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✓ KEY TITLE COMPANY
AFTER RECORDING, RETURN TO: HENDRIX, CHAPPELL & BRINICH, 716 NW Harriman, Bend, OR 97701, 382-4980

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
HIGHER GROUND PUD**

These Covenants, Conditions and Restrictions are made this 21 day of AUGUST, 1995, by Higher Ground, Inc., an Oregon corporation, hereinafter referred to as "Declarant", as owner of the real property located in Deschutes County, State of Oregon, described in Exhibit "1", attached hereto and incorporated by this reference herein.

The property described in Exhibit "1" is hereby subject to these Covenants, Conditions and Restrictions and will be known as HIGHER GROUND PLANNED UNIT DEVELOPMENT, hereinafter referred to as "HIGHER GROUND".

HIGHER GROUND is being developed as a residential subdivision. Except where this Declaration conflicts with any applicable government regulation, the Declaration shall be binding upon all subject to this Declaration and their successors in interest as set forth herein. In the event any of the development standards or use restrictions of this Declaration should conflict with a more restrictive standard or requirement set by applicable zoning ordinance of Deschutes County, the more restrictive standard or requirement of the applicable Deschutes County ordinance shall apply.

Section 1. DEFINITIONS:

1.1 HIGHER GROUND: The term "HIGHER GROUND" shall mean HIGHER GROUND.

1.2 Declarant: The term "Declarant" shall mean Higher Ground, Inc., an Oregon corporation, or its successors in interest.

1.3 Declaration: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for HIGHER GROUND.

1.4 Improvements: The term "improvements" shall include, but not be limited to, any buildings, outbuildings, private roads, driveways, parking areas, fences and barriers, retaining walls, stairs, decks, hedges, windbreaks, planting, planted trees or shrubs, signs, storage areas, and all other structures or exterior landscaping, vegetation or ground cover of every type and every kind above the land surface.

1.5 Lot: The term "Lot" shall mean each lot described on a subdivision plat or partition map to any alteration thereof as may be made by a valid lot line adjustment or plat amendment.

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1.6 Owner: The term "Owner" shall mean and refer to either all holders of fee title to any lot, or any other person or persons entitled to possession of the lot pursuant to a contract or lease.

1.7 Plat: The term "plat" shall mean the recorded plat of HIGHER GROUND PUD as recorded in the Official Records of Deschutes County and any subsequent recorded amendment.

1.8 Streets: The term "streets" or "street" shall mean any street, highway or other thoroughfare within or adjacent to HIGHER GROUND and shown on any recorded subdivision or partition map, or survey map of record, whether designated thereon as street, boulevard, place, drive, road, terrace, way, lane, circle or otherwise.

Section 2. PROPERTY SUBJECT TO THE COVENANTS, CONDITIONS AND RESTRICTIONS FOR HIGHER GROUND: Declarant hereby declares that all of the real property located in Deschutes County, Oregon described in Exhibit "1" is and shall be hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred in whole or in part subject to this Declaration. All of said Restrictions are declared and agreed to be established with the purpose of protecting the desirability and attractiveness of said real property and every part thereof. All of the Covenants, Conditions and Restrictions of HIGHER GROUND run with all of said real property for all purposes and shall be binding upon and inure to the benefit of Declarant and all Owners and their successors in interest as set forth in this Declaration.

Section 3. ARCHITECTURAL CONTROLS:

3.1 Approval Required. No improvement shall be erected, placed, altered, maintained or permitted to remain on any land subject to this Declaration until final plans and specifications have been submitted to and approved in writing by Declarant. All approvals shall be in conformance with the building site established on each lot by Declarant.

3.2 Procedure. Any Owner proposing to construct any improvements within HIGHER GROUND (including any exterior alteration, addition, destructions, or modification to any such improvements) shall follow the procedures and shall be subject to the approvals required by paragraphs 3.3 through 3.7 below. Failure to follow such procedures or obtain such approvals as required by paragraphs 3.3 through 3.7 below shall be deemed a breach of this Declaration.

3.3 Required Documents. Any Owner proposing to use, improve, or develop real property with HIGHER GROUND shall submit the following items for review:

3.3.1 A professionally prepared site plan showing the location, size, configuration and layout of any building, structure, or improvement (or, where applicable, any alteration, addition, modification, or destruction thereto) including appurtenant facilities for parking, storage, fences, and vehicular and pedestrian traffic and circulation.

