

Declaration of Covenants, Conditions and Restrictions of Lyle Ridge

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DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS OF LYLE RIDGE

THIS DECLARATION is made on the date herein after set forth by RSM Development Corporation, a licensed Washington State corporation (“Declarant”), who is the owner of certain land situated in the stat of Washington, County of Island, commonly known as the Plat of Lyle Ridge, recorded on _____ 200__ in the records of Island County, State of Washington, under Recording No. _____ (“the Plat”).

This Declaration shall be binding upon the following portions of the Plat:

Lots 1 through 41, inclusive as described in the Plat and more particularly described in Exhibit “A” attached hereto and incorporated herein by this reference, and such additions thereto as may be hereafter brought within the jurisdiction of the Association (collectively the “Development”) Declarant is the current owner of Lots 1 through 41.

Declarant agrees and covenants that the Development and improvements now existing or hereafter constructed thereon shall be held, sold, conveyed subject to, and burdened by the following covenants, conditions, restrictions, reservations, limitations liens and easements, all of which are the purpose of enhancing and protecting the value, desirability and attractiveness of such property for the benefit of all of the owners thereof and their heirs, successors, grantees and assigns. All provisions of this Declaration shall be binding upon all parties having any right, title or interest in the Subdivision, or any portion thereof, and shall inure to the benefit of each owner thereof and to the benefit of the Lyle Ridge Homeowners Association and shall otherwise in all respect be regarded as covenants running with the land.

ARTICLE 1

Definitions

For the purposes of this Declaration, certain words and phrases shall have particular meanings as follows:

Section 1. "Association" shall mean the Lyle Ridge Homeowners Association, a Washington nonprofit corporation, its successors and assigns.

Section 2, "Board" shall mean and refer to the Board of Directors of the Association, as provided for in Article III. For purposes of Exercising the powers and duties assigned in this Declaration to the Board, this term shall also mean the "Temporary Board" of "Declarant" as provided in Article II, unless the language or context clearly indicated otherwise.

Section 3, "Plat" shall mean and refer to the Plat of Lyle Ridge as recorded on _____ in the records of Island County, State of Washington, under Recording No. _____

Section 4, "Development" shall mean Lots 1 through 41 as described in the Plat, and such additions thereto as may be hereafter brought within the jurisdiction of the Association.

Section 5, "Declarant" shall mean RSM Development Inc. a Washington corporation , and its successors and assigns, if such successors and assigns should acquire more than one undeveloped lot from the Declarant for the purpose of development.

Section 6,"Common Area" shall mean those portions of all real property (including the improvements thereto) designated in the Plat as common areas, sensitive areas, recreation/storm drain, swales, green belts or otherwise owned, used and maintained by the Association for the benefit of its members. The areas to be maintained by the Association at the time of recording this Declaration include the entry monuments, gate and landscaping.

Section 7. "Lot" shall mean and refer to any parcel of land shown upon the Plat, and any land conveyed or dedicated to Island County or local municipal corporations.

Section 8, "Owner" shall mean the record owner, whether one or more persons or entities and specifically including the Declarant, of the fee interest in the Lots or Lots which are a part of the Development, but shall not include a contract seller or mortgages. Purchasers or assignees under recorded real estate contracts shall be deemed Owners as against their respective sellers or assignors.

Section 9, "Member" shall mean every person or entity who holds a membership in the Association.

Section 10, "Architectural Control Committee" shall mean that duly appointed or elected committee of the Board of Directors as outlined in Article X of this Declaration.

Section 11, "Development Period" shall mean that period of time beginning on the date of recording this Declaration and ending at the earlier of (i) five (5) years from the date of recording this Declaration (ii) the thirtieth (30th) day after Declarant has transferred title to individual residential owners of fifty one percent (51%) of the Lots, or (iii) written notice from the Declarant to the Association in which the Declarant elect to terminate the Development Period.

Selection 12, "Residence" shall mean the single-family residence occupying any Lot and shall be subject to the limitations set forth in Article IX and X.

ARTICLE II

Development Period

Section 1. Management by Declarant. Until termination of the Development Period, either upon the sale of the required number of Lots, the expiration of the (5) years, or the election of the Declarant as provided above, the Development shall be managed and the Association organized at the sole discretion of the Declarant. Management by the Declarant during the Development Period is for the purpose of ensuring that the Development is adequately administered in the initial state of development and that there is an orderly transition to Association operations. Each Owner accepts this management authority in Declarant. Notwithstanding anything to the contrary herein, or in the Bylaws of the Association, Lots owned by Declarant shall not be subject to assessment and the development of such Lots shall not be subject to review or approval on the Architectural Control Committee.

Section 2. Temporary Board. Declarant may, in its sole discretion, and at such times as the Declarant deems appropriate, appoint three persons who may be Lot Owners or are representatives of corporate entities or other entities which are Lot Owners, as a Temporary Board. This Temporary Board shall have full authority and all rights, responsibilities, privileges and duties to manage the Development under this Declaration and shall be subject to all provisions of this Declaration, and the Articles of Incorporation and Bylaws of the Association, provided that after selecting a Temporary Board, the Declarant, in the exercise of its sole discretion, may at any time terminate the Temporary Board and resume its management authority or select a new Temporary Board.

Section 3. Management Authority If Declarant does not appoint a Temporary Board, Declarant or a managing agent selected by the Declarant shall have the power and authority to exercise all the rights, duties and functions of the Board of Directors of the Association and generally exercise all powers necessary to carry out the provisions of this Declaration, including but not limited to, enacting responsible administrative rules, contracting for required services, obtaining property and liability insurance, executing any and all covenants, easements, or other necessary documentation related to the Common Area; and collecting and expending all assessments and Association funds. Any such managing agent or the Declarant shall have the exclusive right to contract for all goods and services, payment for which is to be made from any monies collected from assessments.

Section 4 Expenditures During the Development Period. During the Development Period, Declarant shall have the sole discretion to use and consume all or so much of the assessments provided for herein as in Declarant's judgment is necessary or expedient in maintaining the Common Area and carrying of the other functions of the Association, including but not limited to, management fees and any legal fees associated with Declarant carrying out any duties during the Development Period, including all costs associated with turning over management to the Association after the expiration of the Development Period.

Section 5. Expiration of Development Period. Upon termination of the Development Period, Declarant shall deliver any funds remaining to the Association. Declarant shall not be liable to the Association or any Owner for monetary damages for conduct as the Declarant and shall be indemnified and held harmless by the Association from any and all legal actions brought

by the Association or any owner for the management of the Development or administration of the Association prior to expiration of the Development Period. After the expiration of the Development Period it shall be the responsibility of the Lot Owners to provide for the operation of the Association.

ARTICLE III

Homeowners' Association

Section 1. Formation. The Association shall be a non-profit corporation under the laws of the State of Washington. The Association may be an unincorporated Association during the Development Period, unless the Declarant elects to incorporate the Association.

Section 2. Membership. Every person or entity who is the contract purchaser or Owner of any Lot or Lots in the Development is and shall be a Member of the Association, provided, however that if any Lot is held jointly by two (2) or more persons or entities, the several Owners of such interest shall designate one (1) of their number as the "Member" The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation.

