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STATE OF OREGON
COUNTY OF DESCHUTES



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I hereby certify that the attached instrument was received
and duly recorded in Deschutes County records:

DATE AND TIME: May. 31, 2000; 3:45 p.m.

RECEIPT NO: 21477

DOCUMENT TYPE: Planned Community
 Subdivision Declaration

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A handwritten signature in cursive script, reading "Mary Sue Penhollow".

MARY SUE PENHOLLOW
DESCHUTES COUNTY CLERK

71

2000-21426-1

AFTER RECORDING, RETURN TO:

Ball Janik LLP
101 SW Main Street
Suite 1100
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PARKWOOD TOWNHOMES

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR PARKWOOD TOWNHOMES (this "Declaration") is made and entered into effective this 30th day of MAY, 2000, by Costa Pacific Homes, LLC, an Oregon limited liability company, an Oregon corporation ("Declarant").

Recital:

River Bend Limited Partnership, an Oregon limited partnership ("RBLP"), owns that real property in Deschutes County, Oregon legally described on the attached Exhibit A. RBLP consents to the terms and conditions of this Declaration and to its recordation.

1. DEFINITIONS

The following terms shall have the following meanings when used in this Declaration:

1.1 Articles. "Articles" shall mean the Articles of Incorporation of the Association, as amended from time to time.

1.2 Assessment. "Assessment" shall mean any assessment levied against one or more Owners by the Association for payment of expenses relating to the Property and shall include Regular, Special, and Limited Assessments as those terms are defined herein.

1.3 Architectural Review Committee. "Architectural Review Committee" shall mean the architectural committee appointed pursuant to Article 6.

1.4 Association. "Association" shall mean the non-profit corporation formed or to be formed to serve as the association of Owners as provided in this Declaration and such corporation's successors and assigns.

1.5 Board. "Board" shall mean the duly-elected Board of Directors of the Association.

1.6 Building Lot. "Building Lot" shall mean a platted or partitioned lot or tract within the Property, with the exception of any tract or lot marked on any Plat of any portion of the Property as common or open space.

1.7 Building Structure. "Building Structure" shall mean a building structure which is comprised of one or more contiguous dwelling units constructed and located on Building Lots, including, without limitation, garage structures located on the same Building Lots, whether attached to or detached from the Building Structure.

1.8 Bylaws. "Bylaws" shall mean the Bylaws of the Association, as amended from time to time.

1.9 Common Area. "Common Area" shall mean Tracts ___ through ___, inclusive, shown on the Plat, and any other tracts designated as common area in any declaration annexing property to the Property, and includes any sidewalks, walkways, pavement, landscaping, lighting, irrigation, entrance monuments, and other improvements within any of the foregoing areas.

1.10 Common Property. "Common Property" shall have the meaning given in Section 5.3.

1.11 Common Property Reserve Account. "Common Property Reserve Account" shall mean the reserve account established for the replacement of items owned or leased by the Association described in Section 5.3.

1.12 Common Property Reserve Account Assessment. "Common Property Reserve Account Assessment" shall have the meaning given in Section 5.3.1.

1.13 Declarant. "Declarant" shall mean Costa Pacific Homes, LLC, an Oregon limited liability company, and its successors and assigns if such successor or assign should acquire all of Declarant's rights under the Declaration pursuant to a recorded instrument executed by Declarant.

1.14 Improvement. "Improvement" shall mean every structure or improvement of any kind, including but not limited to a fence, wall, driveway, storage shelter, patio, deck, or other product of construction efforts on or in respect to a Building Lot.

1.15 Landscaped Areas. "Landscaped Areas" shall mean all portions of a Building Lot other than those portions (i) occupied by a Building Structure or designated as an Outdoor Living Area or (ii) containing paved driveways or walkways.

1.16 Limited Assessment. "Limited Assessment" shall mean an assessment levied against an Owner by the Association for costs and expenses incurred by the Association for corrective action performed pursuant to this Declaration which is required as a result of the willful or negligent actions or omissions of such Owner or such Owner's tenants, guests, contractors, or invitees.