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3.3.2 Professionally prepared architectural plans and drawings showing the nature, style, and dimensions of any building, structure, fence, wall, barrier or deck (or, where applicable, any alteration, addition, modification or destruction thereof), including the exterior material types, colors and appearance. The scale of plans shall be one inch = 20 feet or larger. Color samples and material samples shall be provided upon request of the Declarant.

3.3.3 A landscape plan professional in appearance showing the nature, type, size, location and layout of all landscaping, vegetation ground cover, landscape and site lighting, walks, major existing vegetation and irrigation systems proposed to be planted or installed (or, where applicable, removed or destroyed).

3.3.4 Materials. Nontoxic and recycled materials are encouraged. All materials used must be approved by Declarant.

3.3.5 Exterior Lighting. Exterior lighting shall be of a type and so placed to eliminate glare and annoyance to adjacent property Owners and passersby. Exterior lighting shall not be continuously used as to cause a nuisance or annoyance to adjacent property Owners.

3.3.6 Driveways. Driveways shall be of concrete, concrete pavers, asphalt or similar materials as approved by Declarant.

3.4 Review. All plans and drawings identified in paragraph 3.3 above, shall be submitted to Declarant for review prior to the performance of any proposed work. No plans shall be reviewed until all items specified in this section are submitted. Within 30 days following receipt of such plans and drawings Declarant shall review the plans and shall inform the Owner in writing whether the plans conform to the development concept for HIGHER GROUND. In the event the Owner is not notified as to the conformity of the plans within the 30 day review period, the plans are conclusively presumed to be approved as submitted. In the event any of the plans do not conform to the HIGHER GROUND development concept, the Owner shall resubmit those nonconforming portions of the plans for review in accordance with the procedures outlined in paragraph 3.3 above, and this paragraph. No work may be performed relating to any improvement unless and until all aspects of all plans and drawings submitted to Deschutes County in connection with the construction of any improvement in HIGHER GROUND must bear the prior written approval of Declarant.

3.5 Architectural Guidelines. The development concept for HIGHER GROUND shall be determined by Declarant in accordance with applicable statutes, ordinances, regulations, zoning and other governmental land use controls. Architectural guidelines setting forth various aspects of the development concept, in addition to their Declaration, may be published from time to time by Declarant, but Declarant shall not be required to do so. Declarant shall have the right to alter, rescind or amend any published guidelines without prior notice to any part; provided, however, that once approval has been given pursuant to paragraph 3.4 above, work may proceed in accordance with approved plans and drawings notwithstanding any changes in the development concept. All such guidelines shall be in general conformity with this Declaration.

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3.6 Inspection. All work related to any building, structure or improvement or any landscaping, vegetation, ground cover or other improvements within HIGHER GROUND shall be performed in strict conformity with the plans and drawings approved under paragraph 3.4 above. Declarant shall have the right to inspect any such work to determine its conformity with the approved plans and drawings, and reserves the right to order a stop to all work, if, in good faith it believes that any such work is nonconforming. In the event that it is determined in good faith by Declarant that certain work is nonconforming, a stop work notice may be issued, without necessity of court order, which shall require the Owner to correct all nonconforming work specified in the notice before the remainder of the proposed work may be completed. Continued work without correction of any such nonconforming items shall be deemed a breach of this Declaration. The Declarant or officer, director, employee, agent or servant of Declarant shall not be responsible for any damages, loss, delay, cost or legal expense occasioned through a stop work notice given in good faith even if it is ultimately determined that such work was in conformity with the approved plans and drawings.

3.7 Waiver. Any condition or provision of paragraphs 3.2 through 3.6 above, may be waived by Declarant in its exclusive discretion. Any waiver shall be in general conformity with the development concept and development standards for HIGHER GROUND. Any such waiver shall not be deemed a general waiver of any aspect of the development concept or the required procedures and approvals specified under paragraphs 3.2 through 3.6. The granting of a waiver as to one Owner shall not automatically entitle any other Owner to the waiver of the same or similar conditions or provisions. No waiver shall be valid unless it is in writing, signed by an authorized representative of Declarant and delivered to the party claiming the benefit of such waiver.

