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PIERCE COUNTY, WASHINGTON

After Recording Return to:
Bryce H. Dille
of Campbell, Dille & Barnett
317 South Meridian
P.O. Box 488
Puyallup, WA 98371

**DECLARATION OF EASEMENTS, CONDITIONS, AND RESTRICTIONS
OF
SKY ISLAND DIVISION 2**

Grantor: The Lookout, L.L.C., a Washington Limited Liability Company

Grantee: Sky Island Division 2

Legal Description: Lots 1 - 52 of Sky Island Division 2 recorded under Pierce County Auditor's Recording No.

200101245003.

Complete Legal Description is Located on Page 2 of Document. Assessor's Tax Parcel No. 05-19-05-1-029 and 05-19-04-2-045.

THIS DECLARATION is made this 12th day of January, 2001, by the undersigned who is hereinafter referred to as Declarant.

I. BACKGROUND

1. Sky Island L.L.C., a Washington Limited Liability Company has developed a residential community of "Sky Island" and has subjected portions of property, including the property described herein, to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Sky Island, which was recorded with the Pierce County Auditor under file number 9803130060.

2. Sky Island L.L.C. is conveying the property described herein to the Lookout, L.L.C., a Washington Limited Liability Company, (hereinafter referred to as Declarant) for the purpose of developing a residential community thereon to be known as

EXCISE TAX EXEMPT DATE 1-24-2001
Pierce County

By [Signature] Auth. Sig

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Sky Island Division 2. Pursuant to Article II, Section 2.2 of the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Sky Island referred to above, Sky Island L.L.C. subjected Sky Island Division 2 to Article VI of the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Sky Island and furthermore said Sky Island L.L.C. assigned its rights to the Lookout L.L.C. to subject Sky Island Division 2 to additional covenants and easements as set forth herein for the purpose of developing the residential community on Sky Island Division 2.

3. Declarant is the owner of certain property in Pierce County, Washington, and particularly described as follows:

Lots 1 - 52 of Sky Island Division 2 recorded under Pierce County Auditor's Recording No. 200101245003.

4. Declarant desires to preserve and enhance the property values, amenities, and opportunities in the above described residential community and to provide for health, safety, and welfare of residents, and to this end, desires to subject the property described above, together with such additions as may be made to the property to the covenants, restrictions, common areas, easements, charges, and liens set forth in this Declaration, each and all of which are for the benefit of the property and each owner.

5. Declarant has incorporated SKY ISLAND DIVISION 2 HOMEOWNER'S ASSOCIATION to provide a means for meeting the purposes and intents set forth in this Declaration.

II. DECLARATION

1. Declarants declare that the property as described above shall be held, transferred, sold, conveyed, and occupied subject to the covenants, restrictions, common areas, easements, charges and liens set forth in this Declaration, together with such other property as may be subsequently added in the future.

2. Further, Declarants delegate and assign to SKY ISLAND DIVISION 2 HOMEOWNER'S ASSOCIATION the power of maintaining, administering and enforcing the covenants and restrictions, collecting and disbursing the assessments and charges created in this Declaration, and promoting the health, safety, and welfare of the residents.

III. DEFINITIONS

1. "ACC" shall mean the Architectural Control Committee as described in this Declaration.

2. "Approval" shall mean written approval, or any written waiver of approval rights or the issuance of a letter of "no objection".

3. "Association" or "Homeowner's association" shall mean SKY ISLAND DIVISION 2 HOMEOWNER'S ASSOCIATION, a Washington nonprofit corporation, its successors and assigns.

4. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

5. "Builder" shall mean any person or entity who purchases more than one lot directly from the Declarant and who is engaged in the business of the building residences for purposes of resale and who shall commence construction of a residence upon a lot purchased directly from the Declarant set forth above.

6. "Common Areas" shall mean all of the real property and improvements which may be owned or leased by the Association, all easements which are defined as common areas as more particularly set forth in this Declaration, or real property owned jointly by all lot owners or for the common use and enjoyment of the lot owners including but not limited to access roads and easements.

7. "Declarant" shall mean the undersigned, their successors and assigns.

8. " Dwelling Unit " shall mean any portion of the building situated on the properties which portion is designated and intended for use as a residence by a single family.

9. " Federal Mortgage Agencies " shall mean those federal agencies which have an interest in any lot or lots, or common areas, such as the Federal Housing Administration (FHA), the Veterans Administration (VA), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation, or their successors to their interest.