1.17 Master CC&Rs. "Master CC&Rs" shall mean that certain Amended and Restated Master Declaration of Covenants, Conditions, and Restrictions for River Bend, dated effective as

of November 4, 1997, recorded in the Official Records of Deschutes County, Oregon under Fee No. 98-27427 on June 26, 1998, as amended from time to time.

1.18 Outdoor Living Area. "Outdoor Living Area" shall mean that portion of a Building Lot which is located immediately adjacent to a Building Structure and which is screened, enclosed, or set off in any manner to create a private outdoor living/landscaped area. Outdoor Living Areas shall initially be established by Declarant at the time of construction of the Building Structures and may be modified from time to time by the Owner of the corresponding Building Lot with the approval of the Architectural Review Committee.

1.19 Owner. Except as expressly set forth in the final sentence of this subsection, "Owner" shall mean any person or entity, including the Declarant, at any time owning a Building Lot, including any vendee under a recorded land sale contract to whom possession has passed, but does not include a tenant or holder of a leasehold interest or a person holding only a security interest in a Building Lot, including any vendor under a recorded land sale contract who has surrendered possession. Notwithstanding the foregoing sentence, for all purposes under this Declaration, Declarant shall be deemed to be the Owner of any Building Lot owned by RBLP, and RBLP shall not be deemed to be an "Owner."

1.20 Plat. "Plat" shall mean the plat of Parkwood recorded in the Official Records of Deschutes County, Oregon concurrently herewith, together with any additional plats of Parkwood recorded in the Official Records of Deschutes County, Oregon concurrently with declarations of annexation that annex the platted property to the Property.

1.21 Property. "Property" shall mean the real property in Deschutes County, Oregon described in Article 2, together with property annexed thereto in accordance with, and subject to, the terms and conditions of Article 3 and the corresponding declaration of annexation.

1.22 RBLP. "RBLP" shall have the meaning given in the Recital and shall also mean any successor or assignee of RBLP that obtains all of RBLP's interest in the Property. For purposes of the previous sentence, "successor or assignee of RBLP" shall not in any event include any person or entity who acquires a Building Lot as a primary or secondary residence.

1.23 Regular Assessment. "Regular Assessment" shall mean an assessment by the Association against all Owners to provide for the payment of all estimated normal expenses of the Association for the performance of the Association's duties as provided in this Declaration.

1.24 Special Assessment. "Special Assessment" shall mean an assessment against all Owners in the event that the Regular Assessment for any particular year is or will become inadequate to meet the expenses of the Association.

2. DECLARATION

2.1 Property Covered. Declarant (and, by its consent hereto, RBLP) hereby declares that all of the real property described below is owned and shall be owned, conveyed, hypothecated, encumbered, used, occupied, and improved subject to this Declaration:

All that certain real property located in the City of Bend, Deschutes County, Oregon, legally described on the attached Exhibit A, together with property annexed thereto in accordance with, and subject to, the terms and conditions of Article 3 and the corresponding declaration of annexation (the "Property").

2.2 Purpose. The purpose of this Declaration is to provide for the exterior maintenance of the Building Structures to be constructed upon the Property, to provide for maintenance and repair of the Common Area and Landscaped Areas and a Parkwood Townhomes Homeowners' Association, and to set forth other terms and conditions governing the use and enjoyment of the Property.

2.3 Declaration. Declarant hereby declares that the Property and all lots, parcels and portions thereof are hereby made subject to all of the conditions, covenants, restrictions, and provisions contained in this Declaration.

2.4 Limitations on Improvements. Declarant does not elect to limit Declarant's rights to add Improvements not described in this Declaration.

2.5 Easements for the Benefit of the Property. There is hereby reserved to Declarant, its employees, agents, representatives and assigns, an easement for access, construction, placement, maintenance and improvement of utilities and drainage over, under and across any portion of the Property, together with easements in roadways and utility lines specified or established within the Property.