Section 4. RESTRICTIONS ON USE OF PROPERTY:

4.1 Occupancy. No Owner shall occupy, use or permit his lot or any part thereof to be used for any purpose other than an allowed residential use as provided by the applicable ordinances of Deschutes County. Any rented dwelling unit must be rented or occupied on a month-to-month or longer basis.

4.2 Improvements. Each lot within HIGHER GROUND shall be maintained in a clean and attractive condition, in good repair and in such a fashion as not to create a fire hazard, including private areas such as decks, driveways and all other areas.

4.3 Appearance. All garbage, trash, cuttings, refuse, garbage and refuse containers, and other service facilities located on the lot shall be screened from view in a manner approved by Declarant.

4.4 Construction and Alteration. No structure shall be altered or constructed in or removed from or placed on a lot except with the prior written consent of Declarant excluding planted vegetation and any tree whether natural or planted.

4.5 Offensive Activity. No offensive activity shall be carried on nor shall anything be done which may be or become an annoyance or nuisance to the other Owners, including but not limited to machinery and power tools which create an unacceptable level of noise.

4.6 Signs. No sign of any kind shall be displayed to public view on or from any lot except that not more than one "For Sale" or "For Rent" sign placed by the Owner, the Declarant or by a licensed real estate agent, not exceeding twenty-four (24) inches high and thirty-six (36) inches long, may temporarily be displayed on any lot. This restriction shall not prohibit the temporary placement of political signs on any lot by the Owner.

4.7 Exterior Lighting or Noise Making Device. No exterior lighting or noise making device shall be placed on a lot or any portion thereof without the Declarant's prior written consent.

4.8 Antennas. No television antenna, radio antenna, satellite antenna, or other receiving or transmitting device shall be placed on any lot without the Declarant's prior written consent. Satellite antennas shall be screened from view and may not be placed on roofs or in front yards.

4.9 Limitation on Transfer. No Owner shall transfer either by conveyance, contract of sale or lease any interest in the Owner's lot which would result in ownership of such lot being held by more than four persons without prior approval of Declarant.

4.10 Mobile Homes. No house trailer, mobile home, tent, shack, barn or other similar outbuilding or structure, whether permanent or temporary, shall be erected or placed on any lot.

4.11 Utilities. No above-ground utilities, pipes or wires shall be used to connect improvements with supplying facilities without prior written consent of Declarant.

4.12 Parking. Camping trailers, trucks, boats, and boat trailers may not be parked or placed on any lot for any extended period over three days outside of an enclosed garage or other permitted screened enclosure. Motorhomes and campers shall not be parked or placed outside a screened enclosure for more than fourteen days in a calendar year.

4.13 Open Burning. No open burning of any type shall be allowed.

4.14 Construction Standards. No structure shall be erected, altered, placed or permitted to remain on any lot which, in the opinion of Declarant, does not comply with the following standards:

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4.14.1 Size. No residence of less than 800 square feet of living space, exclusive of garage, shall be permitted to be erected on any lot. Maximum size of a single family dwelling is not to exceed 2,500 sq. ft. of living space, exclusive of garage.

4.14.2 Roofs. All roofs shall have not less than a 4 in 12 pitch and be covered with composition shingles, metal or earth tone concrete or clay tiles. No wood shingles are permitted.

4.14.3 Height. No building shall be higher than 28 feet. Some lots shall be restricted to one story to provide solar access.

4.14.4 Garage. Each residence shall have at least one private garage for no less than one automobile. No Owner shall have more than two vehicles for the use of the occupants of Owner's lot parked outside of the garage, or on the street as part of the Owner's or occupant's regular practice.

4.14.5 Completion of Construction. The construction of any building on any lot, including private lot drainage, painting, and all exterior finish, shall be completed within four (4) months from the beginning of construction so as to present a finished appearance when viewed from any angle. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval from the Declarant.

4.14.6 Landscape Completion. All landscaping must be completed within one hundred eighty (180) days after the date the exterior of the residence is completed. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval from the Declarant.

4.14.7 Fences and Hedges. No wood, concrete or other solid forms of fencing shall be erected without approval of Declarant. The use of hedges, trees and other living vegetation are encouraged to create private areas. No "boundary" type large fencing shall be constructed or maintained.

