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Document Title	Declaration of Covenants, Conditions, and Restrictions for Fidalgo Villas
Reference Number of Related Document	N/A
Grantor	West Coast Land Investments, Inc.
Grantee	Plat of Fidalgo Villas
Abbreviated Legal Description	Parcel A: Lots 7, 8, 9, 10, 11 and 12 of Plat of Skyline No. 19, according to the plat thereof, recorded in Volume 13 of Plats, pages 19, 20, and 21, records of Skagit County, Washington Situate in Skagit County, Washington
Tax Parcel Numbers	P82080 through P82085

**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR FIDALGO VILLAS**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR FIDALGO VILLAS is made this 12th day of Apr., 2015, by West Coast Land Investments, a Washington corporation (the “**Declarant**”), as the owner of certain real property situated in Skagit County, State of Washington, as such property is more specifically described on Exhibit A, which is attached hereto and incorporated herein by this reference (the “**Real Property**”).

RECITALS

Declarant desires to develop the Plat of Fidalgo Villas as a residential community on the Real Property. Declarant also desires to create common areas and facilities for the benefit of the Fidalgo Villas community and to provide for the preservation of the natural values in Fidalgo Villas.

This Declaration establishes a plan for the private ownership of lots and the buildings constructed thereon, for the dedication of certain areas to the public, and for the beneficial ownership through a nonprofit corporation of certain other land and related easements, hereafter defined and referred to as the “**Common Areas**.” The nonprofit corporation shall be delegated and assigned the duties and powers of maintaining and administering the Common Areas, administering and enforcing these covenants, conditions, and restrictions, and collecting and disbursing the assessments and charges hereinafter created.

NOW, THEREFORE, Declarant hereby covenants, agrees, and declares that all of the Real Property, as defined herein, and the buildings and structures hereafter constructed thereon are, will be, held, sold, and conveyed subject to and burdened by the following covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value, desirability, and attractiveness of Fidalgo Villas for the benefit of the Owners thereof, their heirs, successors, grantees, and assigns. All provisions of this Declaration shall be binding upon all parties having or acquiring any right, title, or interest in the Real Property or any part thereof, and shall inure to the benefit of the Owners thereof and to the benefit of the Association and are intended to be and shall in all respects be regarded as covenants running with the land.

ARTICLE 1. DEFINITIONS

Section 1.1 “**Association**” shall mean and refer to the Fidalgo Villas Homeowners Association, a Washington nonprofit corporation, its successors and assigns.

Section 1.2 “**Association Action**” shall mean and refer to a written corporate action of the Association in the form of either a bylaw or resolution duly passed by either the Board or the Owners.

Section 1.3 “**Board**” shall mean and refer to the board of directors of the Association.

Section 1.4 “**Committee**” shall mean and refer to the Fidalgo Villas Architectural Control Committee more specifically defined in Article 4 herein.

Section 1.5 “Common Areas” shall mean and refer to all easements and Tracts and any improvements thereto that are owned by the Association, for the benefit of the Lot Owners, and subjected to this Declaration by an appropriate recording. As of the date of this Declaration, the Common Areas consist of: All Common Areas depicted on the Final Plat, including without limitation, the sidewalks and Shoreline Armoring, all as identified and/or illustrated on the Final Plat, recorded in the real property records of Skagit County.

Section 1.6 “Common Expenses” means the costs incurred by the Association to exercise any of the powers provided for in Chapter 64.38 RCW and this Declaration.

Section 1.7 “Declarant” shall mean and refer to the entity described on the first page of this Declaration and its respective successors and assigns. Nothing contained herein shall be deemed or construed by the Association or by any third person, to create the relationship of principal and agent, or a partnership, or a joint venture, or any association between or among any of the signatories hereto.

Section 1.8 “Declaration” shall mean and refer to this instrument, as the same may be supplemented or amended from time to time.

Section 1.9 “Development Period” shall mean and refer to that period of time beginning on the date of this Declaration and ending on the receipt by the Association of written notice from Declarant in which Declarant elects to terminate the Development Period.

Section 1.10 “Final Plat” shall mean and refer to the Final Plat of Fidalgo Villas recorded under Skagit County Recording No. 201505120127

Section 1.11 “Governing Documents” shall mean and refer to this Declaration and the Articles of Incorporation, Bylaws and rules and regulations of the Association as any of the foregoing may be amended from time to time.

Section 1.12 “Lot” shall mean and refer to any legally segmented and alienable portion of the Real Property created through subdivision or any other legal process for dividing land and subjected to this Declaration by an appropriate recording, with the exception of dedicated rights of way and Tracts designated as Common Areas.

Section 1.13 “Mortgage” shall mean and refer to any recorded mortgage or deed of trust encumbering one or more of the Lots. “First Mortgage” shall mean and refer to a Mortgage with priority over the other Mortgages. “Mortgagee” shall mean and refer to the holder or beneficiary of any Mortgage and shall not be limited to Institutional Mortgagees. As used herein, the term “Institutional Mortgagee” or “Institutional Holder” shall include banks, trust companies, insurance companies, mortgage companies, mortgage insurance companies, savings and loan associations, trusts, mutual savings banks, credit unions, pension funds, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, all corporations, and any agency of department of the United States Government or of any state or municipal government.

Section 1.14 “Owner” shall mean and refer to the record owner (whether one or more persons or entities) of a fee interest in any Lot, including the Declarant but excluding Mortgagees or other persons or entities having such interest merely as security for the performance of any obligation. Purchasers or assignees under recorded real estate contracts shall be deemed Owners as against their respective sellers or assignors.

Section 1.15 “Real Property” shall mean and refer to that certain real property which is legally described on **Exhibit A** attached hereto, and such additions thereto as may hereafter be brought within the terms and conditions hereof by an appropriate recording.

Section 1.16 “Reserve Component” shall mean a Common Area for which the cost of maintenance, repair, or replacement is infrequent, significant, and impractical to include in an annual budget.

Section 1.17 “Reserve Account” shall have the meaning set forth in Section 3.12 of this Declaration.

Section 1.18 “Reserve Study Professional” shall mean an independent person who is suitably qualified by knowledge, skill, experience, training, or education to prepare a reserve study in accordance with RCW 64.38.065 and RCW 64.38.070.

Section 1.19 “Significant Assets” shall mean that the current replacement value of the major Reserve Components is seventy-five percent (75%) or more of the gross budget of the Association, excluding the Association’s Reserve Account funds.

Section 1.20 “Single Family” shall mean and refer to a single housekeeping unit that includes not more than four (4) adults who are legally unrelated.

Section 1.21 “Shoreline Armoring” shall mean and refer to the soft shore bank stabilization structure located at the approximate top of the slope upland of the adjacent beach and extending approximately 10 feet landward and more specifically defined in the document titled “Beach Protection Project Monitoring and Maintenance Plan” dated July 12, 2013.

Section 1.22 “Skyline POA Committee” shall mean the Skyline Property Owners Association Architectural Committee more specifically described in Article 4 herein.

Section 1.23 “Skyline Property Owners Association” shall mean Skyline Beach Club, Inc., a Washington nonprofit Corporation, doing business under the registered trade name of Skyline Property Owners Association.

Section 1.24 “Structure” shall include any building, fence, wall, driveway, walkway, patio, garage, storage shed, carport, mailboxes, basketball hoop, play equipment, climbing apparatus, swimming pool, rockery, dog run or the like.

Section 1.25 "Tract" shall mean and refer to any legally segmented and alienable portion of the Real Property created through subdivision or any other legal process for dividing land and subjected to this Declaration by an appropriate recording, with the exception of Lots and dedicated rights of way.

ARTICLE 2. FIDALGO VILLAS HOMEOWNERS ASSOCIATION

Section 2.1 Description of Association. The Association is a nonprofit corporation organized and existing under the Laws of the State of Washington charged with the duties and vested with the powers prescribed by law and set forth in the Governing Documents, as they may be amended from time to time; provided, however, that no Governing Documents of the Association other than this Declaration shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. The Association shall have a perpetual existence and may not be dissolved for forty years after the date upon which this Declaration is recorded. Upon dissolution or final winding up of the Association entity under the laws of the State of Washington, all of its assets remaining after payment to creditors will be distributed or sold, and the sales proceeds distributed, to the members of the Association entity in accordance with the provisions of Ch. 24.03 RCW. The Owners are responsible for providing that the Association continues to be a functioning legal entity.