2.6 Master CC&Rs. The property is not presently subject to the operative provisions of the Master CC&Rs, but may be annexed to the property that is presently subject to the Master CC&Rs and thereby made subject to the operative provisions of the Master CC&Rs. In the event that the Property is made subject to the operative provisions of the Master CC&Rs, then certain of the provisions of this Declaration shall be conformed to the applicable requirements of the Master CC&Rs (including, without limitation, requirements pertaining to use and architectural controls) and, among other things, assessments against Building Lots may, in addition to the Assessments described below, include assessments under the Master CC&Rs, and the Association may be a "Sub-Association" under the Master CC&Rs. Notwithstanding any provision in this Declaration to the contrary, Declarant hereby reserves unto itself, through the last date on which Class B membership exists, and confers onto the Association, acting by and through the Board, from and after the date that Class B membership ceases to exist, the right to amend this Declaration and the Bylaws to comply with the requirements of the Master CC&Rs in the event the Property is annexed to, and made subject to, the Master CC&Rs.

3. ANNEXATION

3.1 Annexation of Additional Property. Declarant may from time to time and in its sole discretion annex to the Property any adjacent real property now owned or hereafter acquired by it, and may also from time to time and in its sole discretion permit other holders of adjacent real property to annex or to consent to the annexation of the adjacent real property owned by them to the Property. The annexation of such adjacent real property shall be accomplished as follows:

3.1.1 Declaration of Annexation. The owner or owners of such real property shall record a declaration or consent to the recordation of a declaration which shall be executed by or bear the approval of Declarant and shall, among other things, describe the real property to be annexed, establish any additional limitations, uses, restrictions, covenants and conditions which are intended to be applicable to such property, and declare that such property is held and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to this Declaration.

3.1.2 Provisions of Declaration of Annexation. Notwithstanding any provision apparently to the contrary, a declaration with respect to any annexed property may:

(a) establish such new land classifications and such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property.

(b) with respect to existing land classifications, establish additional or different limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of such annexed property.

3.1.3 Effect of Annexation. The property included in any such annexation shall thereby become a part of the Property and subject to this Declaration, and Declarant and the Association shall have and shall accept and exercise administration pursuant to this Declaration with respect to such property.

3.1.4 Limitation on Annexation. There is no limitation on the number of Building Lots or Building Structures which Declarant may create or annex to the Property, except as may be established by applicable ordinances, agreements, or land use approvals. Similarly, there is no limitation on the right of Declarant to annex common property.

3.1.5 Voting Rights. Upon annexation, additional Building Lots so annexed shall be entitled to voting rights as set forth in Section 4.3.

3.1.6 Adjustment of Association Expenses. The formula to be used for reallocating Assessments if additional Building Lots are annexed, and the manner of reapportioning Assessments if additional Building Lots are annexed during a fiscal year, are set forth in Section 5.7.

3.2 Withdrawal of Property. Declarant may withdraw property from the Property only by a duly-adopted amendment to this Declaration, except that Declarant may withdraw all or a portion of any property annexed pursuant to a declaration described in Section 3.1 at any time prior to the sale of the first Building Lot in the property annexed by the declaration of annexation. Such withdrawal shall be effected by a declaration executed by Declarant and recorded in the deed records of the county in which the property being withdrawn is located. If a portion of the Property is so withdrawn, all voting rights otherwise allocated to Lots being withdrawn shall be eliminated, and the common expenses shall be reallocated as provided in Section 5.7.

4. THE ASSOCIATION

4.1 Organization. Declarant shall, before the first Building Lot is conveyed to an Owner other than Declarant, organize the Association as a nonprofit corporation under the Oregon Nonprofit Corporation Act under the name "Parkwood Townhomes Homeowners Association, Inc." or such similar name as Declarant shall designate. The Articles shall provide for the Association's perpetual existence, but in the event the Association is at any time dissolved, whether inadvertently or deliberately, it shall automatically be succeeded by an unincorporated association of the same name. All of the property, powers and obligations of the incorporated Association existing immediately prior to its dissolution shall thereupon automatically vest in the successor unincorporated association. Such vesting shall thereafter be confirmed as evidenced by appropriate conveyances and assignments by the incorporated Association. To the greatest extent possible, any successor unincorporated association shall be governed by the Articles and Bylaws as if they had been drafted to constitute the governing documents of the unincorporated association.