4.14.8 Exterior Materials and Finish. Exterior materials must be approved for use by the Declarant as set forth in these covenants. The exterior finish of all construction on any lot shall be designed, built, and maintained in such a manner as to blend in with the existing structures, and landscaping with HIGHER GROUND. Exterior colors must be approved by the Declarant as set forth in these covenants. Exterior trim, fences, doors, railings, decks, eaves, gutters, and the exterior finish of garages and other accessory buildings shall be designed, built and maintained to be compatible with the exterior of the structures they adjoin.

4.15 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any lot, not to exceed two dogs, cats, or other household pets, provided that they are not kept, bred or maintained for commercial purposes and are reasonably controlled so as not to be a

nuisance. If the Owner has pets that do not remain inside the home, the Owner will be required to install electronic fencing with the approval of Declarant.

4.16 Commercial or Business Use. No trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any lot, nor shall any goods, equipment, vehicles, materials, or supplies used in connection with any trade, service, or business be kept or stored on any lot, excepting the right of any homebuilder and Declarant to construct residences on any lot, to store construction equipment and materials on said lots in the normal course of said construction and to use any single family residence as a sales office or model home for purposes of sales in HIGHER GROUND. This provision, however, shall not be construed so as to prevent or prohibit an Owner from maintaining a personal professional library, keeping their personal business or professional records or accounts, handling their personal business or professional telephone calls, or conferring with business or professional associates, clients or customers, in the Owner's home. This provision shall not be construed so as to prohibit the rental or leasing of any residence unit. This provision shall not be construed so as to prohibit an Owner from parking one vehicle used in the Owner's business in Owner's garage or other permitted screened enclosure.

4.17 Vehicles in Disrepair. No Owner shall permit any vehicle which is in an unreasonable state of disrepair or to be abandoned or to remain parked upon any lot or on any street for a period in excess of forty-eight (48) hours. A vehicle shall be deemed to be in an "unreasonable state of disrepair" when due to its continued inoperability or significant damage, reasonably offends the occupants of HIGHER GROUND or Declarant. This provision shall not be construed as to prohibit Owner from storing a vehicle in an unreasonable state of disrepair inside Owner's garage.

4.18 Private and Public Utility Easements depicted on Plat. Easements for installation and maintenance of utility lines and drainage facilities are reserved as specified on the recorded plat of HIGHER GROUND and shall continue in perpetuity. Said easements are intended to, and do attach to and run with the land affected herein.

4.18.1 Adjoining Lots. Adjoined lots as depicted on the plat, shall have an equal nonexclusive right to the use of that area of land for the installation and maintenance of utility lines. In addition by this covenant there is granted to all appropriate government agencies and public utility companies nonexclusive easements for the installation and maintenance of utility lines and the right of access needed to perform their duties.

4.18.2 Indemnification and Restoration. Owners of any easement shall require all workers and contractors undertaking maintenance work hereunder to maintain standard liability insurance in a reasonable amount from a reputable insurance company protecting each Owner. Each of the owners of an easement agrees to release and indemnify the Owners of the burdened lot against all liability for any injury, personal or property, to the owners of an easement, agents, employees, assignees or officers of said owners of an easement, when such injury or damage shall result from any maintenance undertaken pursuant to this agreement. It shall be the

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responsibility of the easement owner to restore the easement area to a condition equal to that which existed prior to any work performed in the easement.

4.19 No firearms or other deadly weapons shall be permitted except to be maintained solely inside the dwelling unit. No BB-guns, pellet guns, air rifles, sling shots, archery equipment or similar weapons shall be allowed outside a dwelling unit.

4.20 To maintain an earth-friendly community a list of all building materials shall be submitted for approval and be approved by Declarant, with the following standards required where applicable:

4.20.1 Passive solar heating. Homes shall be placed on the lot to obtain the most benefit possible of the southern exposure. No less than 20% of the exterior southern wall surface should be windows.

4.20.2 Homes shall be insulated to Super Good Cents standards with an air ventilation system required.

4.20.3 Passive solar hot water systems with an on-demand back-up system or an energy efficient hot water system is required. No wood-burning stoves are permitted, although energy efficient pellet stoves may be approved.

4.20.4 Trees over six inches in diameter shall not be removed without written permission of Declarant or HOA.

4.20.5 "Resource efficient" building is required. Home size shall be between 800 square feet and 2500 square feet inclusive. Roofing shall have a minimum 25 year warranty-life expectancy. Wood shake roofing is not permitted. T1-11 siding is not allowed except as may be approved by Declarant.