Section 2.2 Association Board. During the Development Period, the Declarant shall manage the Association and shall have all the powers of the Board set forth herein. Upon termination of the Development Period, a Board shall be elected from among the Owners, as provided in the Bylaws to manage the Association. The Board shall elect officers of the Association from among the Board members, which shall include a president who shall preside over the meetings of the Board and meetings of the Association.

Section 2.3 Votes Appurtenant to Lots. Every Owner shall be a member of the Association and, except as provided in Section 2.4, shall be entitled to cast one (1) vote in the Association for each Lot owned. A vote shall be appurtenant to and held and owned in the same manner as the beneficial fee interest in the Lot to which it relates. A vote shall not be separated from ownership of the Lot to which it relates; provided, however, that when more than one entity holds the beneficial fee interest in any Lot, the vote therefore shall be cast as the Owners among themselves determine, but, except as provided in Section 2.4, in no event shall more than one vote be cast with respect to any Lot; and if the several Owners of a Lot are unable to agree as to the casting of their vote, such vote shall not be counted. If a Lot is further subdivided as provide in Section 6.1 hereof, the Owner of each additional Lot created shall be entitled to one vote in the Association for each Lot owned.

Section 2.4 Initial Number of Votes. During the Development Period, each Lot owned by Declarant shall be entitled to five (5) votes in the Association and each Lot owned by an Owner other than Declarant shall be entitled to one (1) vote. Upon expiration of the Development Period, the total number of votes in the Association shall be equal to the number of Lots subject to this Declaration and each Lot shall be entitled to one (1) vote.

Section 2.5 Owner's Compliance. By acceptance of a deed to a Lot, recording of a real estate contract conveying title to a Lot, or any other means of acquisition of an ownership interest, the Owner thereof covenants and agrees, on behalf of himself and his heirs, successors, and assigns, to

observe and comply with the terms of the Final Plat, this Declaration, the Governing Documents of the Association, and all rules and regulations duly promulgated pursuant to the Association Action.

Section 2.6 Bylaws, Rules and Regulations. The Board on behalf of the Association shall have the power to adopt, modify, and amend rules and regulations governing the use of the Real Property, provided that such rules and regulations shall not be inconsistent with this Declaration. The rules and regulations shall apply uniformly to all Owners, except as specifically provided herein. The Board shall have the power to enforce the rules and regulations on behalf of the Association and may prescribe penalties for the violation of such rules and regulations, including, but not limited to, suspension of the right to use the Common Areas or portions thereof. Any such rules and regulations shall become effective thirty (30) days after promulgation and shall be mailed to all Owners prior to their effective date. A copy of the rules and regulations then in force shall be retained by the secretary of the Association. The Declarant, on behalf of the Board, may adopt the initial Bylaws and rules and regulations of the Association.

Section 2.7 Membership in Skyline Property Owners Association. The Owner of each Lot shall be deemed to be a member of Skyline Property Owners Association. In addition to all assessments and other charges and fees provided for herein, each Owner shall pay the annual or other dues and assessments as shall be from time to time fixed by Skyline Property Owners Association.

ARTICLE 3. ASSOCIATION BUDGET, ASSESSMENTS, AND LIENS

Section 3.1 Owner's Covenants to Pay Assessments. By acquisition of any ownership interest in a Lot, the Owner thereof covenants and agrees thereby, on behalf of himself and his heirs, successors, and assigns, to pay the Association, in advance, all general and specific assessments levied as provided herein. Notwithstanding the foregoing, the Declarant shall not be obligated to pay any assessments.

Section 3.2 Association Budget. The Association shall prepare, or cause the preparation of, an operating budget for the Association at least annually, in accordance with generally accepted accounting principles. The operating budget shall set forth all sums required by the Association, as estimated by the Association, to meet its annual costs and expenses, including, but not limited to, all management and administration costs, operating and maintenance expenses of the Common Areas, and services furnished to or in connection with the Common Areas, including the amount of all taxes and assessments levied against, and the cost of liability and other insurance on, the Common Areas, and including charges for any services furnished by or to the Association; the cost of utilities and other services; and the cost of funding all reserves established by the Association. The funds required to meet the Association's annual expenses shall be raised from a general assessment against each Owner as provided hereafter. The Association may revise the operating budget after its preparation at any time and from time to time, as it deems necessary or advisable in order to take into account and defray additional costs and expenses of the Association.

(a) **Adoption of Budget.** Within thirty (30) days after adoption by the Board of any proposed regular or special budget of the Association, the Board shall set a date for a meeting of the Owners to consider ratification of the budget not less than fourteen (14) nor more than sixty (60) days after mailing of the summary. Unless at that meeting the Owners to which a majority of the votes in the

Association are allocated reject the budget, in person or by proxy, 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 Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

(b) **Budget Summary.** As part of the summary of the budget provided to all Owners, the Board shall disclose to the Owners:

(i) The current amount of regular assessments budgeted for contribution to the Reserve Account (defined below), the recommended contribution rate from the Reserve Study, and the funding plan upon which the recommended contribution rate is based;

(ii) If additional regular or special assessments are scheduled to be imposed, the date the assessments are due, the amount of the assessments per each Owner per month or year, and the purpose of the assessments;

(iii) Based upon the most recent Reserve Study and other information, whether currently projected Reserve Account balances will be sufficient at the end of each year to meet the Association's obligation for major maintenance, repair, or replacement of Reserve Components during the next thirty (30) years;

(iv) If Reserve Account balances are not projected to be sufficient, what additional assessments may be necessary to ensure that sufficient Reserve Account funds will be available each year during the next thirty (30) years, the approximate dates assessments may be due, and the amount of the assessments per Owner per month or year;

(v) The estimated amount recommended in the Reserve Account at the end of the current fiscal year based on the most recent Reserve Study, the projected Reserve Account cash balance at the end of the current fiscal year, and the percent funded at the date of the latest Reserve Study;

(vi) The estimated amount recommended in the Reserve Account based upon the most recent Reserve Study at the end of each of the next five (5) budget years, the projected Reserve Account cash balance in each of those years, and the projected percent funded for each of those years; and

(vii) If the funding plan approved by the Association is implemented, the projected Reserve Account cash balance in each of the next five (5) budget years and the percent funded for each of those years.

Section 3.3 Levy of General Assessment. In order to meet the costs and expenses projected in its operating budget, the Association shall by Association Action determine and levy in advance on every Owner a general assessment. The amount of each Owner's general assessment shall be the amount of the Association's operating budget divided by the sum of the number of Lots. The Association shall make reasonable efforts to determine the amount of the general assessment payable by each Owner for an assessment period at least thirty (30) days in advance of the beginning of such period and shall at that time prepare a roster of the Owners and the general assessment allocated to each, which shall be open to

inspection by any Owner upon reasonable notice to the Association. Notice of the general assessment shall thereupon be sent to each Owner; provided, however, that notification to an Owner of the amount of an assessment shall not be necessary to the validity thereof. The omission by the Association, before the expiration of any assessment period, to fix the amount of the general assessment hereunder for that or the next period, shall not be deemed a waiver or modification in any respect of the provisions of this Article or a release by any Owner from the obligation to pay the general assessment, or any installment thereof, for that or any subsequent assessment period, but the general assessment fixed for the preceding period shall continue until a new assessment is fixed. Upon any revision by the Association of the operating budget during the assessment period for which such budget was prepared, the Association shall, if necessary, revise the general assessment levied against Owners and give notice to each Owner.

Section 3.4 Payment of General Assessment. Upon Association Action, installments of general assessments may be collected on a monthly, quarterly, semi-annual, or annual basis. Any Owner may prepay one or more installments on any assessment levied by the Association without penalty.