4.2 Membership. Every Owner of one or more Building Lots shall, immediately upon creation of the Association and thereafter during the entire period of such Owner's ownership of one or more Building Lots, be a member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

4.3 Voting Rights. Voting rights within the Association shall be allocated as follows:

4.3.1 Building Lots. Except as provided in Section 4.3.2, Building Lots shall be allocated one vote per Building Lot.

4.3.2 Classes of Voting Membership. The Association shall have two classes of voting membership:

Class A. Except as set forth in the last sentence of this paragraph, Class A members shall be all Owners with the exception of Declarant (except that beginning on the date on which the Class B membership is converted to Class A membership, and thereafter, Class A members shall be all Owners, including Declarant). Class A members shall be entitled to voting rights for each Building Lot owned computed in accordance with Section 4.3.1. When more than one person holds an interest in any Building Lot, all such persons shall be members. The vote for such Building Lot shall be exercised as such persons among themselves determine, but in no event shall more votes be cast with respect to any Building Lot than as set forth in Section 4.3.1. RBLP shall not be a Class A member or entitled to any votes, notwithstanding that it owns Building Lots. After the date on which Class B membership ceases and is converted to Class A membership, Declarant shall be the Class A member for each Building Lot owned by Declarant or RBLP.

Class B. The Class B member shall be Declarant and shall be entitled to five (5) times the voting rights computed under Section 4.3.1 for each Building Lot owned by

Declarant or RBLP. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

- (a) The turnover meeting described in Section 4.6; or
- (b) At such earlier time as Declarant may elect in writing to terminate the Class B membership.

4.4 Powers and Obligations. The Association shall have, exercise and perform all of the following powers, duties and obligations:

4.4.1 Declaration. The powers, duties and obligations granted to the Association by this Declaration.

4.4.2 Statutory Powers. The powers and obligations of a nonprofit corporation pursuant to the Oregon Nonprofit Corporation Act and of a homeowners association of a planned community pursuant to the Oregon Planned Community Act, as either or both may be amended from time to time.

4.4.3 General. Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Association pursuant to this Declaration or otherwise promoting the general benefit of the Owners within the Property. The powers and obligations of the Association may from time to time be amended, repealed, enlarged or restricted by changes in this Declaration made in accordance with the provisions herein, accompanied by changes in the Articles or Bylaws made in accordance with such instruments and with the Oregon Nonprofit Corporation Act.

4.5 Liability. Neither the Association nor any officer or member of the Board shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any action or failure to act by the Association, any of its officers or any member of the Board, provided only that the officer or Board member has acted in good faith in accordance with the actual knowledge possessed by him or her.

4.6 Interim Board; Turnover Meeting. Declarant shall have the right to appoint an interim board of three (3) directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the turnover meeting described in this Section. Declarant shall call a meeting by giving notice to each Owner as provided in the Bylaws for the purpose of turning over administrative responsibility for the Property to the Association not later than one hundred twenty (120) days after Building Lots representing 75% of the voting power of the Association have been sold and conveyed to Owners other than Declarant, with such voting power based on all of the Building Lots anticipated to be developed within the Property (including all phases as supplemented from time to time by annexation pursuant to this Declaration). If Declarant does not call the meeting required by this Section within the required period, the Transitional Advisory Committee described in Section 4.7 or any Owner may call such a meeting and give notice as required by this Section. At the turnover meeting, the interim directors shall resign and their successors shall be elected by the Owners (including Declarant) as provided in this Declaration and the Bylaws. At the turnover meeting, Declarant shall also

deliver to the Association those items specified in ORS 94.616(3). After the turnover meeting, Declarant or its representative shall be available to meet with the Board as provided under ORS 94.616(4).

