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AFTER RECORDING RETURN TO:

Ball Janik LLP
15 SW Colorado, Suite K
Bend, OR 97702
Attn: Laura Craska Cooper

**DECLARATION OF ANNEXATION OF REAL PROPERTY TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR PARKWOOD TOWNHOMES**

This DECLARATION OF ANNEXATION OF REAL PROPERTY TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR
PARKWOOD TOWNHOMES (this "Declaration") is made this 28 day of August ⁺ 2003,
by MOUNTAIN CREST HOMES, LLC, an Oregon limited liability company ("Declarant").

Recitals:

A. Declarant's predecessor-in-interest recorded that certain Declaration of
Covenants, Conditions, and Restrictions for Parkwood Townhomes on May 31, 2000, in the
Official Records of Deschutes County, State of Oregon, at Volume 2000, Page 21426 (as
amended from time to time, the "CC&Rs").

B. Declarant's predecessor-in-interest recorded the plat for The Bluffs at Riverbend,
Phase 2 on October 24, 2002 in the Official Records of Deschutes County, Oregon (the "Phase II
Plat"), platting that certain real property described therein (the "Annexed Property") as 16
individual residential lots, 10 of which are zero lot line attached townhome lots and 6 of which
are single family lots for detached units (each, an "Annexed Lot" and collectively, the "Annexed
Lots"). The six detached unit lots, identified on the Phase II Plat as Lots 1, 2, 3, 4, 7 and 8, are
hereinafter referred to as the "Detached Lots" and the Building Structures on the Detached Lots
are hereinafter referred to as the "Detached Building Structures."

C. Pursuant to Article III of the CC&Rs, Declarant desires to annex the Annexed
Property to the real property that is subject to the CC&Rs, upon the terms and conditions
contained in this Declaration.

NOW, THEREFORE, Declarant hereby declares that the Annexed Property shall
be held, sold and conveyed subject to the CC&Rs and the terms of this Declaration and that the
easements, covenants, restrictions and charges contained in the CC&Rs and herein shall run with
the land and shall be binding upon all parties having or acquiring any right, title or interest in the
Annexed Property, or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE 1 DEFINITIONS

Except to the extent otherwise defined herein, capitalized terms used in this
Declaration shall have the meanings ascribed to such terms in the CC&Rs.

RECORDED BY FIRST AMERICAN TITLE
INSURANCE COMPANY OF OREGON AS AN
ACCOMMODATION ONLY. NO LIABILITY IS
ACCEPTED FOR THE CONDITION OF TITLE
OR FOR THE VALIDITY, SUFFICIENCY, OR
EFFECT OF THIS DOCUMENT.

FIRST AMERICAN TITLE
INSURANCE COMPANY OF OREGON
P.O. BOX 323
BEND, OR 97709

Declaration of Annexation-Parkwood Townhomes

ARTICLE 2 ANNEXATION OF PROPERTY

The Annexed Property is hereby annexed to and made a part of the Property, and is owned and shall be owned, held, conveyed, hypothecated, encumbered, used, occupied and improved in perpetuity, subject to the easements, covenants, restrictions and charges contained in the CC&Rs, as modified or supplemented by the terms of this Declaration. Commencing as of the date hereof, all of the covenants, conditions and restrictions of the CC&Rs shall apply to the Annexed Property in the same manner as if it were originally covered by the CC&Rs. Each of the Annexed Lots shall constitute a "Lot" under the CC&Rs.

ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owner of each Annexed Lot shall become a member of the Association and shall be entitled to voting rights as set forth in the CC&Rs.

ARTICLE 4 MAINTENANCE

The Annexed Lots shall be subject to the provisions relating to maintenance contained in the CC&Rs, except as provided herein.

4.1 Maintenance of Detached Building Structures. The CC&Rs provide that the Association is to maintain the exterior of all Building Structures. Such provisions shall apply to the Building Structures on the Annexed Lots with the exception of the Detached Building Structures, which shall be maintained, interior and exterior, by the applicable Owner. Any maintenance to be performed by an Owner shall be done in accordance with standards and procedures set by the Association, including those set forth by the CC&Rs, the Bylaws and/or the Policies and Guidelines of the Association. Any additions, remodels, painting or other alteration of the exterior of a Detached Building Unit shall require prior approval by the Architectural Review Committee pursuant to Section 6 of the CC&Rs.