10. " First Mortgagee " shall mean a lender who holds the first mortgage or deed of trust on a lot and who has notified the Association in writing of its holdings.

11. " Lot " shall mean Lots 1 through 52 of the lots recorded in the plat of SKY ISLAND DIVISION 2 recorded under Pierce County Auditor's Recording No. 200101245003, with the exception of the common areas.

12. " Member " shall mean a member of the Homeowner's Association by virtue of lot ownership.

13. " Notice " shall mean written notice delivered personally or mailed to the last known address of the intended recipient.

14. " Mortgage " shall include, except where stated to the contrary herein, a mortgage, deed of trust, real estate contract, or other security instrument.

15. " Owner " shall mean every person or entity, including Declarant, which is a record owner of the fee simple title to any lot, or if any lot is sold under real estate contract, the vendee or vendees under that contract; provided however, that the term " Owner " shall not include those having such interest merely as security for the performance of an obligation.

16. " Property or Community " shall mean the entire real property developments subject to this Declaration.

IV. PROPERTY SUBJECT TO THIS DECLARATION AND ADDITIONS THERETO

1. The Property. The property which is subject to this Declaration shall be Lots 1 through 52 of SKY ISLAND DIVISION 2, which plat is recorded under Pierce County Auditor's Recording Number 200101245003 as more particularly set forth above.

2. Additional Covenants and Easements. Until such time as seventy-five (75%) percent of the Lots have constructed on them a residence and that said Lots have been sold and conveyed to other than builders, the Declarant may unilaterally subject any portion of the property submitted to this Declaration initially or by supplemental declaration to additional covenants and easements. Such additional covenants and easements shall be set forth in a supplemental declaration, filed either concurrent with or after the submission of the subject property.

V. COMMON AREAS

1. TRACT E and Security Gate. Tract E is a landscaping tract and shall be owned by the Homeowners Association which shall be responsible for the maintenance of the same. In addition, a security gate shall be installed on a portion of Tract E across the private road providing ingress and egress to the lots and that said security gate shall be owned and maintained by the Homeowners Association.

2. TRACT F: Tract F is an emergency access tract, the ownership and maintenance of which shall be that of the Homeowners Association.

3. TRACT G: Tract G is a recreation/park area which shall be owned by the Homeowners Association. However, said tract G is for the exclusive use of the owners of Lots 23 through 31 and the Homeowners Association shall be responsible for the maintenance of the same; however, the costs of said maintenance shall be shared only by Lots 23 through 31 and maintenance costs shall be specifically assessed against those lots by the Homeowners Association.

4. Easements.

A. Road and Sidewalk Easement. That the Declarant has established easements for ingress, egress, utilities and sidewalks over and across the lots as set forth on the plat which roads are specifically identified as Mt. Rainier Loop East and 183rd Avenue East and the connecting road between the same. That said private roads and sidewalks are for the use and enjoyment of all lot owners and their invitees, and that the Homeowners Association shall be responsible for the repair and maintenance of said private roads and sidewalks.

B. Easements for Utilities and Other Purposes. The Declarant reserves an easement for the construction and maintenance of utilities over and across all of the private roads as identified on the Sky Island Division 2 plat as referred to above and, in addition, on each lot an easement is reserved over and across a five (5) foot strip of land adjacent to the side boundary lines and a ten (10) foot wide strip of land adjacent to the rear boundary lines and a ten (10) foot wide strip of land adjacent to the private road easements for purposes of utility installation and maintenance, including but not limited to, power, telephone, water, sewer, storm drainage, gas, cable television, together with the right for the association or any other utility entity to enter upon the lot at all times for such purposes. The easement on the strips of land on the side boundary and back boundary of lots shall be limited to drainage and to utilities that benefit only the lots within the plat and that no utility lines may be put in those strips of land on the side and back of lots which benefit property other than lots within the plat. In addition there shall be other utility easements as shown on the Plat as well as any other recorded utility easements for the benefit of any governmental agencies or utility entities. Within such strips as identified above, no structure, planting, or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of said utilities or which may change, obstruct, or retard the flow of water through any drainage channels. Such easement areas and all improvements thereon shall be maintained by the owner of the lots except as to utility improvements located therein which are the responsibility of the utility entity owning,

installing, or being responsible for such improvements. Fencing and landscape plantings are permitted on the side and rear property lines as approved by the ACC.

