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WHEN RECORDED RETURN TO:

UMATILLA HEIGHTS, LLC
R. Erich Grosse
5850 Avenida Encinas, Suite A
Carlsbad, CA 92008

DECLARATION OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

UMATILLA HEIGHTS

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
UMATILLA HEIGHTS

THIS DECLARATION OF BUILDING AND USE RESTRICTIONS AND ARCHITECTURAL CONTROL, made this 1st day of May 2003 by UMATILLA HEIGHTS, LLC, an Oregon limited liability company, hereinafter referred to as "Grantor".

WITNESSETH:

WHEREAS, Grantor or its successors in interest is the Owner of all that certain Real Property located in the City of Redmond, Deschutes County, State of Oregon, more particularly described in Exhibit "A" to this Declaration, which is attached hereto and incorporated by reference, which property, together with all improvements and structures now or hereafter constructed thereon and all appurtenances thereto, is hereinafter referred to as the "Real Property" or the "Project".

WHEREAS, it is the intention of Grantor to convey interest in this Real Property and to impose on the Real Property mutually beneficial restrictions under a general plan for the benefit of all future owners of the Real Property or any portion thereof;

NOW, THEREFORE, in consideration of the premises, grantor hereby certifies and declares that Grantor has established and does hereby establish the following general plan for the protection and benefit of all of said Real Property, and has fixed and does hereby fix the following declarations, limitations, covenants, conditions, restrictions and easements (hereinafter "restrictions") upon the Real Property, subject to which each and all of the lots in said Real Property shall hereafter be held, used, occupied, mortgaged, encumbered, rented, improved, leased, sold and/or conveyed.

These restrictions are imposed as equitable servitudes pursuant to a general plan for the development of the Real Property for the purpose of enhancing and protecting the value and attractiveness of the Real Property, and the Project, and every part thereof, in accordance with the plan for the improvements of the Real Property and the division thereof into detached and attached single family residences.

All of the restrictions shall run with the Real Property, or any interest therein, and shall be binding upon all parties having or acquiring any right, title or interest in and to the described Real Property, or any part thereof, and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof.

SAID CONDITIONS AND RESTRICTIONS ARE AS FOLLOWS:

1. DEFINITIONS:

(a) "Committee" shall mean the **Covenant Control Committee** as provided for in paragraph 3, below.

(b) "Grantee" or "Owner" shall mean and refer to the record holder or holders of title, if more than one, of a Residential Unit. This shall include any person having a fee simple title to any Residential Unit, and shall not include persons or entities having any interest merely as security for the performance of an obligation.

(c) "Grantor" shall mean and refer to UMATILLA HEIGHTS, LLC, an Oregon limited liability company, its successors and assigns.

(d) "Ownership" shall mean the property interest conveyed by deed to a grantee, who will then become an Owner.

(e) "Person" shall mean a natural person, a corporation, a partnership, a trust or other legal entity.

(f) "Residential Unit" or "Lot" shall mean any plot of land shown upon any recorded subdivision map for which the Grantee is given fee title.

(g) "Restrictions" shall mean the limitations, covenants, conditions, restrictions and easements delineated in this declaration of Covenants, Conditions and Restrictions.

(h) "Project" or "Real Property" shall mean those certain parcels of real property described in Exhibit "A".

2. RESIDENTIAL PURPOSES ONLY:

Each and every Residential Unit shall be used for residential purposes only, and no building or buildings shall be erected, constructed, altered, maintained or permitted to remain on any of the said lots other than one detached single family dwelling with private garage for not more than three cars or one duplex; provided, however, that Grantor, its successors and assigns may use any Residential Unit or Units in the Project owned by Grantor for a model home site or sites and display as a sales office until the last Residential Unit is sold by Grantor.

3. COVENANT CONTROL COMMITTEE:

(a) There shall be a **Covenant Control Committee**, consisting of three (3) persons, for the purpose of exercising the power and functions conferred upon said Committee by this section. The initial Committee shall be appointed by Grantor, each of said persons so appointed being subject to removal at Grantor's sole and absolute discretion. All vacancies on said Committee shall be filled by appointment by Grantor. Upon the sale by Grantor of all Ownerships or, at the Grantor's discretion, after the period of one (1) year, a new Committee of three (3) members shall be appointed by Grantor.

(b) Said Committee shall have the right and power to interpret and enforce all restrictions in its sole discretion, exercised in good faith and independently of the Owners. Decisions by the **Covenant Control Committee** are final and legally binding pertaining to judgments rendered regarding claims of covenant breach.