4.7 Transitional Advisory Committee. Declarant or the Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the Property to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners other than Declarant Building Lots representing 50% of the voting power of the Association, with such voting power based on all of the Building Lots anticipated to be developed within the Property (including all phases as supplemented from time to time by annexation pursuant to this Declaration), Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. The Transitional Advisory Committee shall consist of three or more members. The Owners, other than Declarant, shall select two (2) or more members. Declarant may select no more than one member. The Transitional Advisory Committee shall have reasonable access to all information and documents which Declarant is required to turn over to the Association under ORS 94.616(3).

4.7.1 Declarant Failure to Call Meeting. Any Owner may call a meeting of Owners to select the Transitional Advisory Committee if Declarant fails to do so as provided above.

4.7.2 Owners' Failure to Select Members. Notwithstanding the foregoing, if the Owners do not select members for the Transitional Advisory Committee as described above, Declarant shall have no further obligation to form the Transitional Advisory Committee.

4.7.3 Turnover Meeting. The requirement for formation of a Transitional Advisory Committee shall not apply once the turnover meeting specified in Section 4.6 has been held.

4.8 Association Rules and Regulations. The Association from time to time may adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of Building Lots and the Common Area and Landscaped Areas as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Property. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and occupants of all Building Lots upon the date of delivery. The method of adoption of such rules shall be as provided in the Bylaws.

4.9 Special Duties of the Association. Without limiting the generality of the general powers and duties of the Association set forth in Section 4, the Association shall have the power and obligation to conduct and perform the following duties, the costs of which shall be borne as provided in Article 5:

4.9.1 Maintenance of Building Exteriors, Common Area, and Landscaped Areas.

(a) By the Association. The Association shall be responsible for maintenance of the exteriors of all Building Structures and maintenance and repair of the Common Area (including any utilities thereon, to the extent not maintained by governmental authorities) and all Landscaped Areas. Maintenance of the exteriors of Building Structures shall include the painting, staining, restaining, repairing, and replacing of all exterior surfaces, including roofs (but excluding the repair and replacing of exterior doors); painting or staining of exterior window casements, sashes, frames, window screens, storm windows, storm doors, and screen doors; maintaining, repairing and replacing exterior lighting fixtures, the exterior portions of chimneys, rain gutters, down spouts, and sprinkler timing devices; and cleaning of the exterior surfaces of skylights. Maintenance of the Common Area and Landscaped Areas shall include, among other things, maintaining, repairing, and replacing grass, sod, trees, shrubs, and bushes in a neat, clean, and attractive condition, as well as the maintenance and repair of all underground sprinkler systems to the extent damaged by an act or omission of the Association or its agents or employees. The Association shall also have the authority, but shall not be required, to arrange for snow and ice removal from the Common Area, but not from the Building Lots. The decision as to the nature and extent of maintenance that is required for a particular Building Structure and the timing of such maintenance shall be solely within the discretion of the Board.

(b) By the Owners. The maintenance responsibilities described in Section 4.9.1(a) specifically do not include the following duties, which are the sole responsibility of the Owners of the Building Lots: repairing, replacing, restoring, or cleaning of: (i) glass (other than cleaning of the exterior surfaces of skylights) and (ii) landscaping and other Improvements (including, without limitation, decks and patios) located within the Outdoor Living Areas; exterior items of hardware not specifically described in Section 4.9.1(a) (including replacing and repairing exterior doors); exterior window casements, sashes and frames (other than painting and staining of the same); window screens, storm windows, storm doors, or screen doors (other than painting and staining of the same); walkways and driveways; electrical and mechanical doorbells and knockers; and air conditioning and heating equipment and devices. The Owners of Building Lots shall also be responsible for maintaining, repairing, and replacing the interiors of their respective dwelling units within the Building Structures, including without limitation, maintaining, repairing, and replacing electrical wiring and fixtures, plumbing pipes and conduits, all fixtures and appliances (whether built-in or free-standing), air conditioning, heating, sewage disposal, and interior fire protection systems and all amenities and hardware located within the interiors of the Building Structures. Each Owner of a Building Lot shall also be responsible for removal of snow and ice from that Owner's Building Lot. The Owners of the Building Lots are also responsible for any necessary repairs or replacements of the underground sprinkler systems on such Owner's Building Lot except to the extent such repairs or replacements are necessary due to an act or omission of the Association or its agents or employees.

