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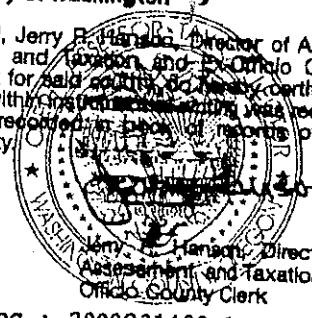
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AFTER RECORDING RETURN TO:

Michael G. Magnus, P.C.
Park Plaza West Suite 460
10700 SW Beaverton-Hillsdale Hwy
Beaverton, OR 97005

STATE OF OREGON }
County of Washington } SS

I, Jerry R. Hanson, Director of Assessment and Taxation and Ex-Officio County Clerk for said county, do hereby certify that the within instrument with fees received and recorded in book of records of said county.



Jerry R. Hanson, Director of Assessment and Taxation, Ex-Officio County Clerk
Doc : 2000031423.1
Rect: 253127 112.00
04/20/2000 08:56:55am

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS FOR
CEDAR GROVE**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR CEDAR GROVE (the "Declaration"), made on the date hereinafter set forth by LUN, LLC, an Oregon limited liability company, hereinafter referred to as "Declarant."

WITNESSETH:

Declarant is the owner of certain real property in the County of Washington and State of Oregon, more particularly described on the attached and incorporated by this reference Exhibit "A" (the "Property").

Declarant is developing 65 lots. Lots 1 through 64 shall be used for 64 residential town homes. Each Home (defined below) to be built on Lots 1 through 64 shall be owned individually. An apartment complex consisting of 56 units shall be constructed on Lot 65. Unless specifically stated herein, Lot 65 and Tract I shall not be subject to or burdened by this Declaration.

Declarant hereby declares that all of the Property, except Lot 65, shall be held, sold and conveyed subject to the following easements, restrictions, covenants and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with the Property, except Lot 65, and be binding on all parties, their heirs, successors and assigns, having any right, title or interest in Lots 1 through 64 and the Tracts shown on the Plat of Cedar Grove, which are designated Tracts "A," "B," "C," "D," "E," "F," "G," "H" and "J," or any part thereof, and shall inure to the benefit of each owner thereof.

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ARTICLE I
DEFINITIONS

Section 1. "**Association**" means the non-profit corporation known as Cedar Grove Homeowners Association.

Section 2. "**Board**" means the Board of Directors of the Cedar Grove Homeowners Association.

Section 3. "**Bylaws**" means the Bylaws of the Association.

Section 4. "**Common Property**" means that area of land shown as Tracts A through H and J on the recorded plat of Cedar Grove, including any improvements thereon, which are intended to be devoted to the use of the Owners of Lots 1 through 64 and which are conveyed to the Association, except as hereinafter provided otherwise.

Section 5. "**Owner**" means the legal Owner or contract purchaser of any Lot and/or Home which is part of the Property, but excluding those having an interest merely as security for the performance of an obligation.

Section 6. "**Properties**" means Lots 1 through 64 including improvements constructed thereon and Tracts A through H and J.

Section 7. "**Declaration**" means this Declaration of Protective Covenants, Conditions and Restrictions affecting the Plat of Cedar Grove.

Section 8. "**Home**" means an attached townhome dwelling unit situated on one Lot, but Home does not include any units situated on Lot 65.

Section 9. "**Declarant**" means LUN, LLC, an Oregon limited liability company.

Section 10. "**Member**" means an Owner of a Lot who also belongs to the Association by reason of such ownership.

Section 11. "**Lot**" means the individual parcels of land created by the plat of Cedar Grove on which a Home will be constructed and Lot 65 means the parcel of land created by the plat of Cedar Grove on which apartments will be constructed.

Section 12. "**Tract A**" means the private streets shown on the plat of Cedar Grove which provide ingress and egress to the townhomes from the public roads and Tract A is Common Property. Tract A may also be used by the Owner and occupants of Lot 65 for ingress and egress.

Section 13. "**Tract I**" is open space located on Lot 65, which shall have certain

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improvements located thereon to be used in connection with the management and operation of the apartments to be built on Lot 65, but may be used by Members of the Association as provided in Article II, Section 3.