4.20.6 Low-toxic or nontoxic paints should be used exclusively on the interior of the homes. Other building materials, such as but not limited to, flooring, should be low-toxic or nontoxic. Flooring containing formaldehyde is discouraged. Interior of homes should be free of polluting materials whenever possible.

4.20.7 Water efficient interior and exterior fixtures shall be used. Low glow bulbs and fixtures shall be used for exterior lighting. Exterior lighting plan shall be submitted to Declarant for approval and receive approval prior to installation.

4.21 The following items are strongly suggested:

4.21.1 Natural features such as trees, rock outcroppings, etc., should not be disturbed in locating the house. Final landscaping should be as natural as practical. Grass front

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yards are discouraged as grass common areas are provided. Irrigation water will be available throughout the Orchard area for private use.

4.21.2 One and one-half story and two story homes are encouraged to create as small a building footprint as possible.

4.21.3 Recycled building materials, such as wood chip lap siding is encouraged. Laminated wood products, metal and recycled materials are encouraged for use in framing. Recycled insulation materials are encouraged.

4.21.4 Low watt lighting bulbs for interior use are encouraged.

Section 5. TERMINATION OF DECLARANT'S ROLE:

5.1 Declarant's Control. At such time as the Declarant shall no longer desire to exercise the architectural, landscaping, signing and lighting controls over any lots within HIGHER GROUND, Declarant shall cause to be recorded in the official records of Deschutes County, Oregon, a declaration stating that Declarant no longer desires to exercise any further controls over development in HIGHER GROUND. Recordation of such a declaration shall formally terminate Declarant's interest and all rights of architectural landscaping, signing and lighting controls, as well as any other duties of Declarant under this Declaration. Declarant shall have been deemed to give such notice within ninety (90) days of the sale of all lots in HIGHER GROUND.

5.2 Formation of HOA.

5.2.1 Upon formal termination of Declarant's control, Declarant shall form an Oregon nonprofit organization called the HIGHER GROUND PUD Homeowners Association (HOA). HOA shall be governed by a three person board of directors and shall incorporate. Except as amended as provided herein, this Declaration shall serve as the Bylaws of the HOA. Declarant shall cause the HOA to be incorporated and the initially elected officers and selected registered agent shall be placed on the original filing immediately after the organizational meeting.

5.2.2 Within thirty days after the commencement date of HOA, the initial board of directors shall be elected. Persons eligible for the initial HOA shall be limited to Owners of any lot with HIGHER GROUND. Declarant shall solicit from and circulate to all lot Owners a list of nominees for the initial board of directors positions within the thirty day HOA organizational period and any Owner interested is encouraged to submit their name to Declarant. Declarant shall then conduct an election of the initial board of directors. The three nominees obtaining the three highest vote totals shall constitute the initial board of directors.

5.2.3 The total number of votes entitled to be cast for each director's position shall be based upon the total number of lots within HIGHER GROUND. Each lot Owner shall have the right to cast one vote for each lot owned. The initial board of directors shall meet within ten

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days after their election and may at that time adopt any governing documents including bylaws, guidelines, procedures, rules and regulations, relating to the architectural, landscaping, signing and lighting controls with HIGHER GROUND.

5.3 Failure to Organize. In the event Declarant is unsuccessful in organizing the board of directors of HOA within the thirty day organizational period specified above, Declarant shall have no further responsibilities relating to HOA and the HOA board of directors may be organized exclusively by the Owners of lots with HIGHER GROUND. Such failure of organization of the HOA board of directors shall not affect the existence of HOA or the effectiveness of this Declaration.