No Lot shall have more than one (1) membership. Membership shall be appurtenant to and may not be separated from ownership of or the contract purchaser's interest in any Lot which are subject to assessment by the Declarant or the Association. Upon transfer of the fee interest to, or upon the execution and delivery of a real estate contract for the sale of (or of an assignment of a contract purchaser's interest in) any Lot, the membership in the Association shall ipso facto be deemed to be transferred to the transferee, grantee, contract purchaser or new contract purchaser. Membership voting rights and the right to use the Common Area and facilities may be suspended in the event of default in the payment of any assessments or violation of any rules and regulations, as provided in the Bylaws of the Association. In the event of suspension, such Member shall continue to incur and remain liable for any and all obligations, including monthly, annual and Special Assessments.

Section 3 Classes and Voting Rights. The Association shall have the following two (2) classes of voting membership:

Class A. Class A Members shall be all Owners of Lots, with the exception of Declarant, and shall be entitled to one vote for each Lot owned. When more than one person holds an interest in any Lot. All such persons shall be Members entitled to one aggregate vote for each such Lot owned.

Class B. The Class B Member shall be the Declarant, which shall be entitled to a total of Twenty (20) votes, regardless of the number of Lots owned by Declarant. The Class B membership shall cease on the earlier of the following;

1. Sale of last lot owned by Declarant, or
2. On January 1, 2012

For all matters to be voted upon by the Members, voting shall be as a single group consisting of all Members, and not Members shall be entitled to vote as a class. In the event Declarant owns any Lots on January 1, 2012, Declarant shall become a Class A Member as prescribed above.

Notwithstanding anything to the contrary herein, during the Development Period Class A Members shall not be entitled to vote on any matters and the Development shall be managed by the Declarant. As provided in Article II of the Declaration and the Declarant may, in its sole

discretion, take any action on behalf of the Association without a vote of the Members of the Association.

Section 4, Meetings of Members. Meetings of Members shall be held and conducted in accordance with the provisions of the Bylaws of the Association. The presence at the meeting, or voting by mail or electronic transmission if authorized in the Bylaws of the Association, of Members entitled to cast, or of proxies entitled to cast, thirty-four percent (34%) of the votes of the entire membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Bylaws, or this Declaration. Except as otherwise provided in the Articles of Incorporation, the Bylaws, or of this Declaration, passage of any matter submitted to vote at a meeting or adjourned meeting duly called, where a quorum is in attendance in person or by proxy (or by mail or electronic transmission if, authorized in the Bylaws of the Association) shall require the affirmative vote of at least sixty five percent (65%) of the total votes present in persons or by proxy (or my mail or electronic transmission if authorized in the Bylaws of the Association).

Section 5, Board of Directors Upon expiration of the Declarant's management authority under Article II, all administrative power and authority shall vest in a Board of three (3) Directors who shall be nominated and elected in accordance with, and service for the terms set forth in, the Bylaws of the Association. The Association, by amendment of the Bylaws, may increase the number of Directors. The Board, for the benefit of the Development and all of the Owners, shall enforce the provisions of this Declaration and the Bylaws. Meetings of the Board of Directors shall be held and conducted in accord with the provisions of the Bylaws and any resolution of the Association that may be hereafter adopted, the Board shall have the power and be responsible for the following, in way of explanation, but not limited to:

- a. Insurance. Obtain policies of general liability insurance.
- b. Legal and Accounting Services. Obtain legal and accounting services as deemed necessary by the Board for the administration of Association affairs, administration of the Common Area, or the enforcement of this Declaration.
- c. Maintenance. Pay all costs of maintaining the Common Areas.
- d. Maintenance of Lots. If necessary, maintain any Lot if such maintenance is reasonably necessary in the judgment of the Board to 1. Protect the Common Area, or 2. To preserve the appearance and value of the Development or Lot. The Board may authorize such maintenance activities if the Owner of the Lot has failed or refused to perform maintenance within a reasonable time after written notice of the necessity of such maintenance has been delivered by the Board to the Owner of such Lot, provided that the Board shall levy special assessment against the Owner of such Lot for the cost of such maintenance.
- e. Discharge of Liens. Pay any amount necessary to discharge any lien or encumbrance levied against the entire Development or any part thereof which is claimed or may, in the opinion of the Board, constitute a lien against the Development or against the Common Area rather than merely against the interest therein of particular Owners. Where one or more Owners are responsible for the existence of such liens, they shall be jointly and severally liable for the cost of discharging it and any costs or, expenses, including reasonable attorney's fees and costs of title search incurred by the Board by reason of such lien or liens. Such fees (and costs shall be assessed against the Owners responsible and their respective Lots) to the extent of their responsibility.
- f. Utilities. Pay utilities charges attributable to Common Area.
- g. Security. Pay all costs deemed appropriate by the Board to ensure adequate security for the Lots and Common Area.

h. Right to Contract. Have the exclusive right to contract for all goods, services, maintenance, and capital improvements deemed appropriate by the Board for the administration of Association affairs and the administration of the Common Area.

i. Improvement of Common Area. Improve the Common Area with capital improvements to such Common Area; provided that for those capital improvements exceeding \$10,000, sixty five percent (65%) of the Owners must approve the addition of such capital improvements to the Common Area.

j. Right of Entry. Enter any Lot or Residence, when reasonably necessary, in the event of emergencies or in connection with any maintenance, landscaping or construction for which the Board is responsible. Except in cases of emergencies, the Board, its agents or employees shall attempt to give notice to the Owner or occupant of any Lot or Residence twenty-four (24) hours prior to such entry. Such entry must be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Board if the entry was due to an emergency (unless the emergency was caused by the Owner of the Lot entered, in which case the cost shall be specially assessed to the Lot). If the repairs or maintenance activities were necessitated by the Owner's neglect of the Lot, the cost of such repair or maintenance activity shall be specially assessed to that Owner and Lot. If the emergency or the need for maintenance or repair was caused by another Owner of another Lot, the cost thereof shall be spatially assessed against the Owner of the other Lot.

k. Employment of Manager. Employ a manager, an independent contractor, or such other employee as the Board deems necessary and describe the duties of such employees.

l. Payment for Goods and Services. Pay for all goods and services required for proper functioning of the Common Areas.

m. Impose Assessments. Impose annual and special assessments.

n. Bank Account. Open a bank account on behalf of the Association and designate the signatories required.

o. Easements. Execute any and all covenants, easements, or other necessary documentation relating to the use of Common Area.

p. Exercise of Powers, Duties and Authority. Exercise for the Association all the membership by other provisions of the Bylaws, Articles of Incorporation, or this Declaration. The Board shall have all powers and authority permitted to it by law and under this declaration and the Bylaws. However, nothing herein contained shall be construed to give the Board authority to conduct a business for profit on behalf of all the Owners or any of them.

ARTICLE IV

Assessments.

Section 1. Personal Obligations and Creation of Lien Assessments. Subject to the provisions of Section 2 below, each Owner of any Lot by acceptance of a deed therefore, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (or to Declarant or any designated managing agent during the Development Period);

a. Annual or monthly assessments or charges; and

b. Special Assessments as authorized herein or in th Bylaws of the Association.