Section 14. "Sold" means the fee simple title has been conveyed or that a contract of sale has been executed under which the buyer has obtained the right to possession.

ARTICLE II USE OF THE PROPERTIES

Section 1. **Use of Home; Leases.** All Homes in Lots 1 through 64 shall be used for residential purposes only and for no other purpose. All rental or lease agreements shall be in writing and shall provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration, Bylaws and Articles of Incorporation and that any failure by the lessee to comply with these terms shall constitute a default under the lease.

Section 2. **Rules of Conduct.** The following rules and restrictions are in addition to all other restrictions and requirements contained in the Declaration and the Bylaws:

- (a) No animals or fowls shall be raised, kept or permitted within the Properties, except domestic dogs or cats or other household pets kept within a home. No animals of any kind shall be bred or raised for commercial purposes or in unreasonable numbers. Those Owners keeping pets will abide by municipal sanitary regulations governing pets. An Owner may be required to remove a pet after receipt of two notices in writing from the Board of violations of any such laws, rules or regulations governing pets.
- (b) No house trailers, motor homes, pickup campers, mobile homes, boats or like recreational vehicles shall be parked on the Properties, unless parked inside the garage.
- (c) No commercial activities of any kind shall be carried on in any Home or in any other portion of the Properties except activities relating to the sale or rental of Homes. This provision, however, shall not be construed so as to prevent or prohibit an Owner from maintaining his professional personal library, keeping his personal business or professional telephone calls or conferring with business or professional associates in a Home.
- (d) Each Owner shall promptly at all times maintain in good condition and appearance the exterior portions of his Home and shall not allow the accumulation of debris, filth, rubbish or garbage.

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- (e) Trash and recycling receptacles should be stored in each Home's garage at all times excepting the day of collection.
- (f) To allow for the safe egress and access to each Owner's Lot, Tract A will not be used for any extended parking of vehicles. The time that constitutes extended parking shall be determined by the Board for the Association.
- (g) In addition, the Board from time to time may adopt, modify, or revoke rules and regulations governing the conduct of person and the operation and use of the Properties as it deems necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Properties. Such Board action may only be modified by vote of not less than seventy-five (75%) percent of each class of Members voting in person or by proxy, at a meeting duly called for such purpose. A copy of the rules and regulations, upon adoption, and copy of each amendment, modification or revocation thereof, shall be delivered by the Secretary promptly to each Owner and shall be binding upon all Owners and occupants of all Homes.
- (h) The following easements are set forth on the plat of Cedar Grove:
 - Private Street Easement. Tract A is a general easement for emergency access, ingress and egress, and utilities for the use of the Owners of all Lots, including Lot 65, their guests, invitees, and agents. Tract A shall be owned, maintained, and repaired by the Association as hereinafter provided in this Declaration.
 - Pedestrian Easement. A pedestrian and bikeway easement to the public to and from the public right-of-way of SW 201st Avenue across Tract A (private street).
 - Public Utility Easement. Easements for construction and maintenance of utilities, including without limitation electrical, telephone, gas, water, sanitary and storm sewer on the Lots as set forth on the plat of Cedar Grove. All public utility lines in the easements shall be maintained and repaired by the public utility which uses it, e.g. the telephone company. Any part of the lines which directly service a Home and are located on the Lot but are not within the public utility easement areas as shown on the Plat shall be the responsibility of the Owner of the Lot to maintain and repair.
 - Tracts B, C, D, E, F, G, H and J are open space tracts and shall be owned and maintained by the Association and are subject to easements shown on the plat.
 - Tract I is open space and is to be owned and maintained by the Owner of Lot 65, subject to Section 3 below.

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- Storm Drainage Easement. An easement to serve the storm drainage facility located in Tract B shall be owned and maintained by the Association.

- Declarant Easement. The Declarant hereby reserves to itself a blanket easement over, upon, through, and under the Property, including without limitation all Lots and Common Property, for all purposes reasonably required in carrying out the plan of developments, including without limitation, ingress and egress, the construction, alteration, completion and decoration of Homes and other improvements developed on the Property.