(c) This appointed Committee shall serve until such time as there may be an election by a majority of fifty one percent (51%) percent of the Residential Unit Owners, each Unit being entitled to one (1) vote. Upon such elections, the powers of the Committee first appointed shall cease and the newly elected Committee shall exercise those powers in its stead. In the event of the death, resignation or incapacity to serve of a member or members so elected, a successor or successors shall be elected by a majority of fifty one percent (51%) of the Residential Unit Owners. In the event that there is no election of a successor or successors within thirty (30) days of such death, resignation or incapacity to serve, the remaining member or members of the Committee shall appoint a successor or successors by a majority vote of the remaining Committee membership.

(d) Any decision of the Committee shall be in writing and signed by at least two (2) members. The Committee shall adopt rules and regulations for the conduct of these proceedings and may fix the time and place for its regular meetings and for such extraordinary meetings as may be necessary.

(e) Unless otherwise specified, enforcement of the restrictions set forth herein shall be by proceedings at law or equity brought by any member of the Committee, pursuant to the authorization of the Committee, against any person or persons violating or attempting to violate any provision or covenant, either to restrain violation or to recover damages. Neither Grantor nor the **Covenant Control Committee**, nor any member or successor member thereof, shall ever be liable because of any action they take, or fail to take, or for any defect in any building erected pursuant to this section, or at all, as a result of these restrictions, and the Owners of the Residential Units, and each of them, agree jointly and severally to hold Grantors and the members of the **Covenant Control Committee** (as the membership of that body may be changed from time to time) free and harmless and to indemnify them accordingly from any claims and liabilities whatsoever arising from the operation of this section.

(f) If a violation of these restrictions occurs and if the **Covenant Control Committee** fails to act pursuant to its powers as set forth in this Declaration of Conditions, Covenants and Restrictions to enforce said provision, and after making unsuccessful demand in writing upon said Committee to carry out said enforcement by any Residential Unit Owner within this Project, said Owner shall have the right to act as plaintiff in any action against the violating party at said Owner's sole cost and expense, and to recover said cost and expense from the violating party in any legal action said Owner may bring.

(g) Should legal action be instituted as a result of any claim of breach as described in paragraph 21, below, or any restriction contained herein, the prevailing party shall be reimbursed for all costs and attorneys' fees actually incurred, regardless of whether the action proceeds to judgment.

4. **NEW BUILDINGS ONLY:**

No building of any kind shall be moved from any other place onto any of said lots, or from one lot onto another lot, without the prior written permission of the **Covenant Control Committee**. During the period of construction by Grantor, Grantor may erect and maintain such temporary structures, maintenance and storage yards and signs as they may deem necessary.

5. **HEIGHT LIMIT OF DWELLINGS:**

No dwelling shall be more than two (2) stories in height without the written approval of the **Covenant Control Committee**. Radio or television antenna or similar projection of any kind shall be placed only in rear yards and shall not exceed five (5) feet in height measured from the adjacent ground.

6. **PLANS AND SPECIFICATIONS:**

No buildings or other structure or improvement, other than the Residential Units constructed by Grantor, shall be commenced upon any of said lots until the location and the complete plans and specifications, including the color scheme of each building, fence and/or wall to be erected upon the lots have been approved in writing by the **Covenant Control Committee**. No building, other than the single family detached home constructed on a particular lot, shall be located in the front yard of any lot.

The work of constructing and erecting any building or any structure shall be prosecuted diligently from the commencement thereof and the same shall be completed within a reasonable time in accordance with the requirements contained herein.

In the event that the **Covenant Control Committee** fails to approve or disapprove such plans, specifications, design or location within one hundred twenty (120) days after submission to the Committee and acknowledgment of receipt thereof by the **Covenant Control Committee**, such approval will not be required and this section will be deemed to have been fully complied with; neither the Grantor nor the **Covenant Control Committee** nor any member thereof shall be responsible for structural inadequacies or other defects of any kind or nature whatsoever in said drawings and specifications and/or in the structure of improvements erected in accordance therewith.

7. EXTERIOR ALTERATIONS AND PAINTING:

No alteration shall be made in the exterior design or color of any structure unless such alteration, including any addition, shall have been first approved in writing by the **Covenant Control Committee**. No fence greater than three (3) feet six (6) inches in height shall be permitted in the front yard on any residential unit. All fencing added or replaced by an Owner shall be similar in appearance to that fencing provided by the Grantor. No chain-link or cyclone fencing shall be permitted. No fence greater than five (5) feet six (6) inches in height shall be permitted.