Section 3.5 Nondiscriminatory Assessment. Except as otherwise specifically provided herein, no assessment shall be made at any time which may unreasonably discriminate against any particular Owner or group of Owners in favor of other Owners. However, a special assessment may be made against a particular Owner by a two-thirds (2/3) majority vote of the Board if, after notice from the Association of failure to maintain such Lot in a condition comparable to the other Lots has been given, the Association elects to expend funds to bring such Owner's Lot up to such comparable standard.

Section 3.6 Commencement of Assessments. Liability of an Owner for assessments shall commence on the date upon which any instrument of transfer to such Owner becomes operative (such as the date of a deed or the date of a recorded real estate contract for the sale of any Lot) or, if earlier, the commencement date of Owner's occupancy of such Lot. The Declarant, its successors and assigns shall not be liable for any assessments with respect to any Lot.

(a) Upon the initial closing on any Lot from Declarant, the buyer thereof shall pay a one-time assessment in the amount of five-hundred dollars (\$500.00). This amount shall be in addition to any assessment established by the Association, and shall be paid by all buyers, including builders.

(b) The Board shall establish a budget for the Association. The budget shall estimate the charges for creating, funding and maintaining reasonable reserves for contingencies and operations, as well as for maintenance, repair, and replacement of Common Elements, and shall take into account any expected income and any surplus available from the prior year's operating fund. The Board shall revisit the budget at least annually, and revise as necessary to meet the needs of the Association.

Section 3.7 Certificates of Assessment Payment. Upon request, the Board shall furnish written certificates certifying the extent to which assessment payments on a specified Lot are paid and current to the date stated therein. A reasonable charge may be made by the Association for the issuance of such certificate.

Section 3.8 Special Assessments. In addition to the general assessments authorized by this Article, the Association may, by Association Action, levy a special assessment or assessments at any time, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any

construction or reconstruction, inordinate repair, or replacement of a capital improvement located upon or forming a part of the Common Areas, including necessary fixtures and personal property related thereto, or for such other purpose as the Association may consider appropriate. The due dates of any special assessment payments shall be fixed by the Association Action authorizing such special assessment.

Section 3.9 Effect of Nonpayment of Assessment. If any assessment payment is not made in full within thirty (30) days after it was first due and payable, the unpaid amounts shall constitute a lien against the Lot assessed and shall bear interest from such due date at a rate set by the Board in its rules and regulations which shall not exceed the highest rate then permitted by law. By acceptance of a deed to a Lot, recording of a real estate contract therefore, or any other means of acquisition of an ownership interest, and whether or not it shall be so expressed in any such deed or other instrument, each Owner shall be deemed to grant thereby to the Association, its agents and employees, and to Declarant during the Development Period, the right and power to bring all actions against such Owner personally for the collection of such assessments as a debt, and to enforce the liens created by this Declaration in favor of the Association by foreclosure of the continuing liens in the same form of action as is then provided for the foreclosure of a mortgage on real property. The liens provided for in this Declaration shall be for the benefit of the Association, and shall arise in accordance with the terms of this Declaration without the necessity of any further action by the Association. The Association shall have the power to bid at any lien foreclosure sale and to acquire, hold, lease, mortgage, and convey the Lot foreclosed against.

Section 3.10 Duration of Lien. Any lien arising pursuant to Section 3.9 shall be a continuing lien in the amount stated in the assessment from the time of the assessment, but expiring pro rata as the assessment payments are made, and shall also be the personal obligation of the person or entity who is the Owner of the Lot at the time of the assessment. The personal obligation to pay a prior assessment shall not pass to successors in interest unless expressly assumed by them; provided, however, that in the case of a sale or contract for the sale of any Lot which is charged with the payment of an assessment, the person or entity who is the Owner immediately prior to the date of such sale shall be personally liable for the amounts of the monthly installments due prior to said date, and the new Owner shall be personally liable for monthly installments becoming due on or after such date. The foregoing limitation on the duration of the personal obligation of an Owner to pay assessments shall not, however, affect the validity or duration of the continuing lien for unpaid assessments against the respective Lot.

Section 3.11 Suspension for Nonpayment of Assessment. If an Owner shall be in arrears in the payment of any assessment due, or shall otherwise be in default of the performance of any terms of the Governing Documents of the Association for a period of thirty (30) days, said Owner's voting rights shall without the necessity of any further action by the Association, be suspended (except as against foreclosing secured parties) 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 nonuse of the Common Areas or by abandonment of a Lot.

Section 3.12 Reserve Account for Repair or Replacement. As a Common Expense, the Association may establish and maintain a reserve fund for major maintenance, repair or replacement of the Common Areas and any improvements thereon ("Reserve Account"). Such Reserve Account shall be deposited with a banking institution, and in the name of the Association. The Reserve Account shall be expended only for the purpose of affecting the major maintenance, repair or replacement of the

Common Areas, including Shoreline Armoring, and any improvements and community facilities thereon, and to any sidewalks, roads, walls or pathways developed as a part of Fidalgo Villas, equipment replacement, and for operating contingencies of a nonrecurring nature. The Board is responsible for administering the Reserve Account. The Association may establish such other reserves for such other purposes as it may from time to time consider to be necessary or appropriate. The proportional interest of any Owner in any such reserves shall be considered an appurtenance of his Lot and shall not be separately withdrawn, assigned, or transferred from the Lot to which it appertains.

(a) **Withdrawals from Reserve Account.** In addition to withdrawals for the purposes set forth in Section 3.12 above, the Association may withdraw funds from the Reserve Account to pay for unforeseen or unbudgeted costs that are unrelated to maintenance, repair, or replacement of Reserve Components. The Board shall record any such withdrawal in the Association's minute books, cause notice of any such withdrawal to be hand delivered or sent prepaid by first-class U.S. mail to the mailing address of each Owner, and adopt a repayment schedule not to exceed twenty-four (24) months unless the Board determines that repayment within twenty-four (24) months would impose an unreasonable burden on the Owners. Payment for major maintenance, repair, or replacement of the Reserve Components out of cycle with the Reserve Study projections or not included in the Reserve Study may be made from the Reserve Account without meeting the notification or repayment requirements under this Section 3.12(a).

Section 3.13 Reserve Studies. The provisions of this Section 3.13 are intended to summarize the requirements for reserve studies as provided in RCW 64.38.065-.090, and in the event of any conflict with the provisions herein, the statutory provisions shall control.

(a) **Board Determination.** Unless (a) there are ten (10) or fewer homes in the Association; (b) the Board determines that the Association does not have Significant Assets; (c) the cost of a Reserve Study exceeds five percent (5%) of the Association's annual budget; or (d) the Board determines that doing so would impose an unreasonable hardship, the Board shall, cause the Association to prepare an initial reserve study (a "Reserve Study") based upon a visual site inspection conducted by a Reserve Study Professional. The Reserve Study shall comply with the requirements of RCW 64.38.070, and shall be updated annually unless doing so would impose an unreasonable hardship. At least every three (3) years, an updated Reserve Study must be prepared and based upon a visual site inspection conducted by a Reserve Study Professional.

(b) **Owner Demand.** When more than three (3) years have passed since the date of the last Reserve Study prepared by a Reserve Study Professional, the Owners to which at least thirty-five percent (35%) of the votes are allocated may demand, in writing, to the Association that the cost of a Reserve Study be included in the next budget and that the Reserve Study be prepared by the end of that budget year. The written demand must refer to RCW 64.38.080. The Board shall, upon receipt of the written demand, provide the Owners who make the demand reasonable assurance that the Board will include a Reserve Study in the next budget and, if the budget is not rejected by a majority of the Owners, will arrange for the completion of a Reserve Study.

Section 3.14 Limitations on Liability related to Reserve Account and Reserve Studies. Monetary damages or any other liability may not be awarded against or imposed upon the Association, its officers, the Board, or those persons who may have provided advice or assistance to the Association, its officers, or the Board, for failure to: (a) establish a Reserve Account; (b) have a current Reserve Study

prepared or updated in accordance with the requirements of Chapter 64.38 RCW and this Declaration; or (c) make the required disclosures in accordance with Section 3.2(b) and Chapter 64.38 RCW.