The assessments, together with such interest thereon and cost of collections thereon, as hereinafter provided, shall be a continuing lien upon the Lot against which each such assessment is made and shall run with the land. Each such assessment, together with interest thereon and cost incurred in collecting the assessment (including reasonable attorneys' fees) shall also be the personal obligation of the person who was the Owner or contract purchaser of such property at the time when the assessment fell due. No Owner or contract purchaser shall be relieved of liability for the assessments by non-use of the Common Area or abandonment of any Lot. The personal obligation for delinquent assessments shall not pass to successors in the title unless expressly assumed by them. The Association may take any action deemed appropriate to effectuate collection of unpaid assessments.

Section 2. Common Area and Declarant Lots Exempt. The Common Area and all portions of the Property dedicated to and accepted by a government or public authority, and all Lots owned by Declarant, shall be exempt from assessments by the Association.

Section 3. Purpose of Assessments. The assessments shall be used for the purpose of promoting the recreation, health, safety and welfare of the Owners and/or their guests, including without limitation; the construction, establishment, improvement, repair maintenance and other expenses of the Common Area and the services and facilities related to the use and enjoyment of the Common Area; the payment of utility charges, taxes, and insurance; maintenance of sensitive areas, open space and native growth protection easements and other obligations related thereto, if any, as set forth in the Plat or otherwise required of the Declarant and or the Association by governmental agencies; installation and maintenance of any properties, screening, landscaping or improvements desired or required in the Plat or this Declaration; and other items deemed necessary and proper by the Declarant or the Association to keep the Development in a good, clean attractive and safe condition in compliance with all applicable codes, laws, rules and regulations. Assessments may also be levied to pay for any professional services, advice or consultation incurred by the Declarant or by the Association in carrying out its duties.

Section 4. Establishing Assessments. The regular budget and any revised or special budget of the Association, including any reserves as provided herein, shall be adopted by the Board of Directors and shall be ratified by the Members of the Association as set forth herein or otherwise permitted under Washington law. Within thirty (30) days after adoption by the Board of Directors of any proposed regular or special budget, the Board shall set a date for a meeting of the Members to consider ratification of the budget. Written notice of the meeting shall be sent to all Owners not less than fourteen(14) days, nor more that sixty (60) days in advance of the meeting, setting forth the purpose of the meeting. Unless at the meeting a majority vote of the voting power of the Members who are present, in person or by proxy, and entitled to vote at such meeting rejects the budget, the budget shall be deemed ratified, whether or not a quorum is present. During the Development Period, the approval of the Declarant shall be required for ratification of any proposed budget. The Board shall cause the ratified budget and the assessments to be levied against each Lot for the following year to be delivered to each Member at last thirty (30) days prior to the end of the current fiscal year. In the event the proposed budget is not ratified or the Board fails for any reason to determine the budget for the succeeding year, ten and until such time as a budget shall have been determined, as provided herein, the budget in effect for then current year shall continue for the succeeding year.

Section 5. Annual Assessment. Until January 1, 2009 The annual assessment is estimated to be \$400 per Lot; Twenty percent (20%) of which, or such higher percentage as may be charged, shall be allocated and paid to the Declarant for management services provided to the Association by the Declarant or by a professional management firm. Such allocation of funds to

the Declarant shall cease when the Development Period expires and the Association assumes collection costs, bookkeeping, and other management responsibilities for each and every lot. The annual assessment will be due and payable on or before January 1 each year. or such other date as may be established by the Board.

The annual assessment may be change from time to time, or replaced or supplemented by monthly assessments, in accordance with section 4 above.

Section 6. Special Assessments. In addition to the annual assessments authorized above, the Association may levy special assessments through the use of a special budget adopted by the Board of Directors and ratified by the Members in accordance with Section 4 above. The special assessments may be used to cover (1) Unanticipated financial shortfalls, maintenance or liability expenses, including without limitation the costs of legal fees and costs incurred in legal actions in which the Association is a party, or in which a member or either the Board or the ACC is named as a party as a result of a decision made or action performed while acting on behalf of the Association, (2) Extraordinary expenses such as the cost of any construction, reconstruction, repair or replacement of a capital improvement of the Common Area, property, street lighting, fixtures or improvements of the Association, including repairs or renovation, or (3) any other reasonable expenses incurred by the Association. Declarant shall have the right and option during the Development Period to assess Owners for actual costs of maintaining the Common Area, and for the Declarant's management fee, as provided in Section 5 above.

Section 7. Reserves for Repair or Replacement. As a common expense and as a part of any regular or special budget of the Association, the Declarant or the Association may establish and maintain a reserve fund for repair or replacement of improvements, roads and community facilities thereon. The reserve fund shall be expended only for the purpose of repair, replacement or improvement to the Common Area and any improvements and community facilities for which the Association is responsible, and for start up expenses and operating contingencies of a nonrecurring nature;. The proportional interest of any Owner in any such reserve shall be considered an appurtenance of such Owner's Lot and shall be deemed to be transferred with such Lot in the event of a transfer or sale.

Section 8. Uniform Rate. All assessments shall be fixed at a uniform rate for all Lots subject to assessment; provided however, that pursuant to section 2 above, Lots owned by the Declarant are not subject to any assessment or charge.

Section 9. Date of Commencement of Assessments; Due Dates. The assessments provided for herein shall not commence prior to the first day of the month following the conveyance of the first Lot from the Declarant. As to each particular Lot involved, the liability for the assessments shall begin on the first day of the calendar month following the date that any deed or real estate contract for the Lot is transferred or recorded, or on the first day of the calendar month following occupancy of the premises. Whichever is earlier. Said assessment shall be due and payable on such date and on the first day of each calendar month thereafter, or on a monthly quarterly or annual date designated by the Declarant or the Board of Directors. Annual assessments shall be prorated from the date that any deed or real estate contract for the Lot is transferred or recorded, or the first day that any deed or real estate contract for the Lot is transferred or recorded or the first day of the calendar month following occupancy of the premises, whichever is earlier.

After the Development Period expires, the Board of Directors shall fix the annual assessment. Written notice of the annual assessment shall be sent to every Owner subject to such assessments. The Board of Directors shall establish the due date. The Association shall, upon

demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessment on the specified Lot has been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of issuance.

Section 10. Effect of Non-Payment of Assessments; Remedies If any assessment is not paid within fifteen (15) days after it was first due and payable, the assessment shall bear interest from the date on which it was due at the rate of eighteen percent (18%) per annum. Unpaid assessments, plus interest, costs and attorney fees incurred by the Association in collecting assessments, filing and recording liens, enforcing the provisions of the Bylaws and this Declaration, or defending itself in any litigation shall constitute a lien on the property as provided in the Bylaws and this declaration. The Association may bring an action against the one personally obligated to pay the same and /or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be included in any judgment or decree entered in such suit. Each owner hereby expressly vests in the Association or its agents the right and power to bring all actions against such Owner personally for the collection of such assessments as debts and to enforce lien rights of the Association by all methods available for the enforcement of such liens, including foreclosures by an action brought in the name of the Association in like manner as a mortgage of real property. Such Owner hereby expressly grants to the Association the power of sale in connection with such liens, and such Owner shall be responsible for payment of all attorneys' fees and costs incurred in collecting past due assessments or enforcing the terms of assessment liens in accordance with the terms of the Declaration. The liens provided for in this Section shall be in favor of the Association and shall be for the benefit of the Association. The Association shall have the power to bid in an interest at foreclosure sale and to acquire, hold, lease, mortgage and convey the same. No Owner may waive or otherwise escape liability for the assessments proved herein by non-use of the Common Areas or abandonment of his or her Lot. The Association shall have the right to suspend the voting rights of an Owner for any period during which any assessment against the Lot remains unpaid.