Section 3. **Tract I.** The Owner of Lot 65 shall own, operate and maintain Tract I and its improvements. Each Owner of Lots 1 through 64 is granted a revocable license to use Tract I on the following conditions.

- (a) Each Owner shall pay a monthly license fee directly to the Owner of Lot 65, which license fee shall be established by the Lot 65 Owner in order to pay, without limitation, for the care, upkeep, maintenance and repair of Tract I;
- (b) Each Owner of Lots 1 through 64 shall comply with all rules and regulations established by the Lot 65 Owner for the use of Tract I;
- (c) An Owner is not required to pay the monthly license fee unless the Owner wishes to use the facilities on Tract I; and
- (d) The Lot 65 Owner may terminate such license if an Owner, its agents, invitees, or other party violates any rule or regulation or an Owner fails to pay when due the monthly license fee. The Lot 65 Owner may assess the amount of the monthly license fee in its sole discretion and may change the rules and regulations as the Lot 65 Owner may deem appropriate. If any Owner of Lots 1 through 64 elects to pay the license fee, then the Lot 65 Owner is granted the same rights as the Association has under Articles IV and V to assess, collect, and create a lien for any unpaid license fee.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

Section 1. **The Membership.** Upon becoming the legal Owner or contract purchaser of a Lot and/or Home, except Lot 65, the Owner shall automatically be a member of the Association ("Member") and shall remain a Member until his ownership ceases for any reason. Membership shall be appurtenant to and may not be separate from the ownership of a Lot.

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Section 2. Classes of Membership. The Association shall have two classes of voting members.

Class A. Class A Members shall be all Owners, with the exception of Declarant. Class A Members shall be entitled to one vote for each Lot and/or Home owned. When more than one person holds an interest in a Lot and/or Home, all such persons shall be Members. The vote for such Lot and/or Home shall be exercised as they determine, but in no event shall more than one vote be allowed with respect to any one Lot and/or Home.

Class B. The Class B Member shall be the Declarant who shall be entitled to three (3) votes for each Lot and/or Home owned. The Class B membership shall cease and be converted to Class A membership automatically on the happening of the following events, whichever occurs earlier:

- (a) One hundred twenty (120) days following the conveyance of seventy-five percent (75%) of the Lots and/or Homes, to persons other than Declarant (except a successor to Declarant); or
- (b) Three (3) years after the first Lot and/or Home is conveyed to a person other than Declarant, unless the person is a successor to Declarant; or
- (c) Declarant voluntarily elects to turn over control of the Association to the Members prior to (a) or (b).

**ARTICLE IV
COVENANT FOR ASSESSMENTS**

Section 1. Creation of Lien and Personal Obligation of Assessments. The Declarant for each Owner within the Properties, hereby covenants, and each Owner of Lots 1 through 64 and/or Home by acceptance of a deed or a contract to convey title therefor, whether or not it shall so expressed in such deed or contract, is deemed to covenant and agree to pay to the Association: (a) annual assessments or charges; and (b) special assessments, together with interest, late charges, costs and reasonable attorneys' fees, shall be a charge or lien on the Lot and shall be a continuing lien upon the Home against which each such assessment is made. Each such assessment together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person or persons who own such Lot and/or Home at the time the assessment fell due or any successors in title who expressly assume them. No Owner may waive liability for an assessment by abandonment of the Owner's Lot and/or Home.

Section 2. Purpose of Assessment. The Association Board of Directors shall from time to time and at least annually prepare an operating budget for the Association, taking into account the following:

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- (a) Expenses of administration.
- (b) The costs and expenses for the maintenance, upkeep and repair of the Common Property as provided in the Declaration under Article VI.
- (c) Cost of insurance or bonds as provided in Article VIII.
- (d) Costs of funding reserves as provided in Section 3 of this Article.
- (e) Any deficit in common expenses for any prior period.
- (f) Any other items properly chargeable as an expense of the Association.
- (g) Any other items agreed upon as common expenses by Owners.
- (h) Real estate taxes, if any, assessed against the Common Properties or otherwise not directly allocated to any Lot, except Lot 65.