5.4 ASSOCIATION POWERS:

5.4.1 Membership in the Association shall be limited to owners.

5.4.2 The affairs of the Association shall be governed by a board of directors as provided herein.

5.4.3 Subject to the provisions of the Declaration and Bylaws, the Association may, whether or not the Association is unincorporated:

5.4.3.1 Adopt and amend bylaws and rules and regulations;

5.4.3.2 Adopt and amend budgets for revenues, expenditures and reserves and levy and collect assessments for common expenses from owners;

5.4.3.3 Hire and terminate managing agents and other employees, agents and independent contractors;

5.4.3.4 Institute, defend or intervene in litigation or administrative proceedings in its own name on behalf of itself or on behalf of two or more owners on matters affecting HIGHER GROUND;

5.4.3.5 Make contracts and incur liabilities;

5.4.3.6 Regulate the use, maintenance, repair, replacement and modification of common areas;

5.4.3.7 Cause additional improvement to be made as a part of the common areas;

5.4.3.8 Acquire by purchase, lease, devise, gift or voluntary grant, real property or any interest therein and take, hold, possess and dispose of real property or any interest therein;

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5.4.3.9 Impose and receive any payments, fees or charges for the use, rental or operation of the common areas;

5.4.3.10 Impose charges for late payments of assessments, attorney fees for collection of assessments and, after giving notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration, bylaws and rules and regulations of the Association;

5.4.3.11 Adopt rules regarding the termination of utility services paid for out of assessments of the Association and, after giving notice and an opportunity to be heard, terminate the rights of any owners to receive such services until the correction of any violation covered by such rule has occurred;

5.4.3.12 Impose reasonable charges for the preparation and recordation of amendments to the Declaration or statements of unpaid assessments;

5.4.3.13 Provide for the indemnification of its officers and executive board, as may be limited by ORS 61.218(3)(d)(1987 Replacement Part), and maintain director's and officers liability insurance;

5.4.3.14 Exercise any other powers conferred by the Declaration or Bylaws and all other powers that may be exercised in this state by any such Association; and exercise any other powers determined by the Association to be necessary and proper for the governance and operation of the Association.

5.4.4 Subject to paragraph 5.4.5, unless expressly prohibited by the Declaration, the Association has the authority to execute, acknowledge, deliver and record on behalf of the owners leases, easements, rights of way, licenses and other similar interests affecting the general common areas and consent to vacation of roadways within and adjacent to HIGHER GROUND.

5.4.5 The granting of a lease in excess of two years or any other interest or consent pursuant to subsection 5.4.4 shall be first approved by two-thirds (2/3) written consent of all Owners.

Section 6. DURATION AND AMENDMENT OF THIS DECLARATION:

6.1 Duration. The Covenants, Conditions and Restrictions of HIGHER GROUND shall continue to remain in full force and effect at all times with respect to all property, and each part thereof, now or hereafter made subject thereto (subject however, to the right to amend and repeal as provided for therein) for a period thirty years from the date this Declaration is recorded. However, unless within one year from the date of said termination, there shall be recorded an instrument directing termination of this Declaration signed by Owners of not less than two-thirds (2/3) of the lots then subject to this Declaration, as in effect immediately prior to the expiration

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date, shall be continued automatically without further notice for an additional period of ten years and thereafter for successive periods of ten years unless within one year prior to the expiration of such period the Covenants, Conditions and Restrictions for HIGHER GROUND are terminated as set forth above in this section.

6.2 Amendment. This Declaration or any provision thereof, or any Covenant, Condition or Restriction contained herein, may be terminated, extended, modified or amended, as to the whole of said property or any part thereof with a written consent of the Owners of two-thirds of the lots subject to these Restrictions, provided, that the provisions of Article 4 hereof shall inure to the benefit of and be enforceable solely by Declarant, shall be capable of being amended by Declarant without the consent of any other Owner, person or entity and shall not give any third party any right or cause of action on account of the terms of this Declaration, and further provided that no amendment which enlarges or diminishes the powers and responsibilities of the Declarant shall be effective without the written consent of the Declarant.

6.3 Any amendment, deletion or repeal of this Declaration shall not become effective until recorded in the Official Records of Deschutes County, Oregon.

Section 7. ENFORCEMENT:

7.1 This Declaration shall be specifically enforceable by Declarant or by any Owner of any lot in HIGHER GROUND. Any breach of this Declaration shall subject the breaching party to any and all legal remedies, including damages or the destruction, removal or the enjoining of any offending improvement or condition.

7.2 In the event either party engages an attorney to enforce this Agreement or any of its terms, whether or not a suit or action is commenced, it is agreed that the prevailing party shall be entitled to recover all expenses reasonably incurred before, at and after trial and on appeal whether or not taxable as costs, including, without limitation, attorney fees, witness fees (expert and otherwise), copying charges, deposition expenses, and other charges to be paid by the losing party to the prevailing party and to be fixed by the trial and appellate courts.