Section 11. Subordination of the Lien to First Mortgages. The lien of the assessment provided for herein shall be subordinate to the lien of any first mortgage (and to the lien of any second mortgage given to secure payment of the purchase price) now or hereafter placed on the Lot, only in the event that the lien for delinquent assessments has not been recorded with the Island County Auditors at the time of the recording of the mortgage lien. Sale or transfer of any Lot shall not affect the assessment lien. No sale or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof.

Section 12. Budget Deficits During Development Period. During the Development Period, Declarant may; (1) advance fund to the Association sufficient to satisfy the deficit, if any, between the actual operating expenses of the Association (but specifically not including an allocation for capital reserves), and the sum of the annual and special assessments (including reserves) collected by the Association in any fiscal year, and such advances shall be evidenced by promissory notes from the Association in favor of the Declarant and shall be repaid by initial assessments against each Lot at the time that any deed or real estate contract for the Lot is transferred or recorded; or (2) cause the Association to borrow such amount from a commercial lending institution at the then prevailing rates for such a loan. The Declarant in its sole discretion may guarantee repayment of such loan, if required by the lending institution but not mortgage secured by the Common Area or any of the improvements maintained by the Association shall be given in connection with such loan.

ARTICLE V

Common Areas

Section 1. Conveyance of Common Area. Declarant hereby transfers and conveys to the Association for the common use and enjoyment of the Association and the Owners, the Common Area, as defined in Article 1, Section 6 above.

Section 2. Association to Maintain Common Areas and Screening. The Association shall have the obligation of maintaining and preserving the character and functions of the Common Area, and shall pay the actual costs of the same from annual or special assessments as appropriate. All streets, trees, walls, gate and other screening landscaping planted adjacent to streets within the Development, or within screening areas as shown on the Plat, shall be maintained by the Association.

Section 3. Use of the Common Area. Nothing shall be altered or constructed in, or removed from the Common Area except upon prior approval of the Architectural Control Committee, or the Declarant during the Development Period. No trash, plant or grass clippings or other debris of any kind shall be dumped, deposited or placed on or within the Common Area. No structures of any kind, including fences and walls may be built or placed within any right-of-way or easement delineated on the Plat except as deemed appropriate by the Architectural Control Committee, or the Declarant during the Development Period, and Island County.

Section 4. Maintenance of Roads. The Board of Directors will be responsible for maintaining all rights-of-way within the Development and roads themselves.

Section 5. Repair of Common Area. Any damages to the Common Area for improvements thereon, including landscape plantings, sprinkler systems, fences, berms, etc., by the Owners or their Guests shall be repaired within one week by the Owner who caused the area to be damaged. If such repairs are not made timely, the Association shall execute the repair and the Owner shall be obligated to immediately remit fund for the costs of repair. If the Owner fails to promptly make payment for such repairs, the Owner shall be charged interest at the rate of eighteen (18%) per annum.

Section 6. Management. Each Owner expressly covenants that the Board and Declarant, during the Development Period may delegate all or any portion of their management authority to the managing agent, manager or officer of the Association and may enter into such management contracts or other service contracts to provide for maintenance and the operation of Common Area and any portion thereof. Each Owner is bound to observe the terms and conditions of any such management agreement or employment contract, all of which shall be made available for inspection by an Owner on request.

ARTICLE VI

Easements and Maintenance

Section 1. Easements for Utilities. The easements granted to Island County for storm drainage and utilities as shown on the Plat (the Utility Easements), are incorporated herein and hereby reserved on each Lot as set forth on the Plat. No Lot Owner shall allow or permit any structure, fill or landscaping to be located, installed or grown upon the area subject to the Utility Easements which might in any way damage or interfere with the installation and operation of such utilities and systems. Each person utilizing the Utility Easements shall restore such area to a condition as close to its original condition as reasonably practical after making such use. Each Lot

Owner shall maintain the area of his Lot subject to the Utilities in a condition which will not interfere with the operation and maintenance of said utilities and systems. Lot Owners may not relocate, remove or disturb any utilities, including utility boxes, without the express written consent of the Association and current holders of the Utility Easements.

Section 2. Easements. Various drainage and utilities easements are indicated on the Plat. Structures, fills or obstructions, including, but not limited to. decks, patios, outbuildings or overhangs, shall not be permitted within the drainage or utilities easements. Additionally, grading and the construction of fencing shall not be allowed within drainage or utilities easements shown on the Plat map unless otherwise approved by Island County and the Architectural Control Committee. Or the Declarant during the Development Period. The Owner of each Lot and the Association are bound by the provisions of the Operation and Maintenance Manual for the Storm water Collection System and Detention System dated _____ and recorded under the Island County Recording No. _____. Lots _____, _____, _____, _____, are subject to easements for drainage. All drain facilities within the easements shall be maintained by the Association

Section 3. Easement for Association. The Association and its agent shall have an easement for access to each Lot and to the exterior of any building located thereon during reasonable hours as may be necessary for the following purposes.

- (i) The maintenance, repair, replacement, or improvement of any Common Area accessible from that Lot;
- (ii) Emergency repairs necessary to prevent or improvements of any Common Area or to another Lot or the improvements thereon; and
- (iii) Cleaning, maintenance, repair, or restoration work which the Owner is required to do but has failed or refused to do.

Except in an emergency where advanced notice is not possible, these easements shall be exercised only after reasonable notice to the Lot Owner.

ARTICLE VII

Maintenance of Lots

Section 1. Exterior Maintenance by Owner. Each Lot and Residence shall be maintained by the Owner in a neat, clean and sightly condition at all times and shall be kept free of accumulations of litter, junk, containers, equipment, building materials and other debris. All refuse shall be kept in sanitary containers sealed from the view of any Lot or from any street; containers shall be emptied regularly and their contents disposed of off the Development. No grass cuttings, leaves, limbs, branches, and other debris from vegetation shall be dumped or allowed to accumulate on any part of the Development except that a regularly tended compost device (approved by te Architectural Control Committee) shall be permitted. Each Lot Owner shall maintain their lawn and landscaping in a condition consistent with the maintenance standards of the Lyle Ridge community and shall maintain all individual stubouts and infiltration systems in good condition and repair as art of the dorm drainage for the Development.

Section 2. Lot Maintenance by the Association. In the event that an owner shall fail to maintain a Lot or the exterior of a Residence in a manner consistent with maintenance standards of the Lyle Ridge community, the Board shall upon receipt of written complaint of any Owner, or upon its own initiative, and a subsequent investigation, have the right through its agents and

employees to enter upon the offending Owner's Lot and repair, maintain and restore the Lot and exterior of the Residence on that Lot if the Owner shall fail to respond in a manner satisfactory to the Board within fourteen(14) days after mailing of adequate notice by certified mail to the last known address of the Owner. The cost of such repair, maintenance or restoration shall be assessed against the Lot and the Board shall have the right to cause to be restored a notice of lien for labor and materials furnished, which lien may be enforced in the manner provided by law.