Section 3.15 Failure to Comply Does Not Relieve Owners. An Owner's duty to pay for Common Expenses is not excused, and a budget ratified by the Owners is not invalidated, because of the Association's failure to comply with the Reserve Study or Reserve Account requirements.

Section 3.16 Certain Areas Exempt. The Tracts and all portions of Fidalgo Villas dedicated in fee simple to and accepted by a public authority shall be exempt from assessments by the Association.

Section 3.17 Beach Protection Monitoring Payments. Fidalgo Villas is subject to a five-year Beach Protection Project Monitoring Plan more specifically described in the document titled "Beach Protection Project Monitoring and Maintenance Plan," prepared by GeoEngineers and dated July 12, 2013. The Association shall pay as a Common Expense the costs associated with said plan.

Section 3.18 Shoreline Vegetation Monitoring Payments. Fidalgo Villas is subject to a five-year Shoreline Vegetation Monitoring and Maintenance Plan more specifically described in the document titled "Shoreline Vegetation Monitoring and Maintenance Plan," prepared by GeoEngineers and dated July 12, 2013. The Association shall pay as a Common Expense the costs associated with said plan.

ARTICLE 4. ARCHITECTURAL CONTROL COMMITTEE

Section 4.1 Fidalgo Villas Architectural Control Committee. An Architectural Control Committee ("Committee") consisting of up to three (3) members, but in any event always an odd number of members, is hereby created with the rights and powers set forth in this Declaration. The initial members of the Committee shall be representatives appointed by Declarant. Committee members shall not be entitled to compensation for their services hereunder, except as may be determined by the Board of Directors. Declarant shall have the right and power at all times to appoint or renew the appointment of the members of the Committee or to fill any vacancy until the expiration of the Development Period. After the expiration of the Development Period, the Board shall have the power to appoint and remove the members of the Committee.

Section 4.2 Jurisdiction and Purpose. The Committee shall review proposed plans and specifications for construction of all residences and other Structures within Fidalgo Villas, including any additions, exterior alterations, fences, major landscaping, clearing, painting, paving and excavation. During the Development Period, a prospective Owner shall submit architectural and landscaping plans and specifications to the Committee for its review prior to closing the purchase of a Lot. Prior to submittal to the Committee, the Owner shall verify all improvements meet all local municipal codes. The Committee assumes no liability and holds no authority to approve, permit, or allow any construction on behalf of the local governing authorities. The Committee shall adopt and publish rules and procedures for the review of such plans and specifications. It shall be the obligation of each Owner or prospective Owner to be familiar with the rules and procedures of the Committee. As conditions precedent to approval of any matter submitted to it, the Committee shall find:

(a) Consistent with Declaration. The approval of the plan is in the best interest of the Owner and consistent with this Declaration.

(b) General Considerations. General architectural considerations, including relationship and layout of Structures to natural features and adjacent homes, orientation and location of buildings, vehicular access, circulation and parking, setbacks, height, walls, fences, and similar elements have been designed to be compatible with the overall design of Fidalgo Villas.

(c) Site Considerations. General site considerations, including site layout, relationship of site to vegetation, natural features, open space and topography, orientation and locations of buildings, vehicular access and driveway lighting, circulation and parking, setbacks, height, walls, fences and similar elements have been designed to be compatible with the overall design of Fidalgo Villas.

(d) Landscape Considerations. General landscape considerations, including the location, type, size, color, texture and coverage of plant materials, provisions for irrigation, maintenance and protection of existing landscaped areas and similar elements have been considered to ensure visual relief, to complement buildings and Structures, and to provide an attractive environment for the enjoyment of the Owners in general and the enhancement of the property values in Fidalgo Villas.

(e) Siding. Without limiting the foregoing, each residence, improvement or Structure constructed on a Lot shall be built of new materials except, with approval of the Committee, decorative items such as used brick, weathered planking, and similar items. All siding materials shall be of masonry (including stucco, dryvit, cultured stone, brick, stone, or similar material), and/or wood or wood-type siding material. All paints or natural finishes shall be those colors commonly known as earth tones.

(f) Roofing. The roof shall be a composition roof with a 30-year life.

(g) Entry Walks, Porches and Decks. All front entry walks shall be exposed aggregate concrete, and all decks and wood porches shall be constructed of cedar or pressure-treated materials.

(h) Driveways. All driveways shall be constructed of exposed aggregate concrete paving.

(i) Local Codes. All buildings or Structures shall be constructed in accordance with all applicable codes and regulations. In the event of a conflict between any applicable codes and this Declaration, the codes shall govern.

(j) Windows. South facing windows shall be outfitted with storm shutters or windows constructed of steel or equivalent material(s).

Section 4.3 Approval Procedures. Two copies of a preliminary application for approval must be submitted in writing to the Committee at the registered office of the Association. Within fifteen (15) days following receipt of a preliminary application, the Committee shall notify the applicant in

writing as to whether the application is complete and, if not, of any additional information that may be required before the Committee can review the application. The Committee's rules and procedures may specify the payment of a reasonable nonrefundable fee, to be set forth in the Committee rules, for the purpose of defraying the costs associated with the Committee's review of the preliminary application. This fee may be adjusted from time to time by the Committee in accordance with its rules and procedures. The Committee shall review the application in accordance with the provisions of this Section as soon as possible after a complete application has been filed. The decision of a majority of the members of the committee shall be the decision of the Committee. One copy of approved plans will remain in the Committee's files. All disapproved plans will be returned to the applicant. Approved plans shall be submitted to the Skyline POA Committee for review as described in Section 4.7 and 4.8 herein.

Section 4.4 Failure of Committee to Take Action. Except as provided in Section 4.6 below, in the event that the Committee fails to respond to an applicant's complete and properly submitted application within thirty (30) days after the Committee has notified the applicant that the application is complete, formal written approval will not be required, and the applicant shall be deemed to have fully complied with the provisions for approval by the Committee and can proceed to submit the application to the Skyline POA Committee for review as described in Section 4.7 and 4.8 herein; provided, however, if the Committee delivers notice of the need for one (1) thirty (30) day extension prior to expiration of the above referenced thirty (30) days period, the Committee shall have thirty (30) additional days to make its decision.

Section 4.5 Committee's Obligation. The Committee, in its deliberations and in the discharge of its obligations hereunder, shall act objectively and fairly in making decisions concerning various plans, specifications, plot plans and landscape plans submitted to it by various applicants for consideration in accordance with the provisions of this Declaration. Further, the determinations of the Committee as to noncompliance shall be in writing, signed by the Committee, and shall set forth in reasonable detail the reason for noncompliance. The Committee may approve, approve with conditions, or disapprove an application or any part thereof. In all cases, the sole responsibility for satisfying the provisions of this Declaration and all local building codes and governmental requirements rests with the applicant. In consideration of the Committee's review of an applicant's application, the applicant shall indemnify and hold the Committee harmless from any claim or damages resulting from applicant's failure to comply with applicable building codes or other governmental requirements.

Section 4.6 Exemptions and Variances From Committee Requirements. The Committee may, upon request, grant exemptions and variances from the rules and procedures of the Committee and the requirements of this Declaration when the party requesting such exemption or variance establishes to the satisfaction of the Committee that the improvements or other matters which are desired by the applicant are aesthetically as appealing, suited to climatic conditions, and compatible with the overall character of the development as are similar improvements or matters which conform to the requirements of this Declaration. Request for an exemption or variance shall be submitted in writing to the Committee and shall contain such information as the Committee shall from time to time require. The Committee shall consider applications for exemption or variance and shall render its decisions within thirty (30) days after notice to the applicant of proper submission. The failure of the Committee to approve an application for an exemption or variance shall constitute disapproval of such application.

Section 4.7 Skyline Property Owners Association Architectural Committee Review.

Upon approval by the Committee as described in Sections 4.3 and 4.4, the application along with the Committee's written approval shall be submitted by the applicant to the Skyline Property Owners Architectural Committee ("**Skyline POA Committee**") for final review. The Skyline POA Committee shall be governed by and shall approve applications pursuant to the following rules and standards:

(a) The Skyline POA Committee shall at all times consist of as many persons, not less than three, as Skyline Property Owners Association shall appoint.