4.9.2 Insurance.

(a) By the Association. The Association shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to all Common Area in such amounts and in such forms as the Board deems advisable to provide adequate protection for bodily injury, including deaths of persons, and property damage, whether caused by the negligence of the Association or otherwise; provided, however, that such policy(ies) shall not be for an amount of less than \$1,000,000.00 per person, per occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least 10 days' written notice to the Association. Additionally, the Association shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance (including coverage for damage resulting from vandalism and malicious mischief) with respect to each Building Structure and the Common Area (including any insurable Improvements thereon) in an amount equal to 100% of the replacement cost thereof. The casualty coverage may be obtained on a "blanket" basis. The Association may obtain such other and further policies of insurance as it deems advisable. The casualty insurance to be obtained by the Association pursuant to this Section 4.9.2(a) shall include the following terms, if these are reasonably available:

- (i) A waiver of subrogation by the insurer as to any claims against the Board, any Owner, or any guest of an Owner;
- (ii) A waiver by the insurer of its right to repair and reconstruct instead of paying cash;
- (iii) A provision that no policy may be canceled, invalidated, or suspended because of any action of an Owner;
- (iv) A provision that no policy may be canceled, invalidated, or suspended because of the conduct of any director, officer, or employee of the Association unless the insurer gives the Association a prior written demand that the Association correct the defect and allows the Association a reasonable time to make the correction; and
- (v) A provision that any "other insurance" clause in any policy shall exclude from its coverage all owners' policies.

(b) By the Owners. Each Owner of a Building Lot shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Building Lot in an amount of not less than \$500,000.00 per person, per occurrence. Additionally, each Owner shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance (including coverage for damage resulting from vandalism and malicious mischief) with respect to all insurable Improvements located on such Building Lot, other than the Building Structure thereon, in an amount equal to 100% of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property.

No Owner shall obtain any of the insurance coverages described in Section 4.9.2(a), nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association.

5. ASSESSMENTS

5.1 Creation of Lien and Personal Obligation of Assessments. Declarant, for each Building Lot owned by it or RBLP within the Property, does hereby covenant, and each Owner of any Building Lot by acceptance of a conveyance thereof, whether or not so expressed in any such conveyance, shall be deemed to covenant, to pay to the Association all assessments or other charges as may be fixed, established and collected from time to time in the manner provided in this Declaration or the Bylaws. Such assessments and charges, together with any interest, expenses or attorneys' fees imposed pursuant to Section 9.6, shall be a charge on the land and shall be a continuing lien upon the Building Lot against which each such assessment or charge is made. Such assessments, charges and other costs shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment or charge fell due. Such liens and personal obligations shall be enforced in the manner set forth in Article 9 below. No Owner may avoid such personal obligation by abandonment of Owner's Building Lot.

5.2 Regular Assessments.

5.2.1 Commencement. Regular Assessments against a Building Lot shall commence on a date selected by the Board of Directors, provided that the Board shall provide the Owner of the Building Lot first becoming subject to Regular Assessments thirty-day advance notice of the date on which Regular Assessments commence for that Building Lot.