ARTICLE VIII

Land Use Restrictions

Section 1. Residential Restrictions. No Lot or any building or structure thereon, or any part thereof, shall be used or occupied for any purpose other than as a single family residence unless specifically authorized by zoning laws and regulations, this Declaration, the Association and the Declarant. No single structure shall be altered to provide a residence for more than one family. The conduct or carryon of any manufacturing, trade, business commerce, industry, profession or other occupation whatsoever, upon any such Lot or any part thereon, or in any building or structure thereon erected, shall constitute a breach of this restriction. Notwithstanding the foregoing and subject of this Declaration and all rules promulgated hereunder, the Owners are permitted to (i) lease or rent their Lot and improvements for residential use, or (ii) to operate a home business, provided the home business is legal, complies with zoning and other governmental regulations, create no additional traffic, involves no advertising or signs, and does not create or result in activities which are a nuisance or annoyance to other members or residents of the Development.

Section 2. Nuisances. No noxious or offensive activity shall be conducted on any Lot or Common Area, nor shall anything be done or maintained on the Development which may be or become an activity or condition which unreasonably interferes with the right of other Owners to use and enjoy any part of the Development. No activity or condition shall be conducted or maintained on any part of the Development which detract from the value of the Development as a residential community. No untidy or unsightly condition shall be maintained on any property. Untidy conditions shall include, but are not limited to, publicly visible storage of wood, boats, trailers, recreational vehicles and disabled vehicles of any kind whatsoever.

Section 3. Temporary Structures. No structure of a temporary character or trailer, recreational vehicle, basement, tent, shack, garage, barn, shed, or other out buildings shall be used on any Lot at any time as a residence, either temporarily or permanently. No vehicles parked in public rights-of-ways may be used temporarily or permanently for residential purposes. All such structures shall be removed at the expense of the Owner of the Lot on which the structure is located.

Section 4. Changing Lot Contours. The surface grade or elevation of the various Lots and other residential sites in the Development shall not be substantially altered or changed in any manner which would affect the relationship of such Lot or other residential sites adjoining, or which would result in materially obstructing the view from any other Lot or residential site in the Development, or which would otherwise product an effect out of harmony with the general development of the immediate area in which said Lot or other residential site is located. Whether or not such alteration or change in the elevation or grade of any Lot or any residential site would be prohibited, shall be determined by the Declarant or the Association in its sole and uncontrolled discretion.

Section 5. Maintenance by Owners. Unless otherwise specifically provided herein, the Owner of each Lot shall be responsible for the maintenance and upkeep of the improvement and landscaping located thereon. All such Owners shall likewise maintain their hedges, plants, shrubbery, trees and lawns in a neat and trim condition at all times. After notice to an Owner from the Declarant or the Association of such Owner's failure to maintain said Lot, landscaping and/or improvements in accordance herewith, the Declarant or the Association shall have the right, through its agents and employees, to enter upon any Lot or improvement which has been found to violate the foregoing standards in order to repair, maintain, and/or rectify, the same of such standards. Provided that the Board of Directors or its representative has given the Lot Owner notice and opportunity to be heard, the cost of such work shall be a special assessment on such Owner and such Owner's Lot and improvements, and the provisions of this Declaration regarding the collection of assessments shall apply thereto.

Section 6. Plantings and Fences. No hedge more than six (6) feet in height, nor any fence, wall or other similar structure more than six (6) feet in height, shall be constructed, erected, placed, planted, set out, maintained or permitted on any Lot. All fencing, walls and screening must be specifically approved by the Declarant or the Architectural Control Committee prior to their installation. No barbed wire, chain link or corrugated fiberglass fences shall be erected on any Lot. The Declarant or the Architectural Control Committee may adopt a fencing policy detailing acceptable styles of fencing if it deems appropriate.

Section 7. Signs. No signs of any kind shall be placed on any Lot or residential site in the Development where the same is visible from any Lot or street in the Development, except in accordance with such rules and regulations as may from time to time be adopted by the Declarant or the Architectural Control Committee. In the absence of such rules and regulations, no signs whatsoever other than conventional house numbers indicating address of the premises shall be placed on any lot. "For Sale" or "For Rent" signs, the maximum size of which shall be five square feet, must be approved in advance by the Declarant or the Architectural control Committee. During the Development Period, Declarant may require all signage on Lots and homes to be uniform in the dimension and general character regardless of the builder or realtor or other person involved in marketing the Lots. Uniformity standards may be adopted by the Declarant. Lots owned by the Declarant shall not be subject to the restriction of this section.

Section 8. Underground Utilities. All utilities, on and in public dedicated areas, private property, or on and in any Lot or the Common Area, including water, sewer, cable television, telephone and other communications, natural gas. Storm drains and electrical power shall be installed underground in compliance with all Governmental regulations for the installation and maintenance of the same. No line or wires for the transmission of current or for telephone, cable television or other communications use, shall be constructed, placed, or permitted to be placed upon any residential site outside the building thereon unless (i) the same shall be underground or in the conduit attached to a building or (ii) is approved by the Declarant or the Architectural Control Committee.

Section 9. Antennas. No Television antennas, including satellite communications dishes, or such similar devices, (other than "Mini-dishes" with a diameter of less than 24 inches placed in the location approved by the Declarant or the Architectural Control Committee) radio aerials, ham radio broadcast or receiving apparatus shall be erected, maintained or placed on any residential site without specific written approval by the Declarant or the Architectural Control committee. Rotary beams or other similar devices shall not be constructed on any residential site.

Section 10. Animals. No livestock animals, poultry or fowl shall be kept on any Lot other than animals or birds of the type and species generally recognized as common household pets in the immediate area, such as dogs, cats, canaries and parakeets which are kept on said property solely as household pets; provided that no such household pet which is or becomes an annoyance or nuisance to the neighborhood shall thereafter be kept on any Lot. No dog houses, dog runs or dog kennels may be placed on any lot unless they are screened from the view of neighboring properties and the streets and do not create an annoyance or nuisance. All dogs shall be kept in the residence or garage at night so as to eliminate disturbances including barking dogs while other residents are trying to sleep. Animal waste shall be removed in a manner appropriate to community waste disposal standards.

Section 11. Garbage Disposal The Owners of the Lots in the Development shall be responsible to assure that no garbage can or other receptacle will be visible from any place outside the premises except on collection days.

Section 12. Basketball Standards. No permanent basketball standard shall be situated upon a Lot Owner's lot except upon approval of the Architectural Control Committee. No permanent and/or portable basketball standards shall be situated in any private or public right-of-way. No basketball backboard shall be attached to the permanent structure. Portable basketball standards need not be submitted for approval but must be properly stored on either side of the house or at the top of the driveway when not in use. The Architectural Control Committee has the authority to revoke the use of portable standard if it is not stored properly.

Section 13. Playground Equipment. Playground equipment will be considered based on the placement of the structure on the subject property to ensure there is minimal impact on the neighborhood. Playground equipment must be submitted to the Architectural Control Committee for approval.

Section 14. Clotheslines. No Owner or occupant of any Lot shall place or permit clotheslines thereon which are visible from any Lot or street in the Development.