C. Easement for Landscaping and Perimeter Fence. The Declarant reserves an easement for landscaping as shown on the plat consisting of a strip five (5) feet in width adjacent to 97th Street East. The Homeowners Association shall have right to maintain landscaping along said five (5) foot strip as well as the installation and maintenance of an irrigation system. In addition, the Declarant shall construct a fence along the boundary of said five (5) foot strip that each lot owner shall be responsible for maintaining that portion of the fence situated on that owner's lot.

5. Owner's Easements of Enjoyment. Each Owner shall have the benefit of the "Common Areas" which shall be appurtenant to and shall pass with the title to every lot subject to the following provisions:

(a) The right of the Association to adopt reasonable rules governing the use of the Common Areas and the personal conduct of persons authorized to use said areas, and to establish appropriate penalties for the violation of those rules.

(b) The right of the Association to dedicate or transfer all or any part of the common areas to any public agency, authority or utility for the purpose for which said common areas were constructed and reserved.

(c) The right of the Association to enter upon any lot or common areas to perform any maintenance required of the Association or to perform any other duties or obligations imposed upon the Association pursuant to the terms of this Declaration.

6. Association to Maintain. The Association shall maintain, repair, and replace, if necessary the common areas and any improvements located thereon. Said expenses shall include but not be limited to maintenance of landscaping situated on the common areas and easements described above,

including the maintenance of irrigation situated within the same as well as the repair and maintenance of the private roads, security gates, street lights, sidewalks, and the repair and maintenance of Tract G, subject to the condition that the expenses relating to said Tract G shall be equally allocated only to the owners of Lot 23 through 31.

The Association shall maintain and pay the actual costs of maintenance from assessments as provided for herein including the cost of all utilities, including electrical and water which may serve and maintain the common areas. The Association shall also maintain liability and casualty insurance in such amounts as may be determined by the Homeowner's Association and the cost of said insurance shall be paid from the assessments as provided for herein. The Association shall also have the right to employ such managers or management companies as is necessary in order to assist the Association and the discharge of its duties and responsibilities under this declaration and administering the affairs of the Association.

7. Responsibility of Each Lot to Pay Assessments Due Sky Island Homeowners' Association. In accordance with Article VI of the Sky Island Second Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's Recording No. 9803130060 and any subsequent amendments thereto, each lot within Sky Island Division 2 is subject to an assessment pursuant to the provisions of that Declaration as amended as may be assessed by the Sky Island Homeowners Association. Each lot within Sky Island Division 2 shall pay directly to the Sky Island Homeowners Association on a quarterly basis, or such other periodic basis as determined by said Homeowners' Association the assessment made against each lot in accordance with Article VI of the Sky Island Second Amended and Restated Declaration referred to above.

8. Responsibility of Each Lot Owner. Each lot owner shall be responsible for the maintenance and repair of any fencing constructed on the perimeter boundary of said lot or any other fencing constructed within the boundaries of said owner's lot in accordance with the provisions of this Declaration.

9. Responsibility of Builder for Erosion Control. The Declarant has completed the storm water system with respect to all lots and said system has been cleaned and that no silt or other debris is present in the catch basins, storm lines, or storm ponds upon the completion of those improvements by the Declarant. All builders constructing dwelling units on all lots within the property shall be responsible for the cleanup of any debris or dirt dumped on any of the streets during the period of construction and shall not remove fabric which shall cover any catch basins during the period of construction. Builders shall comply with all directives, rules, and regulations adopted by the Association or by the Declarant during the period of construction of dwelling units as the same may be promulgated by the Association or the Declarant relating to the construction process and specifically an order to maintain proper erosion control during the time of construction. Any builder who fails to comply with any of the requirements of this paragraph, shall be responsible to the Association for all costs of clean-up and/or repair as may be required in order to comply with the provisions as set forth herein.

10. Delegation to Manager. The Board of Directors may delegate any of its managerial duties, powers or functions to any person, firm or corporation, provided that any management agreement for the project shall be terminable by the Association for a cause upon 30 days written notice, and the term of any such agreement may not exceed one year renewable by agreement of the parties for successful one year periods. The members of the Board of Directors shall not be liable for any omission or improper exercise by the manager of any duty, power or function so delegated by written instrument executed by a majority of the Board of Directors.

VI. HOMEOWNER'S ASSOCIATION

1. Membership of the Sky Island Homeowners' Association. Each owner of a Lot shall be a Member of the Sky Island Homeowners' Association as provided for in the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Sky Island recorded under Pierce County Auditor's file number 9803130060 as subsequently amended and

shall have the rights as set forth in the Second Amendment to the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Sky Island as recorded under Pierce County Auditor file number _____.