Section 3. Reserve Fund. The budget shall include an amount necessary to maintain an adequate reserve fund for the maintenance, repair and replacement of all items of Common Property which will normally require replacement in whole, or in part, in more than three (3) and less than thirty (30) years as specified by the Board. The Board shall assess each Home equally. Any unsold and unoccupied Homes owned by Declarant shall be assessed at an amount equal to its share of the insurance costs of the Association only.

Section 4. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Association may levy a special assessment for the purpose of acquiring additional equipment, facilities or other capital improvements for the general use and benefit of all the Members of the Association. Any capital improvement assessment shall be levied equally against Lots 1 through 64 and/or Homes and require a vote of four fifths (4/5) of the votes of each class of Members.

Section 5. Maintenance Fund. The Association shall keep all funds received by it as maintenance assessments, together with any other funds received by it pursuant to these covenants which are by the terms of this Declaration to be deposited in the Maintenance Fund, separate and apart from its other funds, in an account to be known as the "maintenance fund." This may be done in accordance with standard accounting practices, i.e. a separate account at a bank is not necessary so long as the funds are clearly segregated in the books of the Association. The Association shall use such fund exclusively for the purpose of promoting the recreation, health, safety and welfare of the residence in the Property.

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Section 6. Subordination of the Lien to Mortgage. The lien of the assessments provided for shall be subordinate to the lien of any first mortgage which was recorded before the assessment became due. Sale or transfer of any Home shall not affect the assessment lien.

ARTICLE V
COLLECTION OF ASSESSMENT; ENFORCEMENT

Section 1. Abatement and Enforcement of Violations. The Board shall take prompt action against any violator to enforce the provisions of the Declaration, Bylaws and rules and regulations adopted pursuant thereto, including prompt action to collect any unpaid assessment. In addition, any aggrieved Owner may bring an action to recover damages or to enjoin, abate, or remedy any noncompliance or breach by appropriate legal proceedings.

The Board shall have the right to:

- (a) Enter a Lot where the violation exists and to summarily abate and remove, at the expense of the defaulting Owner, any condition, other than construction, that may exist contrary to the intent and meaning of the provision hereof, and the Board shall not be deemed in any manner of trespass; or
- (b) Remove or alter construction by appropriate legal proceedings.

Section 2. Interest; Late Charges; Fines. Interest shall accrue on any assessment, or portion thereof not paid when due at the rate of twelve (12%) percent per annum until paid. The Board may, if it deems appropriate, impose charges for late payments of assessments. After giving notice and an opportunity to be heard, the Board may also levy reasonable fines for violations of the Declaration, Bylaws and rules and regulations adopted pursuant thereto.

Section 3. Acceleration of Assessment. In the event that an Owner fails to pay an installment of an assessment when its due, the Board may, after ten (10) days written notice, declare the defaulting Owner's entire annual or special assessment due immediately, and interest thereafter shall accrue on the entire assessment at twelve (12%) percent per annum.

Section 4. Actions to Foreclose and Money Judgments. The Board may bring suit to foreclose the lien against a Home. The proceedings to create and foreclose the lien shall conform as nearly as possible to the proceedings to create and foreclose liens stated in ORS 94.709 now or as hereafter amended. In any such foreclosure suit, the Board shall be entitled to the appointment of a receiver to collect the rent. The Board acting on behalf of the Association, shall have the power to bid in the Home at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same, on behalf of the Association. The Board may bring an action to obtain a money judgment against an Owner for damages for the Owner's breach or noncompliance with the provisions of the Declaration, bylaws or rules and regulations adopted pursuant thereto. The

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Board may bring an action to obtain a money judgment for unpaid assessments against the Owner personally obligated to pay the same. The action to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien security for the same.

Section 5. Sale or Transfer. Any sale or transfer of a Lot pursuant to a decree of foreclosure or any other proceeding in lieu of foreclosure shall not relieve such Lot from liability for any charges or assessments thereafter becoming due from the lien of any such subsequent charge or assessment.

Section 6. Attorney Fees. In the event the Association shall attempt to collect any money due hereunder, or bring any suit or action to enforce this Declaration or to foreclose a lien, the Owner shall pay to the Association all cost and expenses including, without limitation, a foreclosure title report and reasonable attorneys' fees incurred by it in connection with such collection and whether or not an action or suit is filed by the Association.