Section 15. Vehicles. No boats, boat trailers, house trailers, automobiles, trucks, campers, motor homes, or other vehicles, or any part thereof, not in actual current use shall be stored or permitted to remain on any Lot unless the same is stored or placed in a garage or other fully enclosed space, or is entirely screened so as not to be visible from any streets and abutting Lots. Any such enclosed space or screening shall be subject to the prior approval of the Architectural Control Committee.

Section 16. Trash and Accumulations. No trash, refuse pile, vehicles, underbrush, compost, or other unsightly growth or objects shall be allowed to group, accumulate or remain on any Lot so as to be a detriment or unreasonable annoyance to the Development or become a fire hazard. In the event may such condition shall exist upon any Lot, Declarant or Architectural Control Committee agent, employee or representative may enter upon said Lot and remove the same at the expense of the Lot Owner who, on demand shall reimburse Declarant for the cost thereof, and such entry and removal shall not be deemed a trespass.

Section 17. Restriction Against Wells. No Lot or Owner of any Lot may have placed or constructed on, upon or within the confines of such Lot or any Common Area any water or irrigation wells for any purposes whatsoever.

Section 18. Woodpiles. Woodpiles or wood supplies shall not be stored on any front or side yard, or be visible from the streets within the Development.

Section 19. Protection of Trees. Owners shall not cut down trees located within the Development unless trees are dead. It shall be necessary for homeowners to obtain the permission of the Declarant or the Architectural Control Committee before cutting or pruning such trees. This provision only applies to trees in the Development and green belt areas when the Declarant commenced development and shall not apply to trees which Owners plant on their Lots.

Section 20. Deviation. Declarant hereby reserves the right to enter into agreement with the grantee of any Lot or Lots (without the consent of the Owners of any other Lots) to deviate from the conditions, restrictions, limitations or agreements contained in this Declaration. Any deviation shall be manifested in an agreement in writing and shall not constitute a waiver of any such condition, restriction, limitation, or agreement as to the remaining Lots in the Development and the same shall remain fully enforceable as to all other Lots located in the Development.

Section 21. Additional Restrictions. Declarant may from time to time during the Development Period impose or eliminate restrictions on all or any part of the Development including but not limited to designation of specific height restrictions, reservation of view corridors, color restrictions and fencing restrictions. Such restrictions shall be enforceable by the Declarant and or the Association.

Section 22. Easements and Restrictions on Final Plat. Easements, restrictions and other obligations set forth in the recorded Plat are incorporated herein and hereby reserved on each Lot as shown on the final approved Plat.

Section 23. Sales and Construction Facilities. Notwithstanding any other provision in this Declaration to the contrary, it is expressly permissible during the Development Period for the Declarant and its agents, employees or nominees, to maintain on any portion of the property owned by the Declarant or Association such facilities as the Declarant may reasonably feel are required, convenient, or incidental to the construction and/or sales of lots or improvements thereon. The Declarant may permit, in writing, an individual owner to maintain temporary equipment and construction material on the Owner's Lot when the Declarant feels the same is reasonable required, convenient or incidental to construction activities for improvement on said Lot.

ARTICLE IX

Building Restrictions

Section 1. Plans for Residences Must be Approved. Any Residence constructed in the Plat by a builder other than the Declarant must be constructed in accordance with a plan approved by the Architectural Control Committee. The requirements for the plans are described in Article X. All buildings and other structures must be designed by an architect who is either registered to practice in the state of Washington, or is a designer approved in writing by Declarant or its nominee.

Section 2. Building Setbacks. Setback requirements for all buildings and structures in the Development shall be established in accordance with the requirements of Island County and the Declarant or Architectural Control Committee. Structures, fill or obstructions (including but not limited to decks, patios, outbuildings, eave overhangs, chimneys, bay windows and similar projections) shall not be permitted within building setback lines or drainage easements.

Section 3. Minimum Size Requirements. No building shall be allowed on any Lot in the Development except one single-family dwelling house. All for the use and occupancy of one immediate family and attendant bona fide domestic servants only. Any auxiliary building must be so designed and constructed as to be compatible in appearance with the main building and must have the approval of the Declarant or the Architectural Control Committee. Each Residence must have a private enclosed living area, excluding attached garage or carport, which has a floor area of not less than 1800 sq. ft. in the case of one-story houses, and 2,200 square feet in the case of two-story houses.

The above requirements do not supersede any governmental requirements that are more restrictive, or any requirements adopted or modified by the Declarant that are specific to individual lots.

Section 4. Maximum Height Restrictions. No such dwelling house shall exceed two(2) stories (excluding the basement) or be more that thirty-five (35) feet in height, without prior written approval of the Declarant. Height of building for purposes of this Section shall be measured from the highest point at which the natural contour of the ground comes in contact with such building, or structure. The Declarant may, at any time and within its sole discretion, adopt supplement or modify height restrictions applicable to individual Lots for the purpose of maintenance of views throughout the Development. The height restrictions so adopted shall unless specifically stated to the contrary, apply to any structure, tree or vegetation. Said restrictions need only the consent and signature of the Declarant, shall be valid and binding upon recordation of the same, and may occur at any time, provided, however that any Lot that has a structure which has been completely constructed and approved in accordance with the provisions of this Declaration may not have its height restriction reduced to a point below the height of the completed residence.

Section 5. Landscaping. Each lot shall be landscaped in accordance with plans and specifications as now or hereafter adopted by the Declarant. Notwithstanding the existence of plans adopted by the Declarant, all landscaping shall be thoughtfully done and in a manner which minimizes adverse view impacts to other Lot Owners in the Development. All Landscaping, including front yards, side yards and rear yards, must be completed within ninety (90) days from the date of occupancy on the Residence, building or structure constructed thereon in the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval by the Declarant or the Architectural Control Committee.

Section 6. Construction. All construction of property authorized improvements on any residential site which have been commenced, shall be diligently pursued to completion thereof in a manner and at a rate reasonable consistent with building standards prevailing in the immediate area relating to high quality construction of a similar type and in no event shall the period of construction of any improvement exceed nine (9) months from the date of commencement of construction to completion as to external appearance, including finished painting. No auxiliary building shall be deemed completed as long as the dwelling house itself is incomplete. Unless written approval is obtained from Declarant or its nominee, no building shall be erected upon any lot so that any part thereof, excluding eaves or overhangs, shall be;

- (a) Closer than twenty (20) feet from the front boundary line of said Lot;
- (b) Closer than five (5) feet from the rear boundary line of said Lot; or
- (c) Closer than five (5) feet from any other boundary line of said Lot.

The construction of residences shall also comply with the minimum floor elevations if any, specified for each lot on the Platt. All building downspouts, footing drains and drains from all impervious surfaces such as patios and driveways shall be connected to the permanent storm drain outlet in accordance with the Plat or as provided.

Section 7. Building Materials. All Residences constructed on the Lots shall be build with new materials, with the exception of décor items such as used brick, weathered planking, and similar items. The Declarant or the Architectural control Committee shall determine whether a used material is a décor item. In making this determination, the Declarant or the Architectural control committee will consider whether the material harmonizes with the aesthetic character of the Lyle Ridge community and whether the material would add to the attractive development of the community. All roofs, siding and trim shall be in accordance with specification as to type, style, color and other criteria as adopted by te Declarant or the Architectural Control committee. All visible masonry shall be natural or cultured stone, brick or stucco. Chimney chases shall be integrated in design and capped to avoid exposed flue.