2. Membership in Sky Island Division 2 Homeowners' Association. Each owner of a lot shall also be a member of the Sky Island Division 2 Homeowners Association. Membership in that Association shall be appurtenant and may not be separated from ownership in any lot. When more than one person holds an interest in any lot, all such persons shall be members. Ownership of a lot shall be the sole qualification for membership.

3. Voting. Each lot shall vest in its owners with one vote on all matters. No lot shall be entitled to more than one vote. Lots owned by a husband and wife, or jointly by more than one individual or entity, shall be entitled to only one vote per lot by the lot owners cumulatively and not individually. Matters involving the capital improvements of the common areas shall require an affirmative vote of sixty-six percent (66%). All other matters shall require an affirmative vote of fifty-one percent (51%) unless otherwise stated elsewhere in this Declaration or amendments thereto.

4. Meetings. Subsequent to such time as the declarant shall no longer have the right to appoint directors under Paragraph VI(11), the Association may schedule regular meetings at least once a year. Other special meetings may be called in accordance with the terms and provisions of the by-laws of the Association. Minutes shall be kept at such meetings which shall include a record of all votes taken.

5. Liability Insurance. The Association may maintain liability and/or hazard insurance covering the common areas and work performed by or on behalf of the Association.

6. Dues; Assessments. Assessments as provided for herein shall be paid on a regular or periodic basis as determined by the board of directors of the Homeowner's Association.

7. Common Expenses. All expenses which shall be for the benefit of all of the lot owners shall be considered as a common expense and in addition, shall include but not be limited to costs incurred as a result of the Association's obligation to maintain common areas and to pay assessments of Sky Island Homeowner's Association as set forth in Article V, Paragraph 6 of this Declaration. In addition, common expenses shall include those expenses incurred in the administration of the Association and enforcement of the terms and provisions of this Declaration. Common expenses shall be inclusive of the cost of liability and casualty insurance in whatever amount is reasonable and deemed appropriate. Responsibility for the collection for payment as well as payment of said common expenses shall be determined, administered, and adjusted by the Association board of directors.

8. Lien for Failure to Pay. In the event any party fails to pay, within 30 days of receiving a bill for their portion of the expense, then the Association may file a lien, substantially in the form of a labor and material lien. The lien shall be a lien against the property of the non-paying party and forecloseable in the same manner as a labor and materials line, without, however, the requirement to file suit within eight (8) months. The lien shall have perpetual existence until paid and released by a recorded lien release. The unpaid balance shall bear interest at the highest legal rate until paid and the non-paying party shall be liable for costs and attorneys fees expended in any collection action including but no limited to the foreclosure of the line. Sale or transfer of any lot shall not affect the assessments as to payments thereof which became due prior to such sale or transfer whether a lien is filed prior to the sale or not. No sale or transfer shall relieve such lot from liability for any assessment, dues or other charges thereafter becoming due or from the lien thereof. The word "mortgage" shall include a "deed of trust" or real estate contract. That notwithstanding any of the provisions set forth herein, in the event of any sale or transfer of any lot pursuant to or as the result of a foreclosure of a mortgage or deed of trust, or by deed or assignment in lieu of foreclosure, or any proceeding in lieu thereof, such possessor, its successor, and assigns shall not be liable for the share of the common expense or assessments

made by the Association chargeable to such lot which became due prior to such possession. The unpaid share of common expenses or assessments shall be deemed to be a common expense collectible from all of the owners, including such possessor, his successors, and assigns.

8.1 Sky Island Homeowner's Association Assessments. In addition, if any party fails to pay that party's portion of the Sky Island Homeowner's Association assessments pursuant to the terms of Article VI of the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions recorded under Pierce County Auditor's File No. 9803130060 and any subsequent amendments to, then the Sky Island Homeowner's Association may seek remedies provided in Article VI of the Second Amended and Restated Declaration of Covenants, Conditions and Restrictions, and any subsequent amendments thereto, including filing of and foreclosing upon a lien on the non-paying party's property.

9. Subordination of Lien. Any lien allowed or provided by this declaration shall be considered subordinate and inferior to any bona fide first mortgage or first position deed of trust (but not to a real estate contract) where the lender under such first mortgage or deed of trust is a bank, savings and loan, F.H.A., V.A., or other institutional lender. If required by such institutional lender, the holder of a lien provided for herein, whether the holder be the Declarant, the ACC, the Association, a lot owner, or otherwise, will execute a standard form subordination agreement to effect the purposes of this provision. This provision shall also apply to refinancing of an existing first position mortgage or deed of trust where the refinancing lender is an institutional lender as above described. This provision shall not apply to any sale of all or part of any lot where the lot owner, subject to an existing lien, carries the sale contract or deed of trust, or otherwise acts as lender to a purchase of the liened lot. Except as provided above, no lien allowed or provided by this Declaration shall be effected by a sale, transfer or refinance of the liened lot or lots.