ARTICLE VI
* EXTERIOR MAINTENANCE

Section 1. Maintenance for Homes and Common Property. The Board shall determine what maintenance, upkeep and repair shall be necessary for the Common Property. Each Owner, at the Owner's sole cost and expense, shall repair and maintain the exterior of the Owner's Home and landscaping in the rear yard; provided, the Association shall maintain and repair the front yard landscaping. During the completion and sale of the Homes by the Declarant and until the first annual owners meeting, the Association shall be responsible for placing insurance on the Properties and the Common Property in accordance with the terms of the Bylaws, maintenance of the exterior areas of each Home and maintenance of the Common Property shown on the plat of Cedar Grove as Tract "A", "B", "C", "D", "E", "F", "G", "H," and "J." The Owner of Lot 65 shall be solely responsible for the care, maintenance, and repair of Tract I. The monthly assessment due each Member shall be determined initially by the Declarant, payable from date of sale of each Lot and each month thereafter until such times as the Board of Directors and the majority of the Owners vote at the duly called annual meetings to set the assessments for the Association fees to be assessed to the Owner of Lots 1 through 64.

Section 2. Right to Lien. In the event that the need for maintenance or repair is caused through the willful or negligent acts of an Owner or the Owner's tenant or the acts of family, guests or invitees of the Owner, the Board may assess the Owner for the cost of the maintenance or repair as a special assessment, which shall be added to the regular assessment to which such Home and Owner are subject.

Section 3. Maintenance of Lot 65. The Owner of Lot 65 shall be solely responsible for the care, upkeep, repair and maintenance of all improvements located on Lot 65.

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ARTICLE VII
CEDAR GROVE TRACT A INGRESS AND EGRESS EASEMENT
AND MAINTENANCE OF TRACT A AND PARTY WALLS

Section 1. Member's Easements. Subject to the provisions of Sections 3 of this Article, every Member shall have a right of easement to, over and across Tract A for ingress and egress to each Home, and such easement shall be appurtenant to and shall pass with the title to each Home, and, upon the recordation of a deed or contract of sale of a Home. The Owner of Lot 65, and each tenant, guest and invitee of such Owner may also use Tract A for ingress and egress.

Section 2. Extent of Member's Easements. The rights and easements created herein shall be subject to the following:

- (a) **Owner's Use.** Each Owner's use of easement is limited to reasonable traffic to each Home.

Section 3. Maintenance and Repair. The Association shall maintain and repair Tract A in the condition existing on the completion of the development within the then existing area of asphalt. The maintenance and repair of Tract A may require, but is not limited to, filling potholes and periodic resurfacing of the asphalt.

Section 4. Improvement of Private Roadway. The Association shall not extend or repair Tract A in any way to a standard above that existing when Tract A is originally completed by Declarant without seventy-five (75%) percent approval of the Ownership of the Lots.

Section 5. Party Walls. The general rules of law in Oregon shall apply to party walls. Each wall which is built as part of the original construction of the improvements on Lots 1 through 64 upon the Property and placed on, or immediately adjacent to and parallel with, the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this section, the general rule so law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Sharing of Repair and Maintenance. A party wall shall be maintained in a good and safe condition. The cost of reasonable repair and maintenance of each side of a party wall located on a Lot shall be the responsibility of the Owner who owns the Lot.

Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owners who have used the wall may restore it, and if the other Owners hereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions. The Owner repairing or reconstructing a party wall shall have the right

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larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions. The Owner repairing or reconstructing a party wall shall have the right of access over the adjacent Owner's Lot to the extent reasonably necessary to effect the repair or reconstruction.

Weatherproofing. Notwithstanding any other provision of this section, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this section shall be appurtenant to the land and shall pass to such Owner's successors in title.