4.2 Maintenance of Landscaped Areas of Detached Lots. Although the Association is to maintain the Landscaped Areas of all Building Lots, including the Annexed Lots, such provisions shall only apply to the Detached Lots as follows: The Declarant shall install and the Association shall maintain the Landscaped Areas in the front yards of the Detached Lots. If the Owner of a Detached Lot desires to add to the landscaping in the front yard, the Owner shall bear the costs of such improvements as well as any increased cost of maintenance. Each Owner of a Detached Lot shall be responsible for installing and maintaining all landscaping in the back yard of his or her Building Lot. Prior to installing any landscaping on a Building Lot, the Owner of a Detached Unit shall first prepare a landscape plan (or amendment thereto) and obtain the approval of the Architectural Review Committee for the same pursuant to Section 6 of the CC&Rs.

ARTICLE 5 INSURANCE

Except as provided herein, the Annexed Lots shall be subject to the insurance provisions contained in the CC&Rs. Although the CC&Rs provide that the Association shall obtain and maintain fire and extended coverage casualty insurance with respect to each Building

Structure, such provision shall not apply to the Detached Building Structures, which shall be insured as provided herein.

Each Owner of a Detached Building Structure shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, fire and extended coverage casualty insurance (including coverage for damage resulting from vandalism and malicious mischief) with respect to his or her Building Structure in an amount equal to 100% of the replacement cost thereof. The casualty coverage may be obtained on a "blanket" basis. The casualty insurance to be obtained pursuant to this Section 5 shall include the following terms, if these are reasonably available: (i) a waiver of subrogation by the insurer as to any claims against the Association, the Board, any Owner, or any guest of an Owner; and (ii) A provision that no policy may be canceled, invalidated, or suspended because of any action of an Owner.

ARTICLE 6 ASSESSMENTS

6.1 Generally. Except as provided herein, the Annexed Lots shall be subject to assessment in the manner and on the terms set forth in the CC&Rs. Assessments for the Annexed Lots shall commence on the first day of the first month following the month in which the first Annexed Lot is conveyed to an Owner unrelated to Declarant.

6.2 Changes in Assessments Related to Detached Lots. Although the CC&Rs provide that assessments are to be assessed equally against all Building Lots, this shall not be the case with respect to Detached Lots. The following provisions shall apply:

6.2.1 Because the Owners of Detached Lots are required to provide certain insurance and services for their own lots at their own expense, such Owners shall not be assessed any portion of the costs incurred by the Association in providing such insurance and/or services to other Building Lots. The Assessments against the Detached Lots shall exclude these costs. This shall include, without limitation, the costs incurred by the Association to do the following: to provide maintenance and/or repair to the exterior of Building Structures, to provide maintenance and/or repair of the Landscape Areas located in the back yards of Building Lots, to provide fire and extended coverage casualty insurance for each Building Structure, and to fund the portion of the Reserve Account that is for replacing all or portions of the Building Structures.

6.2.2 The Association shall maintain detailed records of its expenses related to the matters described in Section 6.2.1 to assure that the provisions of Section 6.2.1 are effected. Without limiting the generality of the foregoing, and by way of example, the Association shall keep records on the costs of providing fire and extended coverage casualty insurance for each Building Structure to assure that the costs of the same are included in Assessments charged against all Building Lots except the Detached Lots.

ARTICLE 7 MISCELLANEOUS

Except as provided herein, the Annexed Lots shall be subject to the casualty provisions of Section 10.1 of the CC&Rs. Although the CC&Rs provide that the Association is

obligated to repair, reconstruct and rebuild all damage to or destruction of the structural components of the Building Structures, the Association shall have no such obligation with respect to the Detached Building Structures.

