine and neuter, and each includes a legal entity when the context so requires. The single number includes the plural whenever the context so requires.

**10.4 SEVERABILITY.** Invalidation of any one of these covenants, conditions, restrictions, easements, reservations, or provisions by judgment or court order shall in no way affect any of the other provisions, and the other provisions shall remain in full force and effect.

**10.5 RIGHTS OF THE CITY OF ANACORTES.** These covenants contain provisions which require the Owners of Lots within the Plat to provide ongoing

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compliance with the conditions of approval of the Plat. The obligations of the owners to the City of Anacortes are for the benefit of the City of Anacortes, and shall not operate to create an obligation of the City of Anacortes to the Owners or a third party. The obligations of the Owners to the City of Anacortes shall not be amended or altered without the express written consent of the City of Anacortes.

**10.6 NOTICE.** All notices given under any provision of this Declaration, any other Governing Document, or rules or regulations of the Association shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, the notice shall be deemed to have been delivered on the third (3rd) day of regular mail delivery after a copy has been deposited in the United States mail, first class, postage prepaid, addressed to the Person entitled to such notice at the most recent address known to the Board. Mailing addresses may be changed by notice in writing to the Board. Notices to the Board shall be given to Declarant until the Transition Date and thereafter shall be given to the registered agent of the Association. Any First Mortgagee of a Lot may file with the registered agent of the Association a written request that it be given copies of notices. Until the Mortgagee withdraws the request and satisfies the Mortgage of record, the Board shall send to the requesting Mortgagee a copy of (a) all notices of meetings of the Association; (b) all other notices sent to the Owner of the Lot covered by the Mortgagee's Mortgage; and (b) any financial statements. The provisions of this paragraph shall prevail over any inconsistent provisions in the Declaration or in the Articles or Bylaws.

**10.7 APPLICABLE LAW.** This Declaration shall be construed in all respects under the laws of the State of Washington.

## ARTICLE ELEVEN DURATION

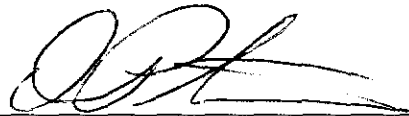
The covenants, conditions, restrictions, easements, and reservations of this Declaration shall run with and bind The Isles and shall inure to the benefit of and be enforceable by the Owners, their respective legal representatives, heirs, successors, and assigns, for a period of thirty (30) years from the date this Declaration is recorded, after which time the covenants, conditions, restrictions, easements, and reservations shall be automatically extended for successive periods of ten (10) years each unless an instrument signed by the owners of seventy-five percent (75%) of the Lots in the Isles has been recorded agreeing to terminate or modify and amend said covenants, conditions, restrictions, easements, and reservations.



ARTICLE TWELVE  
EFFECTIVE DATE

This Declaration shall take effect upon recording with the Skagit County Auditor.

DATED this 14 day of April, 2006.



Donald D. Peterson

HABITAT CONSTRUCTION, INC.

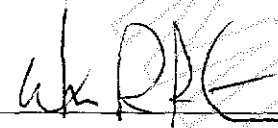


Donald D. Peterson,  
President

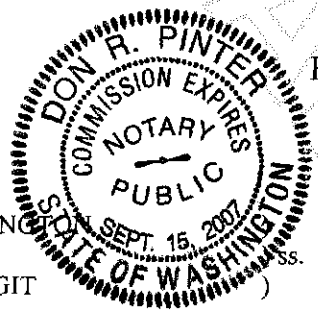
STATE OF WASHINGTON  
COUNTY OF SKAGIT

I certify that I know or have satisfactorily ascertained that DONALD D. PETERSON is the Person who appeared before me, and said Person acknowledged that she signed the foregoing instrument consisting of 21 pages, on oath stated that she was authorized to execute the instrument, and acknowledged it, as President of HABITAT CONSTRUCTION, INC., to be the free and voluntary act and deed of such party for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14<sup>th</sup> day of April, 2006.



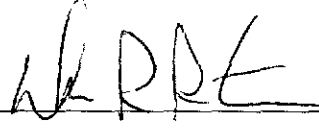
NOTARY PUBLIC in and for the State of Washington,  
residing at Coupeville, WA  
My appointment expires 9-15-07



STATE OF WASHINGTON  
COUNTY OF SKAGIT

On this day Personally appeared before me DONALD D. PETERSON, to me known to be the individual described in and who executed the foregoing document and acknowledged that she signed said document as her free and voluntary act and deed for the uses and purposes therein mentioned.

GIVEN under my hand and official seal this 14<sup>th</sup> day of April, 2006.



NOTARY PUBLIC in and for the State of Washington,  
residing at Coupeville, WA  
My appointment expires 9-15-07



EXHIBIT A

*[Legal Description of The Isles P.U.D.]*

UNOFFICIAL DOCUMENT



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