Encroachments. If any portion of a party wall or other part of a building or structure now or hereafter constructed upon a Lot encroaches upon any part of the Lots or Lots used or designated for use by another Lot Owner, an easement for the encroachment and for the maintenance of same is granted and reserved and shall exist and be binding upon the Declarant and upon all present and future owners of any part of said Lot for the benefit of the present and future owners of such encroaching building or structure for the purposes of occupying and maintaining the same; in the event a structure consisting of more than one living unit becomes partially or totally destroyed or in need of repair or replacement, mutual and reciprocal easements are granted and reserved in and upon each dwelling unit and lot for the repair, maintenance or replacement. No such easement shall exist, however, in respect to an encroachment caused by construction of any improvements on any Lot after completion of construction of the original improvement hereon by the Declarant.

ARTICLE VIII
INSURANCE AND BONDS

Section 1. **Insurance ("Master Policy").** For the benefit of the Association and the Owners, the Board shall secure and maintain the following insurance coverages and shall pay for the same as a common expense of the Association:

- (a) Fire and Extended Coverage. A policy or policies of Property insurance equal to full replacement value (i.e. 100 percent of current insurance replacement cost) exclusive of land, foundation, excavation, and other items normally excluded from coverage, but including all buildings, fixtures and equipment within Common Property. The insurance policy or policies must protect against loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsements as well as those covered by the standard "all rights" endorsement. If at all possible, the policy will also contain an "agreed amount and Inflation Guard" endorsement.

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(b) **Liability Coverage.** A comprehensive policy or policies insuring the Association, the Owners individually, the Board and the manager, if any, against liability to the public, the Owners and their invitees or tenants, incident to the supervision, control or use of the Property. The policy or policies shall provide coverage for bodily injury and Property damage, and limits of liability under such insurance shall not be less than \$1,000,000 in a combined single limit basis. The insurance should provide coverage for any legal liability that may result from lawsuits related to employees contracts in which the Association is a party.

The policy or policies in this Section 1 must provide for at least ten (10) days' written notice to the Association before the insurer can cancel or substantially modify it.

Section 2. Additional Policy Provisions. The Board may, in its discretion, provide coverage against other risks and obtain such other provisions as the Board deems appropriate or desirable.

Section 3. Settlement of Loss. All losses under policies above described shall be settled exclusively with the Board or its authorized representative. Proceeds of the policies shall be paid to the Association as trustee for the Owners, or, upon the demand of any mortgage, to an insurance trustee acceptable to the Association and the mortgagees of Homes.

Section 4. Owners' Obligations. Each Owner shall be responsible for obtaining, at their own expense, insurance covering his Home not insured under Section 1(a) and (b) above, such as extended coverage fire insurance policy on the Home and personal liability insurance. Each Owner shall promptly inform the Board of any loss, claim or damage which may be covered under a policy maintained by the Association.

Section 5. Review of Insurance Policies. At least annually, the Board shall review all insurance carried by the Association. Such review should include an appraisal of all improvements made to the Common Property by a representative of the insurance carrier.

Section 6. Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed improvements on Common Property, the damage or destruction shall be promptly repaired and restored by the Board or its designee using the proceeds, if any, of the Association insurance on such property for that purpose, and all Owners shall be liable for assessment for any deficiency for such reconstruction.

ARTICLE IX ARCHITECTURAL CONTROL

Without prior written approval from the Board, no Owner shall:

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- (a) Erect or construct any fence, wall or other structure or improvements on the Owner's Lot, other than fences existing at completion of the development; or
- (b) Install television antennae, air conditioning or heating machines on Homes, exterior window guard, awnings or shades, exterior lights or noise making devices, exterior posters or signs (other than signs for sale of a Home or lease of a Home), or any other similar item; or
- (c) Otherwise modify or change the exterior appearance of a Home.

In seeking the approval of the Board, the Owner shall submit a written statement of the proposed structure, alteration, device or modification together with plans and specifications, if applicable, showing the dimensions, materials and location of the same.

The Board shall review and consider the proposal on the basis of its potential harmony with the existing appearance of the Properties, its potential effect on the attractiveness of the Properties and its potential effect on the other Owners.

ARTICLE X MORTGAGEES

Section 1. Definitions. The following terms shall have the following meanings:

- (a) "Mortgage" means a recorded mortgage or trust deed creating a lien against a Home.
- (b) "Eligible mortgage holder" means a holder of a first mortgage on a Home who has requested notice of certain matters from the Association in accordance with Section 3 below.