(b) Skyline Property Owners Association shall keep on file at its principal office a list of the names and addresses of the members of the Skyline POA Committee.

(c) Except as otherwise provided herein, any two members of the Skyline POA Committee shall have power to act on behalf of the Skyline POA Committee without the necessity of a meeting and without the necessity of consulting the remaining member of the Skyline POA Committee. The Skyline POA Committee may act only by written instrument setting forth the action taken and which instrument shall be signed by the members of the Skyline POA Committee consenting to the action.

(d) All plans shall be approved by the Skyline POA Committee. The Skyline POA Committee shall recognize that there can be an infinite number of architectural conceptions and ideas for the development of property. Skyline Property Owners Association wishes to encourage the formulation of such conceptions and ideas. Nevertheless, for the protection of all Skyline Property Owners Association members, the Skyline POA Committee shall attempt to ensure that any development of a residential lot will be consistent with the plan for Skyline Property Owners Association. Guidelines for the Skyline POA Committee are set forth in this Declaration.

(e) Owners shall not construct, alter or maintain any improvement or addition on the premises until:

(i) The Owners have submitted to the Skyline POA Committee three complete sets of plans and specifications therefore in a form satisfactory to the Skyline POA Committee, showing insofar as is appropriate (1) the size and dimensions of the improvement, (2) the exterior design, (3) the exact location of the improvement on the residential lot, (4) the location of the driveways and parking areas (5) and the location of the highest point of the lot and its relationship to the highest point of the house.

(ii) Such plans and specifications have been approved in writing by the Skyline POA Committee.

(f) If at any time Owners shall have submitted plans to the Skyline POA Committee, and such plans and specifications have not been returned to the Owner approved by the Skyline POA Committee or with its comments or notification of its objections within fourteen (14) days from the date of their submission, then such plans and specifications shall be deemed to have been approved by the Skyline POA Committee, notwithstanding any permits required by the City of Anacortes. Similarly, in the event that Owners have filed revised plans and specifications for any improvements after receiving objections or comments from the Skyline POA Committee, and the Skyline POA Committee has neither

approved such revised plans and specifications within fourteen (14) days from the date of their submission nor notified the Owner if its further objections, then such revised plans and specifications shall be deemed to have been approved by the Skyline POA Committee, notwithstanding any permits required by the City of Anacortes.

(g) Whenever Owners have completed an improvement, they shall promptly notify the Skyline POA Committee in writing so as to facilitate its inspection. Any member of the Skyline POA Committee, on any weekday between the hours of 9:00 o'clock a.m. to 5:00 o'clock p.m. and within thirty (30) days following the time the Owners have so notified the Skyline POA Committee of the completion of any improvement, may inspect such improvement for the purpose of determining its compliance with the plans and specifications approved by the Skyline POA Committee. In the event that the Skyline POA Committee shall determine that such improvement not comply with the approved plans specifications, it shall notify the Owners in writing within a thirty (30) day period, whereupon the Owners shall, within such time as the Skyline POA Committee shall specify, but not more than thirty (30) days from the date of notice, either remove such improvement or alter it so that it will comply with the approved plans and specifications. In the event that the Skyline POA Committee shall not communicate in writing with the Owners within thirty (30) days from the time they have notified the Skyline POA Committee of the completion of the improvement, the improvement shall conclusively be deemed to be satisfactory to the Skyline POA Committee.

(h) All communications to the Skyline POA Committee shall be in writing and delivered by hand or by mail to the Skyline POA Committee, c/o Skyline Property Owners Association, at its principal office.

(i) Recommendations of the Skyline POA Committee for approval or disapproval of plans for corrective action for a covenant violation shall be written and shall be provided to the homeowner concerned. Any owner contesting a recommendation of the Skyline POA Committee may request review of the recommendations by the Skyline Property Owners Association Board of Trustees, provided that the request for review is in written form and actually delivered to the Beach Club offices within fourteen (14) days after the Skyline POA Committee recommendation is mailed or delivered to the homeowner. The Board of Trustees shall promptly review the Skyline POA Committee recommendation, giving the homeowner opportunity to be heard, and may approve, disapprove or modify the recommendation.

(j) The decisions of the Skyline POA Committee and the Board of Trustees described in the preceding paragraph shall be final; provided that an applicant nonetheless may revise and resubmit plans for a second round of review and decision by the Committee with a final review and decision by the Skyline POA Committee as provided in this Article 4.

Section 4.8 Approval by the Skyline POA Committee Not to Be Unreasonably Withheld. The Skyline POA Committee shall not unreasonably withhold its approval of applications approved by the Committee.

Section 4.9 Construction Deposit. For purposes of protecting the Common Areas and Common Area improvements against damage during construction by an Owner, his contractors and agents, the Committee is authorized, but not mandated, to require a cash deposit from each Owner to

whom approval of plans is given of an amount deemed appropriate by the Committee for such purposes (“**Construction Deposit**”), if the Committee finds that potential damage can be done to the Common Area(s) caused by Owner’s proposed construction. The Construction Deposit, however, shall not exceed Two Thousand Dollars (\$2,000.00). In the event an Owner, his contractor, agents or employees causes any damage or destruction to any portion of the Common Areas or Common Area Improvements, the Committee shall notify such Owner and request the replacement or repair of the item or area damaged or destroyed. The Owner shall have a period of two (2) business days after the date or receipt of such notice to advise the Committee of its intended course of action and its schedule for correction of the damage, and to commence such correction. The Committee shall in its sole discretion approve or disapprove such course and schedule, and the Owner agrees to make such changes thereto as are necessary to obtain the Committee’s approval. If the Owner fails to correct the damage in the manner or within the time approved by the Committee, the Committee may, at its option, perform such work as is necessary to remedy the situation on behalf and at the expense of the Owner and apply the Construction Deposit against the cost thereof. If the cost of such work exceeds the total amount of the Construction Deposit, the Owner shall pay the Association that excess cost within ten (10) days of demand by the Committee. Upon completion of construction of the Improvements on the Lot, and following a joint inspection of the Improvements and Lot by the Owner and the Committee to verify that no damage to the Common Areas and/or Common Area Improvements has occurred, the Committee shall make a final determination of compliance and return the remaining balance, if any, of the Construction Deposit to the Owner, without interest within ten (10) days of such final determination

Section 4.10 Construction to be Prosecuted Diligently. The work of construction of all buildings shall be prosecuted diligently and continuously from commencement of construction until exteriors of such buildings are completed and painted or otherwise suitably finished. Exterior work on any building shall be completed within one year from the start of construction.

Section 4.11 Failure of Applicant to Comply. Failure of the applicant to comply with the rules and procedures of the Committee or the final application as approved by the Committee and Skyline POA Committee shall, at the election of the Association’s Board exercised after thirty (30) days’ written notice to such applicant, constitute a violation of this Declaration. In that event, the Board shall be empowered to assess a penalty commensurate with the violation, which shall constitute a lien against such Lot, enforceable as provided herein and/or pursue any other remedy, including, but not limited to, an action for injunctive relief or specific performance.

Section 4.12 View. It is important that Owners shall restrict the height of improvements on the premises and the height of trees and vegetation growing thereon to the end that the waterward view of other Owners shall be preserved to the greatest extent possible. Limitation as to the height of improvements and vegetation shall be accomplished through the provisions contained in Section 8.3. The Skyline POA Committee shall have the responsibility for determining whether trees or other vegetation on the premises in questions unreasonably interfere with the view of other properties in accordance with Section 8.3. In any case in which the Skyline POA Committee shall determine that there is such interference and the regulations of the City of Anacortes and other applicable regulatory agencies allow for pruning of such trees or other vegetation, the Skyline POA Committee shall send a notice in writing to the Owners, which notice shall set forth the extent to which the trees or other vegetation shall be pruned or removed. If within thirty (30) days after receipt of such notice the Owners have not caused trees or other vegetation to be pruned or removed to the extent required by the Skyline POA Committee

and allowed by law, Skyline Property Owners Association, may do such work as to prune or remove the trees or vegetation, and shall charge all cost of such work to the Owners. Such charges and costs may be enforced by a lien on the property, in the same manner as for nonpayment of homeowner dues.