8. NO TENTS, SHACKS, ETC.:

No tent, shack, recreational vehicle, camper, camper shell, boat, trailer, vehicle basement, garage or outbuilding shall at any time be used on any lot as a residence or domicile either temporarily or permanently; nor shall any residence of a temporary character be constructed, placed or erected on any lot. No boat, camper, camper shell, recreational vehicle, trailer shall be parked or stored in that portion of a lot, which lies between the front property line and the front of the garage (that garage that is closest to the street) for more than ten (10) calendar days. No portable apparatus or equipment shall be erected in that portion of a lot, which lies between the front property line and the front of the garage for more than one (1) calendar day.

9. NO SIGNS:

No signs of any kind or for any use or purposes whatsoever other than signs of customary dimensions advertising the property for sale shall be erected, posted, pasted, painted or displayed upon any of said Residential Units or upon any building or other structure thereon, without the prior written approval of the **Covenant Control Committee**.

10. NO WELLS:

No well for the production of, or from which there is produced water, oil or gas, shall be operated upon any lot; nor shall any machinery, appliance or structure be placed, operated or maintained thereon for use in connection with any trading, manufacturing or repairing business.

11. ANIMALS - DOGS AND CATS:

No keeping, raising, and/or breeding of animals of any kind on any lot shall be allowed except household pets such as cats and dogs, and no animal of any kind shall be bred or maintained for any commercial purpose.

12. CURBSIDE:

No large commercial truck, recreational vehicle, camper, camper shall, tractor, truck and trailer, farm machine, road roller, commercial vehicle exceeding twenty five (25) feet in length, house trailer, mobile home, boat, or any unsightly or offensive vehicle or machinery may be parked at the curb, on the sidewalk, or in the open driveway of said Real Property, or any lot or portion thereof, except temporarily for the purpose of loading or unloading.

13. EXTERIOR LIGHTS:

No exterior lighting fixtures shall be installed on any lot without adequate and proper shielding of fixtures to avoid casting an unreasonable amount of light beyond that Owner's lot boundaries. The determination of whether a lighting fixture is in violation of this paragraph shall be within the discretion of the **Covenant Control Committee**.

14. GROUND MAINTENANCE:

Ground maintenance shall be as follows:

(a) Grass, hedges, shrubs, vines, mass plantings of any type on each lot shall be kept mowed, trimmed and cut at regular intervals so as to maintain same in a neat and attractive manner. Trees, shrubs, vines and plants which die shall be promptly removed.

(b) No weeds, vegetation, rubbish, debris, garbage, objects, waste materials or materials of any kind whatsoever shall be placed or permitted to accumulate upon any portion of a lot, which would render it unsanitary, unsightly, offensive, or detrimental to any property in the vicinity thereof or to the occupants of any such property in the vicinity thereof.

(c) All front yards and side yards visible from the streets shall be satisfactorily landscaped and maintained within ninety (90) days from the Close of Escrow for each Residential Unit. Front yard is hereby defined to include the property owned by the City of Redmond located between the curb and sidewalk as it fronts upon each Residential Unit. Due to winter weather conditions the provisions of this paragraph may be postponed until the weather permits such landscaping.

15. NO COMMERCIAL BUSINESS:

No commercial business shall be conducted on any of said lots, and nothing shall be done upon any lot which may become an annoyance or nuisance to the neighborhood.

16. RE-SUBDIVISION:

No re-subdivision of any lot in said subdivision shall be made or permitted.

17. ANTENNAS:

No radio or television pole or antenna shall be erected, constructed, or placed upon any of said buildings or lots, except that an antenna of not more than twenty four (24) inches in total height above the ridge of the roof line maybe installed and attached at the rear of the building.

18. EXTENSION OF CONDITIONS AND RESTRICTIONS:

These restrictions are to run with the land and shall be binding upon all parties and all persons claiming under them for a period of thirty (30) years from the date these covenants are recorded, after which time said Covenants, Conditions and Restrictions shall automatically be extended for successive periods of ten (10) years unless an instrument signed by the then-owners of a majority of the lots or parcels has been recorded wherein they agree to change said Covenants, Conditions and Restrictions in whole or in part, or to terminate said covenants.