Section 2. Notice to Association. At the request of the Board, each Owner shall promptly supply to the Board the name and address of the mortgagee or mortgagees of their Home.

Section 3. Notice to a Hold Insurer or Guarantor of a Mortgage. A holder, insurer or guarantor of a mortgage on a Home, who submits a written request to the Association stating the name and address of the holder, insurer or guarantor and the address of the mortgaged Home shall be entitled to timely written notice of the following:

- (a) Any condemnation or casualty loss that affects a material portion of the Properties or the Home securing its mortgage.

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- (b) Any sixty (60) day delinquency in the payment of assessments or charges owned by the Owner of any Home on which it holds the mortgage.
- (c) A lapse, cancellation or material modification of any insurance policy or fidelity bond (if any) maintained by the Association; and
- (d) Any proposed action that requires the consent of a specified percentage of eligible mortgage.

Section 4. Consent to Termination of the Association. Except with respect to termination of the Association as a result of destruction, damage or condemnation of the Properties, any termination of the Association shall require the approval of eligible mortgage holders representing one hundred percent (100%) of the votes of Homes that are subject to mortgages held by eligible mortgage holders. This approval shall be in addition to such other approvals and procedures as may be required by the Declaration or Bylaws.

Section 5. Consent to Amendment of Documents. The approval of eligible mortgage holders representing at least fifty-one (51%) percent of the votes of the Homes that are subject to mortgagees held by eligible mortgage holders shall be required for any amendments of a material nature to the Declaration or for any amendments of a material nature to the Bylaws.

Section 6. Request for Approval of Eligible Mortgage Holders. Any eligible mortgage holder or other mortgagee who receives a written request to approve additions or amendments to the Declaration, Bylaws or other action to be taken by the Board, Association or Owners, shall be deemed to have given such approval unless a negative response is delivered or posted to the requesting party within thirty (30) days after the request has been delivered.

Section 7. Mortgagee's Request for Professional Management. Upon written request of eligible mortgage holders representing at least fifty-one (51%) percent of the votes of Homes that are subject to mortgages held by eligible mortgage holders, the Board shall employ a professional manager to manage the affairs of the Association.

Section 8. Right to Receive Written Notice of Meetings. A holder of a first mortgage shall, upon written request to the Association, be entitled to receive notice of all meetings of the Association and shall be entitled to designate a representative to attend all such meetings.

ARTICLE XI GENERAL PROVISIONS

Section 1. Waiver. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained is in no event to be deemed a waiver of the right to do so

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thereafter.

Section 2. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 3. Amendment. The covenants and restrictions of this Declaration shall run with and bind the land, for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years unless the Owners and mortgagees of the Homes agree to terminate the Association as provided herein. This Declaration may be amended by instrument signed by four fifths (4/5) of each class of members and approved by mortgagees as provided herein. Any amendment must be recorded. Notwithstanding any other term or provision of this Declaration, Declarant reserves the right to amend this Declaration without consent of any other Members or mortgagees until at least fifty-one (51%) percent of the Lots are sold to persons other than Declarant; provided, further, if Declarant elects to sell Lots 1 through 64 to a single entity or person, then Declarant shall also have the right until January 1, 2001 to amend this Declaration, without such party's consent, or without the consent of any other individual Member or Owner who may own one or more Lots.

The Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, Federal National Mortgage Association, the Government Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or provide financing in connection with the development of the Property and the sale of the Lots. Prior to turnover, no such amendment shall require a notice to or approval by any Class A Member.

Section 4. Indemnification. The Association shall indemnify any director, officer, employee or agent who was or is a party or is threatened to be made party to any proceeding, whether civil, criminal, administrative or investigative (Other than an action by the Association) by reason of the fact that he is or was a director, officer, employee or agent of the Association against expenses (including reasonable attorneys' fees), judgments, fines and amounts paid in settlement by reason of the suit, action or proceeding if he acted in good faith and in a manner reasonably believed to be in the best interest of the Association. With respect to any criminal action or proceedings, the Association will indemnify only if the director, officer, employee or agent had no reasonable cause to believe his conduct was illegal. Payment under this provision may be made during the pendency of the claim, action, suit or proceeding when incurred, subject only to the right of the Association to seek reimbursement of any such payments, should it be proven at a later time that the person had no right to such payments.