ARTICLE 5. SUBORDINATION OF LIENS

Section 5.1 Intent of Provisions. The provisions of this Article 5 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.

Section 5.2 Mortgagee's Nonliability. The holder of a Mortgage shall not, by reason of its 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.

Section 5.3 Mortgagee's Rights During Foreclosure. During foreclosure of a Mortgage, including any period of redemption, the holder of the Mortgage 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 Owner's exercise of such rights and privileges.

Section 5.4 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.

Section 5.5 Survival of Assessment Obligation. After the foreclosure of a security interest in a Lot, any unpaid assessments shall continue to exist and remain as a personal obligation of the Owner against whom the same was levied, and the Association shall use reasonable efforts to collect the same from such Owner.

Section 5.6 Subordination of Assessment Liens. The liens for assessments provided for in this Declaration shall be subordinate to the lien of any first 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 confirm such priority. The sale or transfer of any Lot or of 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 realizing a security interest, liens shall arise against the Lot for any assessment payments coming due after the date of completion of foreclosure.

ARTICLE 6. USE COVENANTS, CONDITIONS AND RESTRICTIONS

Section 6.1 Authorized Uses. With the exception of the Future Development Site noted on the Final Plat, Fidalgo Villas shall be used solely for residential purposes and related facilities normally incidental to a residential community.

Section 6.2 Leasing Restrictions. No residence on any Lot may be leased or rented by any party for a period of fewer than thirty (30) days, nor shall less than the whole of any Lot be leased or rented. Each lease or rental agreement shall be in writing and shall by its terms provide that it is subject in all respects to the provisions of the Governing Documents. Any failure by a lessee to comply with the terms of the Governing Documents shall be a default under the lease, whether or not it is so expressed therein. Other than the foregoing, there is no restriction on the right of any Owner to lease his Lot or residence.

Section 6.3 Animals. No animals, livestock, or poultry of any kind shall be raised, bred, or kept in Fidalgo Villas except as specifically provided herein. Domesticated dogs, cats, or other conventional household pets may be kept if they are not kept, bred, or maintained for any commercial purposes, and all animals must be in compliance with applicable codes and regulations. "Other conventional household pets" shall include only traditionally domesticated pets and shall not include chickens or any exotic pets such as large or potentially dangerous reptiles, potentially harmful insects, bees, large birds, wild animals, and animals not normally domesticated, all of which are strictly prohibited in Fidalgo Villas. No domestic pet may be kept if its presence or actions constitute a public or private nuisance. Pets shall be registered, licensed, and inoculated from time to time as required by law. When not confined to the Owner's Lot, pets within Fidalgo Villas shall be leashed and accompanied by a person responsible for cleaning up any animal waste. No pets shall be tethered to any rope, cord, chain, etc. while outdoors on a Lot within Fidalgo Villas for longer than two hours at a time.

Section 6.4 Commercial Uses Limited to Future Development Site. With the exception of the Future Development Site shown on the Final Plat, no commercial enterprise, including itinerant vendors, shall be permitted on any Lot; provided, however, that the Association may, by adopting rules and regulations, permit specified home occupations to be conducted if allowed by law and if such occupation will not, in the reasonable judgment of the Association, cause traffic congestion or other disruption of the Fidalgo Villas community; and provided further that no signs or advertising devices of any character shall be permitted.

Section 6.5 Vehicle Storage and Fuel Containers. The provisions of this Section 6.5 shall apply to all Lots with the exception of the Future Development Site shown on the Final Plat. No storage of goods, vehicles, boats, trailers, trucks, campers, recreational vehicles or other equipment or device shall be permitted in open view from any Lot, except this shall not exclude temporary (less than seventy-two (72) hours) parking of vehicles on the designated driveway areas adjacent to garages on the Lots. Upon forty-eight (48) hours notice to the Owner of an improperly parked or stored vehicle, boat, or other equipment, the Association has authority to have removed at the Owner's expense any such vehicle visible from the street that is parked on any Lot, street or within a Common Area for more than seventy-two (72) hours. No fuel container larger than ten (10) gallons shall be kept or maintained on any premises.

Section 6.6 Garbage. All trash shall be placed in sanitary containers either buried or screened so as not to be visible from adjoining Structures or streets or roadways. No Lot or any portion thereof shall be used as a dumping ground for trash or rubbish of any kind. Yard rakings, dirt and debris resulting from landscaping work or Construction shall not be dumped onto adjoining lots or streets or roadways.

Section 6.7 Utilities Underground. Except for hoses and the like which are reasonably necessary in connection with normal lawn maintenance, no water pipe, sewer pipe, gas pipe, drainage pipe, telephone, power, or television cable, or similar transmission line shall be installed or maintained above the surface of the ground.

Section 6.8 Signs. The provisions of this Section 6.8 shall apply to all Lots with the exception of the Future Development Site shown on the Final Plat. Except for entrance, street, directional, traffic control, and safety signs, no promotional signs or advertising devices of any character shall be posted or displayed in Fidalgo Villas; provided, however, that one temporary real estate sign not exceeding six (6) square feet in area may be erected upon any Lot or attached to any residence placed upon the market for sale or lease. Any such temporary real estate sign shall be removed promptly following the sale or rental of such Lot or residence.

Section 6.9 No Obstruction of Easements. No structure, planting, or other material shall be placed or permitted to remain upon the Real Property which may damage or interfere with any easement for the installation or maintenance of utilities, or which may unreasonably change, obstruct, or retard direction or flow of any drainage channels. No decorative planting, structure or fence may be maintained within utility easement area.

Section 6.10 Antennas and Clotheslines. No external aerial antenna, free-standing antenna towers, satellite reception dishes of any kind or clotheslines shall be permitted in Fidalgo Villas; provided, however, satellite dishes of less than 18 inches in diameter are permitted provided the Architectural Control Committee approves the location of same. Satellite dishes greater than 18 inches in diameter may be allowed through written consent of the Architectural Control Committee.

Section 6.11 Owners' Maintenance Responsibilities. The maintenance, upkeep, and repair of individual Lots and homes shall be the sole responsibility of the individual Owners thereof, and in no way shall it be the responsibility of the Association, its agents, officers or directors. Owners shall maintain their Lots and homes in good repair and in a clean, sightly, and sanitary condition at all times. Without limitation as to the foregoing, each Owner shall be obligated to keep his Lot and home in a clean, sightly and sanitary condition and maintain the landscaping on his Lot in a healthy and attractive state and in a manner comparable to that on the other Lots in Fidalgo Villas. No storage of firewood shall be permitted in front yards. After thirty (30) days' written notice to an Owner from the Association of such Owner's failure to so maintain his home or Lot, and after approval by a two-thirds (2/3) majority vote by the Board, the Association shall have the right, through its agents and employees, to enter upon any Lot which has been found to violate the foregoing standards in order to restore the home or Lot to such standards. The cost of such work shall be a special assessment on such Owner and his Lot only. If Skyline Property Owners Association determines that an Owner has failed to maintain such Owner's home or Lot in accordance with the standards provided herein, it may send written notice of such failure to the Board and the Board shall have the discretion to take such action, if any, as it deems appropriate in accordance with this Section 6.11.

Section 6.12 Weapons. No firearms of any kind or nature, including rifles, handguns, bows, slingshots, BB guns, slings, traps, or any other like weapon, shall be used or discharged within Fidalgo Villas except by authorized governmental officials.

Section 6.13 Nuisances Prohibited. No noxious or offensive activity shall be conducted in any portion of Fidalgo Villas, nor shall anything be done or maintained therein in derogation or violation of the laws of the State of Washington or any other applicable governmental entity. Nothing shall be done or maintained on any portion of Fidalgo Villas which may be or become an annoyance or nuisance to the neighborhood or detract from the value of the Fidalgo Villas community. The Association shall determine by Association Action whether any given use of a Lot unreasonably interferes with the rights of the other Owners to the use and enjoyment of their respective Lots or of the Common Areas, and such determination shall be final and conclusive.