19. ENFORCEMENT, NOTICE OF CLAIM OF BREACH:

The **Covenant Control Committee** may, at any time that it deems that a breach of these Covenants, Conditions and Restrictions has occurred, execute, acknowledge and record in the Office of the County Recorder for Deschutes County, a Notice of Claim of Breach which describes the lot or lots upon which such breach has occurred, and setting forth the name of the Owner or Owners thereof. Such notice, upon recordation, shall be notice to all persons of such breach, provided that an action has been commenced within sixty (60) days after the recording of such notice to establish such breach, and, if no such action has been commenced within such sixty (60) day period, in that event such notice shall be of no force and effect whatsoever and the breach set forth in said notice shall be presumed to have been remedied. If a Grantee deems that a breach of these Covenants, Conditions and Restrictions has occurred, he may at any time file in writing a full and detailed report with the **Covenant Control Committee** or he may proceed on his own behalf to file a Notice of Claim of Breach under the terms of this paragraph.

20. FAILURE TO COMPLY WITH ORDER OF COVENANT CONTROL COMMITTEE:

In the event of the failure of any Owner to comply with a written directive or order from the **Covenant Control Committee**, the **Covenant Control Committee** shall have the right and authority to perform the subject matter of such directive or order and all costs, expenses and attorneys' fees incurred as a result of such enforcement or performance shall be charged to the Owner in question and may be recovered by the **Covenant Control Committee** in an action at law against such individual Owner.

21. NOTICES:

Any notice permitted or required to be delivered as provided herein may be delivered personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, by certified mail, addressed to each such person at the last known residence or domicile address of such person.

22. PAINTING, MAINTENANCE AND REPAIRS:

In the event that the **Covenant Control Committee**, in its sole discretion, determines that painting, maintenance or repair (hereinafter "work") of a Residential Unit or lot is reasonably necessary to preserve the appearance and value of said Residential Unit or lot or an adjacent Residential Unit or lot, the **Covenant Control Committee** shall give written notice of the necessity of such work to the Owner of such Residential Unit or lot, in which event said Owner shall be obligated, at his sole cost and expense, to perform said work.

23. ACCESS TO SLOPES OR DRAINWAYS:

Each Grantee of a Residential Unit agrees for himself, his assigns, heirs or successors in interest, that he will permit access by owners of adjacent lots to slopes or drainage ways located on his property which affect said adjacent lots, when such access is essential for the maintenance of the drainage facilities for the protection and use of property other than the lot on which the slope or drainage way is located.

24. DRAINAGE:

Each Grantee of a Residential Unit agrees for himself and his assigns that he will not, in any way, interfere with the established drainage pattern of his lot from adjacent lots or other lots in said Project or that he will make adequate provisions for property drainage in the event it is necessary to change the established drainage over his lots. For purposes hereof, "established" drainage is defined as the drainage which occurred at the time the overall grading of said Project, including landscaping of each lot in the Project, was completed by the undersigned Grantor.

25. SIGNS DISTANCE AT INTERSECTIONS:

No fence, wall, hedge or shrub planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain on any corner lot with the triangular area formed by the street property lines and a line connecting them at points twenty-five (25) feet from the intersection of the street lines, or in the case of a rounded property corner, from the intersection of the street property lines extended. The same sight line limitations shall apply on any lot within ten (10) feet from the intersection of a street property lie with the edge of a driveway or alley pavement. No tree shall be permitted to remain within such distance of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of such sight lines.

26. NON-PERMITTED USES:

The Units shall be occupied and shall be used as follows:

(a) Nothing shall be done or kept in any Residential Unit which would be in violation of any law.

(b) No obnoxious or offensive activity shall be carried on in any Residential Unit, nor shall anything be done therein which may be or becomes an annoyance or nuisance to the other owners.

(c) Nothing shall be done in any Residential Unit which would impair the structural integrity of the building or which would structurally change the building, except as is otherwise provided herein.

(d) The acceptance by any person of a deed, lease or other instrument of transfer, which sets forth or incorporates by reference the restrictions set forth herein, or which is in the chain of title, including judicial foreclosures, trustee's sales, and tax sales derived from any deed of trust or other instrument of transfer which sets forth or incorporates these restrictions, shall be deemed an acceptance of all of such restrictions. The burden of and obligations to perform in accordance with a sale of any Residential Unit pursuant to such deed or other instrument of transfer shall be deemed an agreement by such person that Grantor and each of the other Owners of Residential Units are entitled to enforce all of such restrictions.

27. DAMAGE AND DESTRUCTION:

If any Residential Unit is damaged by fire or other casualty, the insurance proceeds, if any, shall be paid jointly to Owner and any mortgagee with a first lien on the security. Said insurance proceeds are to be used for the purpose of repairing and/or reconstructing the Residential Unit.