7.3 Prior to pursuing any legal action, an aggrieved Owner shall submit any proposed enforcement matter to the Board of Directors for nonbinding arbitration. Upon receipt of a written request for arbitration, the Board shall set a hearing date within twenty (20) days of said request and shall deliver written notice of the arbitration hearing to all parties to the dispute no less than fifteen (15) days prior to the arbitration hearing date. Each party shall have the opportunity to present its position to the Board, either in person or by writing. The Board shall issue a written decision within ten (10) days of the arbitration hearing. No court action shall be pursued until an additional thirty (30) days has passed after the Board issues a written decision. Failure of the Board to send notices, conduct a hearing or issue a written decision shall void this arbitration requirement. The parties may waive in writing the time periods of this §7.3.

Section 8. EFFECT OF DECLARATION:

The Covenants, Conditions and Restrictions of this Declaration shall run with the land included in HIGHER GROUND and shall bind, benefit and burden each lot in HIGHER GROUND. The terms of this Declaration shall inure to the benefit and shall bind Declarant, all successors and assigns of Declarant and all Owners of any lot in HIGHER GROUND, their successors, assigns, heirs, administrators, executors, mortgagees, lessees, invitees or any other party claiming or deriving any right, title, or interest or use in or to any real property in HIGHER GROUND. The use restrictions and regulations set forth in Section 4 and Section 5 of this Declaration shall be binding upon all Owners, lessees, licensees, occupants and users of the property known as HIGHER GROUND and their successors in interest as set forth in this Declaration, including any person who holds such interests as security for the payment of an obligation including any mortgagee or other security holder in actual possession of any lot by foreclosure or otherwise and any other person taking title from such security holder.

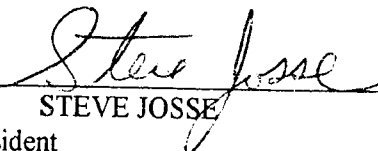
Section 9. ASSESSMENT:

9.1 At the annual meeting the owners shall decide by two-thirds (2/3) majority vote the amount and payment schedule of the annual assessment. The Assessment shall be due and payable on the date set by the owners at the annual meeting. No assessment shall be larger than necessary for the maintenance, insurance, upkeep, repair or replacement of the improvements existing at the time of the Declaration, and an additional contingency fund of not more than 15% more than necessary for the matters listed herein. Any new improvement shall require the unanimous consent of the owners.

9.2 Declarant expressly elects to defer payment of the accrued assessment for any residence until the time of conveyance of that residence to someone other than the Declarant.

9.3 Any unpaid or overdue assessment shall be collectable upon ten day's written notice to the owner. If the overdue assessment is not paid, then the Association may sue the owner in the appropriate court of law. All costs of collection, including but not limited to attorney fees at trial and on appeal, shall be added to the assessment. As an alternative to the procedure set forth herein, the Association may lien the property as provided by ORS chapter 100. The owner shall remain personally liable for all assessments, though a judgment or lien may attach to the residence or any other real or personal property of the owner.

HIGHER GROUND, INC.


By: STEVE JOSSE
President

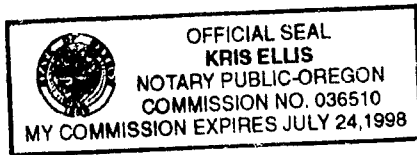
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STATE OF OREGON)

) ss.

County of Deschutes)

The foregoing instrument was acknowledged before me by STEVE JOSSE, as President of HIGHER GROUND, INC., an Oregon corporation, on behalf of the corporation, this 28 day of August, 1995.



Kris Ellis
NOTARY PUBLIC FOR OREGON

My Commission Expires: July 24, 1998

STATE OF OREGON)
COUNTY OF DESCHUTES) ss.

I, MARY SUE PENHOLLOW, COUNTY CLERK AND
RECORDER OF CONVEYANCES, IN AND FOR SAID
COUNTY, DO HEREBY CERTIFY THAT THE WITHIN
INSTRUMENT WAS RECORDED THIS DAY:

95 AUG 28 PM 1:53
MARY SUE PENHOLLOW
COUNTY CLERK

PAGE 14. DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS I

BY: M. E. Egan DEPUTY
NO. 95-30257 FEE 70
DESCHUTES COUNTY OFFICIAL RECORDS