Section 6.14 Preservation of Landscaping. No party subject to the terms of this Declaration or his/her/their agents, employees or guests shall destroy or otherwise materially adversely impact landscaping on Common Areas and/or dedicated Tracts, or as otherwise governed by applicable laws, codes and regulations.

Section 6.15 Temporary Structures. No Structure or improvement of a temporary character, including without limitation a trailer, tent, shack, garage, barn, or other outbuilding shall be installed, placed or used on any Lot as a dwelling or residence, either temporarily or permanently.

Section 6.16 Window Coverings. Curtains, drapes, blinds or valances shall be installed on all windows within ninety (90) days of occupancy of a residence on a Lot. No newspapers, bed sheets or other makeshift window coverings shall be visible from the exterior of the residence.

Section 6.17 Fences. No fence or vegetation over three (3) feet in height is allowed between houses to allow for view corridors except where homes are constructed at the minimum ten (10) feet separation and five (5) feet setbacks on each side of the property line.

Section 6.18 Further Subdivision of Lots Restriction. After the Development Period no Lot shall be further subdivided without prior approval conferred by Association Action, except as otherwise permitted in this Declaration. No Lot or portion of a Lot in the Plat shall be divided and sold or resold or ownership changed or transferred, whereby the ownership of any portion of Fidalgo Villas shall be less than the area required for the use district in which located.

Section 6.19 Damage. Any damage to streets, Plat improvements, entry structure, fences, landscaping mailboxes, lights and lighting standards by Lot Owners, their children, contractors, agents, visitors, friends, relatives or service personnel shall be repaired and restored to like new condition by such Owner within twelve (12) days from the occurrence of such damage. After thirty (30) days' written notice to an Owner from the Association of such Owner's failure to so repair, and after approval by a two-thirds (2/3) majority vote by the Board, the Association shall have the right, through its agents and employees, make such repairs on behalf of such Owner. The cost of such work shall be a special assessment on such Owner and his Lot only.

Section 6.20 Pesticides and Herbicides Prohibited. Pesticides and herbicides are prohibited.

ARTICLE 7. COMMON AREAS

Section 7.1 Title to Common Areas. All Common Areas were granted in accordance with the terms of the Final Plat upon recording of the Final Plat. 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, in accordance with the terms and conditions of the Governing Documents and the Final Plat.

Section 7.2 Maintenance of Common Areas. The Association shall maintain, repair, replace, improve and otherwise manage all of the Common Areas so as to keep them in good repair and condition and shall conduct such additional maintenance, repair, replacement, construction, or reconstruction as may be determined pursuant to Association Action. The Association shall take any action necessary or appropriate to the maintenance and upkeep of the Common Area and improvements thereon. During the Development Period, Declarant shall pay the expenses reasonably necessary to maintain, repair, replace, improve and otherwise manage the Common Areas to the standard described in this paragraph; provided that the Association shall reimburse Declarant or offset its proportionate share of expenses with any assessments the Association collects from Owners other than Declarant to pay for such maintenance, repair, replacement, improvement or management of the Common Areas. The Association's proportional share of such costs shall be derived by dividing the total number of Lots owned by Owners other than Declarant by the number nineteen (19) and multiplying the quotient times the amount of the costs.

Section 7.3 Monument and Landscaping Maintenance and Easements. The Association shall be responsible for maintaining any Fidalgo Villas monument signage and shall be responsible for maintaining any landscaping in Common Areas, including but not limited to planter strips, in accordance with the terms of the Final Plat and all applicable laws, codes and regulations.

ARTICLE 8. CERTAIN GRANTS, EASEMENTS, COVENANTS AND RESTRICTIONS

Section 8.1 Setbacks. Front yard setbacks shall be a minimum depth of twenty (20) feet from the property line. Interior side yard setbacks shall be a minimum of five (5) feet on one side and no less than fifteen (15) feet when both sides are combined. Rear yard setbacks shall be a minimum of thirty (30) feet from the ordinary high water mark, maximum lot coverage shall be 50%, and R3 setbacks shall apply. The side yard setback requirements shall be doubled for houses on combined lots.

Section 8.2 Tract C. Tract C is a tidelands Tract to provide public access over the tidelands. Upon recording of the Final Plat, Tract C was granted and conveyed to the Association for ownership and maintenance, subject to public access easement over and upon Tract C.

Section 8.3 Height Restrictions.

(a) Single family homes on Lots 1 through 10 are restricted as follows: The base permitted height of structures shall be fourteen (14) feet above the highest point of the Lot. The ridge of a pitched roof on a principle structure may extend up to four (4) feet above the base permitted height limit. All parts of the roof above the base permitted height limit must be pitched at a rate of not less than three (3) to twelve (12). Subject to the restrictions in Section 6.17, unless approved by the Architectural

Control Committee, trees, shrubs, vegetation or the like on a Lot shall not exceed the base permitted height of fourteen (14) feet for the structure on the Lot as set forth in this Section 8.3(a).

(b) Single family homes on Lots 11 through 19 are restricted as follows: The base permitted height of structures shall be twenty-four (24) feet above the highest point of the Lot. The ridge of a pitched roof on a principle structure may extend up to four (4) feet above the base permitted height limit. All parts of the roof above the base permitted height limit must be pitched at a rate of not less than three (3) to twelve (12). Subject to the restrictions in Section 6.17, unless approved by the Architectural Control Committee, trees, shrubs, vegetation or the like on a Lot shall not exceed the base permitted height of twenty-four (24) feet for the structure on the Lot as set forth in this Section 8.3(b).

Section 8.4 Minimum Structure Size. No single-family homes built on a Lot shall be less than two thousand and two hundred (2,200) square feet in size.

Section 8.5 Boat Yard Easement. Each single family home shall be subject to a Boat Yard Easement. This easement shall be signed by each Fidalgo Villas property owner, notarized, and recorded. This easement shall identify that the owner's property is in a Commercial Marine zone, that there is an active boat yard adjacent to Fidalgo Villas, that the boat yard may expand in size and in intensity, that travel lifts and other boat yard equipment normally operate on Cabana Lane and Skyline Way between 6 a.m. and 10 p.m. and outside these hours for emergencies, and that this equipment and the board yard itself generate noise, odor and dust. This easement shall waive the Fidalgo Villas property owners right(s) to object to any of the above described boat yard operations and any other uses legally allowed in the Commercial Marine zone.

Section 8.6 Shoreline Armoring Maintenance. Upon recording of the Final Plat, an easement was granted and conveyed to the Association, the City of Anacortes, GeoEngineers, and their successors, agents and assigns for inspection, maintenance, repair and replacement of the Shoreline Armoring. The Association shall inspect and maintain the Shoreline Armoring in accordance with the Beach Protection Project Monitoring and Maintenance Plan, as approved by the City of Anacortes, and any amendment thereto.

ARTICLE 9. INSURANCE; CASUALTY LOSSES; CONDEMNATION

Section 9.1 Insurance Coverage. The Association shall, subject to change by Association Actions, maintain at all times as an Association expense a policy or policies and bonds written by companies licensed to do business in Washington providing:

(a) Insurance against loss or damage by fire and other hazards covered by the standard extended coverage endorsement in an amount as near as practicable to the full insurable replacement value (without deduction for depreciation) of the Common Areas, with the Association named as insured as trustee for the benefit of Owners and Mortgagees as their interests appear.

(b) General comprehensive liability insurance with a combined single limit of \$1,000,000 insuring the Association, the Owners, and Declarant against any liability to the public or to the Owners and their guests, invitees, licensees, or tenants, incident to the ownership or use of the Common Areas.

(c) Worker's compensation insurance to the extent required by applicable laws.

(d) Such other insurance as the Association deems advisable; provided, that notwithstanding any other provisions herein, the Association shall continuously maintain in effect casualty, flood, and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for similar projects established by Federal National Mortgage Association, Governmental National Mortgage Association, Federal Home Loan Mortgage Corporation, Federal Housing Authority, and Veterans Administration, so long as any of them is a Mortgagee or Owner, except to the extent such coverage is not available or has been waived in writing by such agencies.