Owners shall be obliged to use materials of a quality equivalent to those materials Declarant has approved for use. If inferior materials are utilized, the Declarant or the Architectural Control Committee will require that such materials be replaced. The grade and price of materials shall be relevant considerations in determining whether the materials are of equivalent quality.

Section 8. Permits. No construction or exterior addition or change or alteration of any structure may be started on any portion of the Development without the Owner first obtaining a building permit and other necessary permits from the proper local governmental authority. Issuance of an initial building permit for any Lot will be subject to payment of state and local taxes as set forth by Island County.

Section 9. Codes. All construction shall conform to the requirements of the State of Washington codes (building, mechanical, electrical, plumbing) and local requirements required by Island County in force at the commencement of the construction, including the latest revisions thereof.

Section 10. Entry for Inspection. Any agent officer or member of the Declarant, the Board, or the Architectural Control committee may, at any reasonable predetermined hour, upon 24 hours notice during construction or exterior remodeling, enter and inspect the structure to determine if there has been compliance with the provisions of this Declaration. There is hereby created an easement in favor of the Declarant, the Board, and the Architectural Control committee over, upon and across each Lot for the purpose of making and carrying out such inspections.

Section 11. Exclusions. Notwithstanding anything to the contrary herein, plans and specifications for Residences, buildings or structures constructed by Declarant shall not be subject to the restriction of this Article IX.

ARTICLE X

Architectural Control

Section 1. Declarant Control. For the purpose of further insuring the quality of the Development as a residential area of high standards, Declarant reserves the right to control buildings, structures and improvements, including the locations thereof placed on each Lot and the Common Area. The Owner or occupant of each Lot by acceptance of title thereto or by taking

possession thereof, covenants and agrees that no (a) Residence, building, wall, fence, screening, outbuilding (e.g. garden shed, tool shed, pet house or playhouse), playground equipment, signs, lamp post, recreational facilities (e.g. swimming pool hot tub, spa, basketball hoop, basketball court, tennis court, pool house or sport court) or other structure or improvement (“structure” or “building”) shall be placed upon said premises, and (b) no external addition, modification, structural alteration or change of design, color or materials, shall be made to any building or structure on said premises, unless and until the plans, specifications and site plans have been approved in writing by the Declarant (or its nominee as provided herein). In the case of such approval, only those plans receiving such approval may be placed, constructed or maintained on the Lot.

Section 2. Architectural Control Committee. The Declarant may nominate the Association or an Architectural Control Committee to perform the duties specified in this Section. The Architectural Control Committee shall have three (3) members who each serve three (3) year terms. The Declarant may appoint the members until such time as fifty one percent (51%) of all Lots in the subdivision have been sold and fifty one percent (51%) of plans approved at which time the Declarant may transfer said appointment power to the Board of Directors. Committee decisions shall be determined by a majority vote by the members of the Committee.

Section 3. Submission of Plans. A fee established by the Declarant or the Architectural Control committee shall accompany application for approval of plans to the Declarant or the Architectural Control Committee. The application fee shall not exceed Two Hundred and Fifty dollars and no/100 Dollars (\$250) In connection with such application, complete plans and specification of all proposed building or structures and exterior alterations, together with details plans showing the proposed location of the same on the particular building site, shall be submitted to the Declarant or the Architectural Control Committee, at least 60 days prior to the proposed construction starting date, and such construction or alteration shall not be started until written approval thereof is given by the Declarant or the Architectural Control committee. The written submission shall contain the name and address of the Owner submitting the plans and specifications, identify the Lot involved, and the following information about the proposed structure:

- (a) The location of the structure upon the Lot;
- (b) The elevation of the structure with reference to the existing and finished Lot grade;
- (c) The general design;
- (d) The interior layout;
- (e) The exterior finish materials and color; including roof materials;
- (f) The Landscape plan; and
- (g) Other information that may be required in order to determine whether the structure conforms to the standards articulated in this Declaration and the standards employed by the Declarant or the Architectural Control Committee in evaluating development proposals.

Section 4. Review of Plans. The refusal or approval of plans and specifications may be based on any grounds, including purely aesthetic grounds, which in the sole and uncontrolled discretion of the Declarant or the Architectural Control committee shall deem sufficient. As to all construction and alterations within or upon the property, the Declarant or the Architectural Control Committee shall have the right to refuse to approve any design plan or color for such improvements, construction or alterations which is not suitable or desirable in the opinion of the Declarant the Architectural Control committee for any reason, aesthetic or otherwise, and in so

passing upon such design, the Declarant or the Architectural Control Committee shall have the right to take into consideration the suitability of the proposed building or other structure, and the material of which it is to be built and the exterior color scheme, to the site upon which it is proposed to erect the same, the harmony thereof with the surrounding Lots and improvements, and the effect or impairment that said structures will have on the view of surrounding building sites, and any and all facts, which in the opinion of the Declarant or the Architectural Control Committee shall affect the desirability or suitability of such proposed structure, improvements or alterations. Any action or inaction by the Declarant or the Architectural Control Committee, or their respective agents, members or employees, shall be solely discretionary and all parties, Owners, members and or potential members shall hold and save harmless the Declarant and the Architectural Control committee, and their respective agents, members or employees, provided any such actions or inactions are in good faith.

Section 5. Approval Procedures. Should the Declarant or its nominee fail to approve or disapprove the plans and specifications submitted by the Owner of a residential site within the Development within thirty (30) days after written request therefore, then the applicant may request in writing a response within an additional fourteen (14) days. In the event there remains no response, the plans shall be deemed approved, provided, however the plans must still comply with the Declaration in all other respects. No building, wall, fence, sign, swimming pool or other structure shall be erected or be allowed to remain on any residential site which violates any of the covenants or restrictions contained in the Declaration.

Section 6. Exclusions. Notwithstanding anything to the contrary herein, Lots owned by the Declarant and any plans and specification for Residences, buildings or structures constructed by Declarant shall not be subject to this Article X or any review by the Architectural Control Committee.

Section 7. Compliance with Codes. In all cases, ultimate responsibility for satisfying all local building codes and requirements rests with the Owner and contractor employed by the Owner. The Architectural Control Committee has no responsibility for ensuring that plans and specifications which it review comply with relevant building and zoning requirements. No person on the committee or acting on behalf of the Architectural Control Committee or any person acting on behalf of the Architectural Control Committee be held responsible for any defect in a structure which was built pursuant to plans and specifications approved by the Architectural Control Committee.

Section 8. Enforcement. In any judicial action to enforce a determination of the Architectural Control Committee, the losing party shall pay the prevailing party's attorney's fees, expert witness fees, and other costs incurred in connection with such a legal action or appeal.

ARTICLE XI

Rules and Regulations

The Association shall have the power through corporate resolution, and the Declarant during the Development Period, to adopt and enforce rules and regulations governing the use of the Common Areas or activities within the Development, so long as such rules and regulations are consistent with law or this Declaration. The Association or the Declarant 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 thereon. A copy of the rules and regulations then in force shall be retained by the secretary of the Association and shall be available for inspection by any Owner during reasonable business hours. Such rules shall have the same force and effect as if set forth herein.