Section 5. Joint Owners. In any case in which two or more persons share the

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Ownership of any Home, regardless of the form of Ownership, the responsibility of the persons to comply with this Declaration shall be a joint and several responsibility and the act or consent of any one or more of such persons shall constitute the act or consent of the entire Ownership interest; provided, however, that in the event such persons disagree among themselves as to the manner in which any vote or right of consent held by them shall be exercised with respect to a pending matter, any such person may deliver written notice of such disagreement to the Association, and the vote or right of consent involved shall then be disregarded completely in determining the proportion of votes or consents given with respect to such matter.

Section 6. Lessees and Other Invitees. Lessees, invitees, contractors, family members and other persons entering the Property under rights derived from an Owner and shall comply with all of the provisions of this Declaration restricting or regulating the Owner's use, improvement or enjoyment of his Home and other areas within the Property. The Owner shall be responsible for obtaining such compliance and shall be liable for any failure of compliance by such persons in the same manner and to the same extent as if the failure had been committed by the Owner himself.

Section 7. Arbitration.

7.1 In the event of any dispute arising under the provisions of these covenants, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator and the dispute shall be arbitrated by the arbitrators so designated in accordance with the rules of the American Arbitration Association. The decision shall be by a majority of all the arbitrators and shall be binding on all parties thereto, their heirs and assigns. The prevailing party shall be entitled to such arbitration fees from the losing party, including reasonable attorneys' fees. The arbitration award may provided for injunctive relief, damages or combination thereof. Any Owner shall have the right to apply to a court of competent jurisdiction for enforcement of the arbitration clause for temporary relief pending the outcome of arbitration. In an Owner fails to appoint an arbitrator within twenty-one (21) days of receipt of notice of arbitration, an arbitrator may be appointed by the court.

7.2 Failure of any Owner to enforce any covenants or restriction herein contained shall in no event be deemed a waiver of the right to so thereafter.

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IN WITNESS WHEREOF, the Declarant has executed this Declaration this 16th day of March, 2000.

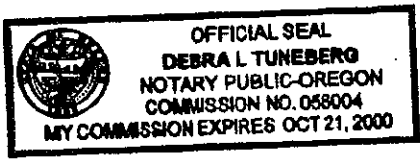
LUN, LLC, an Oregon limited liability company

By: [Signature]
Its: Authorized Member

STATE OF OREGON)
County of Washington) ss.

The foregoing instrument was acknowledged before me by Vlado D. Banicevic, who is the authorized member of LUN, LLC, an Oregon limited liability company. this 16th day of March, 2000.

[Signature]
Notary Public for Oregon
My Commission Expires: 10-21-2000



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A part of Lot 2, Block 1, MYERS ADDITION TO REEDVILLE HOMES, in the County of Washington and State of Oregon, described as follows:

Beginning at the Northwest corner of Lot 2, Block 1, MYERS ADDITION TO REEDVILLE HOMES and running thence South 89°28' East along the North line of said Lot 2 for a distance of 696.8 feet to the Northeast corner thereof; running thence South 16°18' West 343 feet to an iron rod on the South line of said Lot 2; running thence North 89°26' West along said lot line for a distance of 604.2 feet to the Southwest corner of said Lot 2; running thence North 0°36' East 329.7 feet to the place of beginning.

EXCEPTING THEREFROM beginning at a point on the North line of Lot 2, Block 1, MYERS ADDITION TO REEDVILLE HOMES, in the County of Washington and State of Oregon, South 89°26' East 475.0 feet from the Northwest corner thereof; thence South 0°36' West parallel with the West line of said Lot 2, a distance of 330 feet to the South line of said Lot 2; thence South 89°26' East on said South line 129.2 feet to the Southeast corner of that tract conveyed to Harry R. Barney and wife by Deed Book 412, page 582; thence North 16°18' East 343 feet to the Northeast corner of said Lot 2; thence North 89°28' West 221.8 feet to the place of beginning.

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EXHIBIT ^A
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