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POLICY OF TITLE INSURANCE ISSUED BY

LT-

STEWART TITLE GUARANTY COMPANY

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

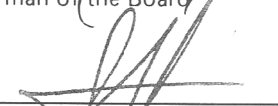
IN WITNESS WHEREOF, Stewart Title Guaranty Company has caused this policy to be signed and sealed by its duly authorized officers as of the date of Policy shown in Schedule A.

**STEWART TITLE
GUARANTY COMPANY**


Chairman of the Board


President

Countersigned:

Authorized Signatory

Land Title Co. of Island County
P. O. Box 1138
Company Oak Harbor, WA 98277



City, State

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
 - (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (a) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (b) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (i) to timely record the instrument of transfer; or
 - (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

ALTA Owner's Policy

SCHEDULE A

Amount of Insurance: \$ 8,000.00
Premium: \$ 250.00
Date of Policy: April 12, 2004
at 2:57PM

Policy No.: _____
Order No.: LT-_____

1. Name of Insured:
_____ **husband and wife**

2. The estate or interest in the land which is covered by this policy is:
Fee Simple Estate

3. Title to the estate or interest in the land is vested in:
_____ **husband and wife**

4. The land referred to in this policy is described as follows:

Lot ●, Plat of Admirals Cove, Division No. 6, as per plat recorded in Volume 10 of Plats, page 1, records of Island County, Washington.

Situate in the County of Island, State of Washington.

SCHEDULE B-1

A. Right of the public to make all necessary slopes for cuts and fills upon said premises in the reasonable original grading of streets, avenues, alleys and roads. Also the right to drain all streets over and across any lot or lots where water might take a natural course after the street or streets are graded, as dedicated in the plat.

B. Restrictions contained in the Plat of ADMIRAL'S COVE, DIVISION NO. 6, as per plat recorded in Volume 10 of Plats, page 1, records of Island County, as follows:

RE: Plat Restrictions

All lots, tracts or parcels of land embraced in this plat are subject to and shall be sold only under the following restrictions:

No lot, tract or portion of a lot or tract, of this plat shall be divided and sold, or resold, or ownership changed or transferred whereby the ownership of any portion of this plat shall be less than 7200 square feet or less than 60 feet in width at the building line. No permanent structure or building shall be constructed on any lot, tract or parcel of this plat closer than 20 feet to the margin of any street or road. Construction on any lot shall require a building permit and sewage disposal permit prior to commencement of work. For further restrictions see protective covenants filed separately. "Tract A" as shown on this plat of Admiral's Cove as recorded in Volume 29 of Plats, pages 624-629, records of Island County, is hereby dedicated to the use of the residents of this plat for all purposes not inconsistent with the use thereof for recreational purposes.

Tract A Dedication

C. Waiver contained on the face of the plat as follows:

"The undersigned owners and their heirs, grantees and assigns, hereby waive any claim for damages which may arise as a result of over flights in the air space above said plat and release Island County from any such liability.

RE: Noise

D. Restrictive covenants affecting said plat of ADMIRAL'S COVE, DIVISION NO. 6, as per plat recorded in Volume 10 of Plats, page 1, records of Island County, established by that certain instrument recorded May 13, 1968, as Auditor's File No. 209066. Amended by Auditor's File No. 387441, recorded September 3, 1981. Also amended by Auditor's File No. 425808, recorded June 15, 1984.

RE: Restrictive Covenants

E. By-Laws of Admiral's Cove Beach Club, Inc., recorded June 13, 1986, as Auditor's File No. 86006872. Amended by instruments recorded as Auditor's File Nos. 95019023 and 95019024.

RE: Bylaws

F. Resolution 97-8 as recorded May 8, 1997 under Auditor's File No. 97006586.

G. Resolution No. 98-2 (supersedes No. 97-9)

By: Admiral's Cove Water District
Recorded: March 12, 1998
Recording No.: 98004639

H. Resolution No. 99-1 (supersedes No. 97-3)

By: Admiral's Cove Water District
Recorded: February 12, 1999
Recording No.: 9003699

I. Resolutions 99-2 and 99-3 under Auditor's File Nos. 99009436 and 99009437 concerning Admiral's Cove Water District.