ARTICLE XII

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 each respective Lot. Or personal property located on or in each respective 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 Area.

ARTICLE XIII

Indemnification and Liability

Section 1. Indemnification. To the full extent not prohibited by the Washington Nonprofit Corporation Act and the Washington Business Corporation Act, each member of the Board of Directors, each member of an Association committee, each officer of the Association, and the Declarant shall be indemnified by the Association against all expenses and liabilities, including attorneys' fees, reasonable 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 the position of Director, Association committee member, Association officer, or Declarant, 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 such expenses and liabilities are covered by insurance and except in such cases wherein such person is adjudged guilty of willful misfeasance in the performance of his duties; provided that, in the event of a settlement, the indemnification shall apply only when the Board of Directors approves such settlement and reimbursement as being for the best interests of the Association. Nothing herein shall, however, be deemed to obligate the Association to indemnify any Owner of a Lot who is or has been a Board member or officer of the Association with respect to any duties or obligations assumed or liabilities incurred by such Owner under and by virtue of this Declaration as an owner of a Lot covered thereby. The foregoing right of indemnification shall not be exclusive of other rights to which such Director, officer or committee member may be entitled to through the Articles of Incorporation of the Association, this Declaration, or as a matter of law.

Section 2. Limitation of Liability. No Director, officer or committee member shall have liability to the Association or its Members for monetary damages for conduct as a Director, officer or committee member, except for acts or omissions that involve intentional misconduct or a knowing violation of law by the Director, officer or committee member, or for any transaction from which the director, officer or committee member will personally receive a benefit in money, property or services to which the Director, officer or committee member is not legally entitled, or for failure to exercise the degree of care and loyalty required under RCW 24.03. The Association and all Members and Owners waive any claims arising from or related to, directly or indirectly, any conflicts (actual or apparent) arising from agents of the Declarant also holding positions within the Association (e.g., Director or officer) during the Development Period.

ARTICLE XIV

General Provisions

Section 1. Covenants Running With the Land. These covenants are to run with the land and be binding on all parties and persons claiming under them for a period of thirty (30) years from the date this Declaration is recorded, after which time the covenants shall be automatically extended for successive periods of ten (10) years unless an instrument signed by a majority of the individuals then owning Lots has been recorded which reflects their intent to amend the covenants in whole or in part. In the event that any provision or provisions shall be construed as being void and of not effect as of twenty-one (21) years after the death of the last surviving initial Board member of the Association or twenty-one (21) years after the death of the last survivor of all the initial Board members' children and grandchildren who shall be living at the time this instrument is executed, whichever is later. In the event this Declaration is extended to include adjoining lands through the annexation procedures herein, this Declaration may only be terminated or charged as provided in this section in conjunction with the adjoining lands, and in such case, the agreement of the then Owners of a majority of all Lots subject to this Declaration, as amended and extended, shall be required to effect such termination or change. Termination of this Declaration or modifications which materially affect Common Areas or obligations of the Association shall first receive approval from any governmental agency potentially impacted by the termination or modifications. Any termination or changes shall become effective upon the recording of such agreement, fully signed and acknowledged by the necessary parties, as above provided, in the offices of the Auditor of Island County, Washington.

Section 2. No Abandonment. No Owner may avoid or diminish the burdens or obligations imposed by this Declaration by nonuse of any Common Area or abandonment of his or her Lot.

Section 3. Enforcement. The Association, the Board, or any Owner shall have the right to enforce, by any legal proceeding at law or in equity, including without limitation injunctive relief, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration.

Section 4. Attorneys' Fees. In the event that it is necessary to seek the services of an attorney in order to enforce any provision of this Declaration or any lien created pursuant to the authority of this Declaration, the individual Owner against whom enforcement is sought shall be obliged to pay any attorneys' fees and costs incurred, and such amount shall constitute a lien against the Owners lot.

Section 5. Notices. All notices, demands, or other communications permitted or required to be give by this Declaration shall be in writing, and, if mailed, postage prepaid by certified or registered mail, return-receipt-requested (in the case of a notice to Declarant, the Association or to fewer than to all of the Owners), or if mailed first-class postage prepaid (in the case of a notice to all of the Owners), shall be deemed given three days after the date of mailing thereof, or in the date of actual receipt, if sooner, otherwise, notices shall be deemed give on the date of actual receipt. Notices shall be addressed to the last known address of the addressee. Notice to any Owner maybe given at any Lot owned by such Owner; provided 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 or she becomes an Owner. If the address of Declarant or the Association shall be changed, notice shall be give to all Owners.

Section 6. Severability. The invalidity of any one or more phrases. Clauses, sentences, paragraphs or sections hereof shall not affect the remaining portions of this Declaration or any

part thereof. In the event that one or more of the phrases, clauses, sentences, paragraphs or sections contained herein should be invalid, this Declaration shall be construed as if the invalid phrase, clause, sentence, paragraph or section had not been inserted.

Section 7. Non-waiver. No waiver of any breach of this Declaration shall constitute a waiver of any other breach, whether of the same or any other covenant, condition or restriction.

Section 8. Amendment. Unless otherwise specifically addressed elsewhere, an amendment to any term or provision of this Declaration shall require the approval of the Declarant and the affirmative vote of seventy-five percent (75%) of the voting power of the Association. This Declaration may be amended during the Development Period by the Declarant without the vote, consent or approval of the Members and/or the Association. Amendments to any provision of this Declaration which affect any Lot or Lots owned by the Declarant, or which alter the rights, duties, and obligations of Declarant, shall require the affirmative written consent of the Declarant at all times. In the event that the Declarant has the necessary votes and desires to amend the Declaration during the Development Period, the Declarant may waive any requirements to conduct a membership meeting if and to the extent permissible by law. Any amendment to this Declaration must be recorded with the Island County Auditor.

Section 9. Declarant Right to Assign. The Declarant may assign any and all of the rights, powers, obligations, privileges, and interest under this instrument to any other person or concern, and in any such case any such successor or assignee may exercise and enjoy such rights, powers, privileges and interest and shall be responsible for such obligations to the same extent as Declarant would have been had such assignment not been made.

Section 10. Successors and Assigns. The covenants, restrictions and conditions articulated in this Declaration shall run with the land and shall accordingly be binding on all successors and assigns.

Section 11. Annexation. Declarant reserves the right, but is not obliged, to add other parcels to the Development. Declarant reserves the right to determine the number and location of any lots within the other parcels. If any other parcels are added to the Development, all of the other parcels shall be governed by this Declaration. The character of the improvements which may be later added to the Development on other parcels shall be compatible with improvements already existing on the Development; provided, however, that Declarant may develop the other parcels for any lawful purpose that is allowed by applicable laws and regulations. All easements for ingress, egress, utilities and use of facilities, unless otherwise specifically limited, shall exist in favor of all Lot Owners in the other parcels.

Section 12. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation, maintenance, construction, appearance and harmony of Lyle Ridge. Any rules of strict construction of any ambiguities in this Declaration or relate documents against the Declarant or the Association after the Development Period are not applicable.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein have hereunto set their hands(s) and seal(s) this date _____ of _____, 2008

DECLARANT
RSM Development LLC, a Washington corporation

By_____

Title_____

Other signature documents to follow. . .