The Owner of each Detached Lot shall be obligated to repair, reconstruct and rebuild all damage to or destruction of the structural components of his or her Detached Building Structure. Rebuilding and/or restoration shall begin within sixty (60) days following the damage or destruction. Unless the Detached Building Structure is being reconstructed entirely as it existed prior to the damage or destruction, the Owner shall obtain Architectural Review Committee approval pursuant to Section 6 of the CC&Rs for all designs and plans prior to commencing construction. Front Yard Landscaping must be consistent with the existing landscaping and be approved by the Architectural Review Committee. The Owner will be responsible for the cost of replacing the Front Yard Landscaping. Front Yard landscaping must be completed within three (3) months of the date the new home has reached Certificate of Occupancy.

If construction has not been commenced within six (6) months of the date of destruction, the homeowner is responsible for the expense of a continuous fence in the front and back of the lot extending from lot line to lot line of the neighboring lots. The fence shall be located in accordance with the City of Bend's set-back requirements. This distance is to ensure that the front and back yards are consistent with the neighboring street scape. Front yard landscaping will be required at the Owners expense. The Owner shall obtain Architectural Review Committee approval pursuant to Section 6 of the CC&Rs for all designs and plans prior to commencing construction. The front yard must be landscaped constantly with the surrounding units and approved by the ARC. It will be maintained by the Home Owners Association. If either the fence or the landscaping is not completed within nine (9) month the Homeowners Association has the authority after written notification to the homeowner to schedule the work to be completed and invoice the Homeowner for the expense of the fence and the landscaping.

In the event of a vote under Section 10.1 of the CC&Rs relating to the potential reconstruction of a damaged or destroyed Building Structure, the Owners of Detached Lots (i) shall not have the right to vote, and (ii) shall not be counted in the total number of Building Lots eligible to vote for purposes of determining whether the requisite number of votes have been cast.

ARTICLE 8 COMMON AREAS

The Common Areas included in the Annexed Property, which shall be conveyed to the Association not later than the date required by Section 7.3 of the CC&Rs and which are shown on the Phase 2 Plat are those alleys that are not dedicated to the City of Bend and the parcel labeled at Tract A. In addition, the Association shall maintain the sidewalks, the cluster mailboxes and the landscaped medians adjacent to the roads as if the same were Common Areas.

ARTICLE 9 TERM AND AMENDMENTS

The covenants and restrictions of this Declaration shall run with and bind the Annexed Property for so long as the CC&Rs are valid. This Declaration may be amended in the

same manner as the CC&Rs may be amended, pursuant to Sections 11.2, 11.3 and 11.4 of the CC&Rs. Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

ARTICLE 10 MISCELLANEOUS PROVISIONS

The Property is subject to and shall be held and used in accordance with those certain Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for River Bend recorded in the real property records of Deschutes County on June 26, 1998 at Volume 499, Page 2948 (the "Master CC&Rs"). The Property was annexed into the Master CC&Rs pursuant to that certain Supplemental Declaration to Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for River Bend, recorded in the real property records of Deschutes County on November 4, 2002 at Volume 2002, Page 61207. As provided in the Master CC&Rs, in the event of any conflict between the terms of the CC&Rs (including this Declaration) and the terms of the Master CC&Rs, the Master CC&Rs shall control.

ARTICLE 11 MISCELLANEOUS PROVISIONS

11.1 Non-Waiver. Failure by the Association or by any Owner of an Annexed Lot to enforce a covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

11.2 Construction; Severability. This Declaration and the CC&Rs shall be liberally construed as one document to effect the annexation of the Annexed Property to the Property. Nevertheless, each provision of this Declaration and the CC&Rs shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision.

11.3 Run with Land. This Declaration and the covenants, restrictions and changes described herein shall run with the land and shall be binding on the parties and any person acquiring any right, title, or interest in the Annexed Property.

11.4 Termination. This Declaration shall terminate upon the termination of the CC&Rs in accordance with the terms thereof.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

MOUNTAIN CREST HOMES, LLC,
an Oregon limited liability company

By: [Signature]
Name: Hayden Watson
Title: Manager

STATE OF OREGON)
County of Deschutes) ss.

The foregoing instrument was acknowledged before me on this 29th day of August 2003 by Hayden Watson the Manager of Mountain Crest Homes, LLC, an Oregon limited liability company, on behalf of the company.



Ella De Lisle
Notary Public for Oregon
My Commission Expires: 06/01/07