10. Personal Liability. Each assessment, dues, or other charges, together with interest, costs, and reasonable attorney

fees shall also be the personal obligation of the owner of the lot at the time such assessment, dues, or other charge became due. The personal obligation of such owner shall not be relieved by sale or transfer of the lot, and shall not become the personal obligation of the owner's successors in interest unless expressly assumed by them. The new owner shall be personally liable for assessments, dues, or other charges which become due on or after the date of sale or transfer. Provided that, nothing in this section shall relieve the lot from liability for such dues, assessments, or other charges, or the lien therefore.

11. Directors. Declarant shall have the option to act or appoint the board of directors until such time as 75% of the lots have constructed on them a residence and said lots have been sold and conveyed to other than builders. After 75% of the lots have had residences constructed on them and said lots have been conveyed to other than builders (and in the event the Declarant has not previously relinquished the right to appoint the board of directors) then the Declarant in accordance with the By-Laws shall conduct by mail an election of a board of directors and shall then act in accordance and in connection with the terms and provisions of the Articles of Incorporation, By-Laws and this Declaration.

12. Association Obligation. The Association shall be obligated to perform the maintenance and repair as more specifically set forth in Paragraph V (6), provided that if any work is required as a result of any negligent or intentional act or admission of any owner, or the owner's agent, family or tenants, than the cost of such work shall be paid for exclusively by such owner and shall become a part of the assessment levied against such owner's lot or lots.

13. Maintenance Contract. The Association may enter into contracts for the maintenance and repair of any area required to be maintained or repaired by the Association. Such contract shall be signed by the board of directors on behalf of the Association or by the Declarant acting as the board of directors so long as the Declarant is acting on the board of directors.

VII. OFFICERS

The Board of Directors shall appoint individuals to serve as President, Treasurer and Secretary. Each officer shall be a member of the Board. The term of each officer shall be one year. Officers may be elected to consecutive terms.

VIII. INCORPORATION

The Association shall be incorporated under the laws of the State of Washington and may apply for tax exempt status with the IRS. The Articles of Association and Bylaws shall not be contradictory to and shall supplement this Declaration.

IX. EXTRAORDINARY USE COSTS

In the event that one or more lot owners should by their use of the common areas cause it to be subjected to other than reasonable wear and tear or by their actions damage those common areas or any improvements located thereon or therein, then individual subjecting the common area to such use shall have the obligation to repair such damage upon demand by the Association and to restore such common area to the condition that existed prior to such use or action and all expenses therefore shall be paid by such individual.

X. ASSESSMENTS

1. Covenants for Maintenance Assessments.

(a) Declarants, subject to the provisions of Paragraph X(6), for each Lot owned by it, agrees, and each Owner of a Lot by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to agree to pay to the Association (i) annual or other regular assessments, and (ii) special assessments for capital improvements.

(b) The annual or other regular and special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge and a continuing lien upon the Lot against which each such assessment is made. Such lien may be foreclosed by the Association in like manner as a Mortgage on real property.

(c) Each assessment, together with interest, costs, and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of the Lot assessed at the time the assessment fell due. The personal obligation shall not pass to the Owner's successors-in-interest unless expressly assumed by them. The new Owner shall be personally liable for assessments which become due on and after the date of sale or transfer.

2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the Property, including the improvement, repair and maintenance of the Common Areas and the services and facilities related to the use and enjoyment of said areas, for the payment of insurance premiums on the Common Areas, and for the maintenance of other areas as provided for in this Declaration.

3. Board to Fix Annual or Regular Assessment. The Board of Directors shall fix the regular or annual assessment at least thirty (30) days prior to the commencement of the annual or regular assessment period. Written notice of the annual or regular assessment shall be sent to every Owner. In the event the Board fails to fix an annual or regular assessment for any assessment period, then the assessment established for the annual or regular assessment for the prior year shall automatically be continued until such time as the Board acts. The annual or regular assessment established for the prior year shall automatically be continued until such time as the Board acts. The annual or regular assessments shall be sufficient to meet the obligations imposed by the Declaration and any supplementary declarations, and shall be sufficient to establish an adequate reserve fund for the maintenance, repair