Section 9.2 Casualty Losses. In the event of substantial damage to or destruction of any of the Common Areas, the Association shall give prompt written notice of such damage or destruction to the Owners and to the holders of all First Mortgages. Insurance proceeds for damage or destruction to any part of the Common Areas shall be paid to the Association as a trustee for the Owners, or its authorized representative, including an insurance trustee, which shall segregate such proceeds from other funds of the Association.

Section 9.3 Condemnation. In the event any part of the Common Areas is made the subject matter of any condemnation or eminent domain proceeding, or is otherwise sought to be acquired by any condemning authority, the Association shall give prompt notice of any such proceeding or proposed acquisition to the Owners and to the holders of all First Mortgages who have requested from the Association notification of any such proceeding or proposed acquisition. All compensation, damages, or other proceeds therefrom, shall be payable to the Association.

ARTICLE 10. ENFORCEMENT

Section 10.1 Right to Enforce. The Association, Declarant, or any Owner, shall have the right to enforce, by any appropriate proceeding at law or in equity, all covenants, conditions, restrictions, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Skyline Property Owners Association shall have the right to enforce by any appropriate proceeding at law or in equity, all covenants, conditions, restrictions, reservations, liens, and charges for which Skyline Property Owners Association has responsibility for enforcement, as set forth in this Declaration.

Section 10.2 Remedies Cumulative. Remedies provided by this Declaration are in addition to, cumulative with, and are not in lieu of, other remedies provided by law. There shall be, and there is hereby created, a conclusive presumption that any breach or attempted breach of the covenants, conditions, and restrictions herein cannot be adequately remedied by an action at law or exclusively by recovery of damages.

Section 10.3 Covenants Running with the Land. The covenants, conditions, restrictions, liens, easements, enjoyment rights, and other provisions contained herein are intended to and shall run with the land and shall be binding upon all persons purchasing, leasing, subleasing, or otherwise occupying any portion of the Real Property, their heirs, executors, administrators, successors, grantees, and assigns. All instruments granting or conveying any interest in any Lot shall be subject to this Declaration.

ARTICLE 11. AMENDMENT AND REVOCATION

Section 11.1 Amendment by Declarant or Association. Declarant may, on its sole signature, during the Development Period, amend this Declaration. This Declaration may also be amended at any time by an instrument executed by the Association for and on behalf of the Owners, provided, however, that such amendments shall have received the prior approval of a vote of the Owners having sixty percent (60%) of the total outstanding votes in the Association; and provided, further, that no such amendment shall be valid during the Development Period without the prior written consent of the Declarant. Notwithstanding any of the foregoing, the prior written approval of fifty-one percent (51%) of all Mortgagees who have requested from the Association notification of amendments shall be required for any material amendment to the Declaration or the Association's Bylaws of any of the following: voting rights; assessments, assessment liens, and subordination of such liens; reserves for maintenance, repair, and replacement of Common Areas; insurance or fidelity bonds; responsibility for maintenance and repair; reallocation of interest in the Common Areas; leasing of Lots other than as set forth herein; imposition of any restrictions on the right of an Owner to sell or transfer his Lot; a decision by the Association to establish self-management when professional management had been required previously by an eligible Mortgagee; any action to terminate the legal status of the Association after substantial destruction or condemnation occurs; or any provisions which are for the express benefit of Mortgagees or eligible insurers or guarantors of First Mortgages. Additionally, no amendment to the following portions of the Declaration that affect the substantive rights of the Skyline Property Owners Association shall be valid without the prior written consent of the Skyline Property Owners Association: Article 4 and Sections 1.22, 1.23, 2.7, 6.11, and 10.1.

Section 11.2 Effective Date. Amendments shall take effect only upon recording in the official real property records of Skagit County, Washington.

ARTICLE 12. GENERAL PROVISIONS

Section 12.1 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 on or assessed against his Lot, or 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.

Section 12.2 Non-Waiver. No waiver of any breach of this Declaration or failure to enforce any covenant of this Declaration shall constitute a waiver of any other breach, whether of the same or any other covenant, condition, or restriction.

Section 12.3 Attorneys' Fees. In the event of a suit or action to enforce any provision of this Declaration or to collect any money due hereunder or to foreclose a lien, the unsuccessful party in such suit or action shall pay to the prevailing party all costs and expenses, including title reports, and all attorney's fees that the prevailing party has incurred in connection with the suit or action, in such amounts as the court may deem to be reasonable therein, and also including all costs, expenses, and attorneys' fees incurred in connection with any appeal from the decision of a trial court or any intermediate appellate court.

Section 12.4 No Abandonment of Obligation. No Owner, through his non-use of any Common Area, or by abandonment of his Lot, may avoid or diminish the burdens or obligations imposed by this Declaration.

Section 12.5 Captions. The captions of the various articles, sections and paragraphs of this Declaration are for 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.

Section 12.6 Severability. Invalidation of any one of these covenants, conditions, restrictions, easements, or provisions by judgment or court order shall in no way affect any other of the same, all of which shall remain in full force and effect.

Section 12.7 Notices. All notices, demands, or other communications (“Notices”) permitted or required to be given by this Declaration shall be in writing and, if mailed postage prepaid by certified or registered mail, return receipt requested, shall be deemed given three days after the date of mailing thereof, or on the date of actual receipt, if sooner; otherwise, Notices shall be deemed given on the date of actual receipt. Notice to any Owner may be given at any Lot owned by such Owner; provided, however, that an Owner may from time to time by Notice to the Association designate such other place or places or individuals for the receipt of future Notices. If there is more than one Owner of a Lot, Notice to any one such Owner shall be sufficient. The address of Declarant and of the Association shall be given to each Owner at or before the time he becomes an Owner. If the address of Declarant or the Association shall be changed, Notice shall be given to all Owners.

Section 12.8 Indemnification. The Association shall indemnify every officer and director authorized to act on behalf of the Association by the Board or by this Declaration against any and all expenses, including counsel fees, reasonably incurred by, or imposed upon, any officer and director in connection with any action, suit or proceeding if approved by the then Board to which he or she may be a party by reason of being or having been an officer and director. The officers and directors shall not be liable for any mistakes of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers and directors may also be members of the Association), and the Association shall indemnify and forever hold each officer and director free and harmless against any and all liability to others on account of any such contract or commitment. The Association shall, as a common expense, maintain adequate general liability and officers’ and directors’ liability insurance to fund this obligation.

Section 12.9 Applicable Law. This Declaration shall be construed in all respects under the laws of the State of Washington.

[SIGNATURE ON NEXT PAGE]

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

West Coast Land Investments, Inc.

[Signature]
By: GRACE PARK
Its: Sec. Treasurer

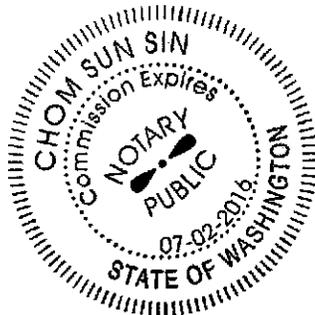
STATE OF WASHINGTON)

) ss.

COUNTY OF Snohomish)

On this day personally appeared before me GRACE PARK, to me known to be the Sec. Treasurer of West Coast Land Investments, Inc., the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation, for the uses and purposes therein mentioned, and on oath stated that said person is authorized to execute said instrument and that the seal affixed, if any, is the corporate seal of said corporation.

GIVEN under my hand and official seal this 13th day of APRIL, 2015.



[Signature]
NOTARY PUBLIC in and for the
State of Washington, residing
at MIL CREEK, WA
My commission expires JUL 2, 2016

Exhibit A

Legal Description

Parcel A.

Lots 7, 8, 9, 10, 11 and 12 of Plat of Skyline No. 19, according to the plat thereof, recorded in Volume 13 of Plats, pages 19, 20, and 21, records of Skagit County, Washington

Situate in Skagit County, Washington