28. WAIVER:

Subject to the provisions of paragraph 3, no delay or omission in the enforcement of these restrictions shall impair the enforcement thereof or be construed as a waiver. The consent to or approval of any act not in compliance with these restrictions shall not be deemed to constitute a waiver of the requirement of compliance therewith. Any such waiver must be in writing by the **Covenant Control Committee**, and must be by unanimous vote of said Committee. Any waiver obtained pursuant to this section shall not be deemed a subsequent waiver of the same or any other provision of these restrictions.

29. INTERPRETATION:

The provisions of these Covenants, Conditions and Restrictions shall be liberally construed to effectuate their purpose of creating a uniform plan for the development and operation of the Real Property and improvements thereon.

30. OWNERSHIP CHANGES BY SALE OF PROPERTY:

Each Owner, in the event of the sale of his Residential Unit, shall furnish the **Covenant Control Committee** with written notice of such sale transaction within ten (10) days of the date set forth close of escrow, which notification shall include the date of close of escrow and the name and address of the purchaser. Each Owner shall, as soon as practicable before transfer of title or execution of a real property sales contract for the sale or conveyance of a Residential Unit, provide a copy of this Declaration of Covenants, Conditions and Restrictions to the prospective purchaser.

31. PROTECTION FOR MORTGAGEES AND TITLE INSURANCE COMPANIES:

The Owner of any encumbrance made for value on any said Residential Unit or Units and any corporation insuring the lien of such encumbrance may conclusively presume that no breach exists under these Covenants, Conditions and Restrictions, provided such encumbrance is recorded in the Office of the County Recorder of Deschutes County prior to the recordation of any Notice of Claim of Breach and not within sixty (60) days after the recording, anything contained herein to the contrary notwithstanding.

PROVIDED, however, that a breach of any of the foregoing Covenants, Conditions and Restrictions shall not affect, impair, defeat or render invalid the lien, charge or encumbrance of any mortgage or deed of trust made for value which may then exist upon said land, which said mortgage or deed of trust shall be, and is hereby declared to be, a prior and superior lien to the rights in favor of any person or persons under and by virtue of these Covenants, Conditions and Restrictions; provided, however, that in the event of a foreclosure of any such trust deed or mortgage, or if the owner of the note secured by such trust deed or mortgage acquires title to said land in any manner whatsoever in satisfaction of indebtedness, then any purchaser at the foreclosure or trustee's sale, shall immediately upon said acquisition become subject to each and all of the restrictions and rights herein contained, but free from the effects of any breach occurring prior thereto.

32. NO LIABILITY:

No member of the **Covenant Control Committee** shall be personally liable for any action taken in good faith pursuant to these restrictions.

33. AMENDMENT:

These restrictions may not be terminated or amended in any respect without the prior written consent of at least seventy-five percent (75%) of the recorded Owner/mortgagees, and may not be terminated or amended with respect to matters of substance without the consent of the City of Redmond or its successor in interest. An amendment with requisite approval shall be effective upon recordation in the Office of the Recorder of Deschutes County, Oregon.

34. ADDITIONAL PROPERTY:

Intentionally omitted.

35. SEVERABILITY:


The provisions hereof shall be deemed independent and severable; the invalidity, partial invalidity or unenforceability of any other provision hereof.

36. SINGULAR AND PLURAL:

The singular and plural number and masculine, feminine and neuter gender shall each include the other where the context requires.


IN WITNESS WHEREOF, the undersigned have executed this instrument as of the date first above written.

UMATILLA HEIGHTS, LLC,
an Oregon limited liability company

By: 
R. Erich Grosse, Manager

STATE OF OREGON, COUNTY OF DESCHUTES) ss.

This instrument was acknowledged before me on July 23, 2003 by
Erich Grosse, Manager of Umatilla Heights LLC, an Oregon limited liability company.


Notary Public for Oregon
My Commission Expires: 2-9-2007

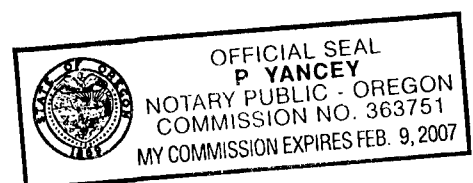


EXHIBIT A

Legal Discription

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10, as shown on the subdivision plat map of Umatilla Heights, in the City of Redmond, recorded in Deschutes County, Oregon, Book F, page 147 and 148.