5.2.2 Amount of Annual Regular Assessment. The total annual Regular Assessment against all Building Lots shall be based upon an annual budget prepared by the Board with respect to projected expenses of the Association, including, without limitation, the following:

(a) maintenance, repair, and operation of the Building Structures (to the extent provided in Section 4.9), Common Area, and Landscaped Areas;

(b) premiums for all insurance policies which the Association is required or permitted to maintain pursuant to this Declaration;

(c) professional management fees and expenses, employee salaries, and legal and accounting costs;

(d) any deficits remaining from the previous fiscal year of the Association;

(e) reasonable contingency reserves of the Association established at the discretion of the Board (in addition to those funds contained in the Common Property Reserve Account); and

(f) such other and further costs, expenses, obligations, and liabilities as the Board, in its discretion, may incur for the management, operation, and maintenance of the Property and the Association in accordance with this Declaration.

5.2.3 Allocation of Assessments. All Regular Assessments shall be allocated equally among all Building Lots then subject to assessment such that the Regular Assessment for one Building Lot then subject to assessment shall equal the dollar amount calculated by dividing the total sum of the Regular Assessments allocated to Building Lots then subject to assessment by the number of Building Lots then subject to assessment.

5.2.4 Notice of Regular Assessments and Time for Payment Thereof. Regular Assessments shall be made on a monthly basis or at such other increments determined by the Board. Subject to amendment by the Board, the Association shall give written notice to each Owner as to the amount of the Regular Assessment with respect to each Building Lot on or before December 15 for each year for the calendar year commencing January 1 of the next year. The Regular Assessment shall be due and payable as the Board shall determine.

5.3 Reserve Account for Replacing Common Property. Declarant shall establish a reserve account in the name of the Association which shall be called the "Common Property Reserve Account," and which will be kept separate and apart from all other funds of the Association. Except as provided in Section 5.3.2 below, the Common Property Reserve Account shall be used exclusively for replacement of items pertaining to the Building Structures and the Common Property which will normally require replacement, in whole or in part, in more than three (3) and less than thirty (30) years and not for regular or periodic maintenance expenses. "Common Property" shall mean Common Area and any real property or interest in real property within the Property which is owned or leased by the Association or designated as such in any plat of any portion of the Property or in this Declaration.

5.3.1 Assessments. Not less often than annually, the Board of Directors shall inventory all items of Common Property which will normally require replacement, in whole or in part, in more than three and less than thirty years, and shall estimate the remaining life of each item of Common Property and the current replacement cost of each such item. The Association may identify items for which a reserve account assessment is required as those items which are insurable by a common carrier of all-purpose risk insurance. This annual inventory shall be known as the "reserve study," which will include (a) identification of all items for which reserves are required to be established; (b) estimated remaining useful life of each item as of the date of the reserve study; (c) the estimated cost of maintenance, repair, or replacement of each item at the end of its useful life; and (d) a 30-year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund to meet the maintenance, repair, and replacement schedule. For the purpose of funding the Common Property Reserve Account, the Association shall impose an assessment to be called the "Common Property Reserve Account Assessment" against each Building Lot on the same formula as set forth in Section 5.2.3. The Association in determining the amount of the Common Property Reserve Account Assessment shall take into account the estimated remaining life of the items of Common Property and the current replacement cost of those items, as well as changes in the "wear and tear" to which such items are subject as a result of the construction of additional Building Structures and the addition of Building Lots. The Common Property Reserve Account Assessment shall not include

expenses for replacement of any item of Common Property until construction or installation of such item is complete. Declarant shall not be required to pay any assessment under this Section 5.3 assessed to a Lot owned by Declarant or RBLP until such date as the Building Lot is conveyed by Declarant to an unaffiliated party in an arms-length transaction.

5.3.2 Loan From Common Property Reserve Account. After the turnover meeting described in Section 4.6, the Board may borrow funds from the Common Property Reserve Account to meet high seasonal demands on the Association's regular operating fund or to meet other temporary expenses. Funds borrowed to meet high seasonal demands or temporary expenses under this subsection must be repaid from assessments within six (6) months after the date such funds are borrowed.

5.3.3 Increase, Reduction, or Elimination of Common Property Reserve Account Assessments. At any time after the second year after the turnover meeting described in Section 4.6, future assessments for the Common Property Reserve Account may be increased, reduced or eliminated by the vote of Owners of Building Lots representing 75% of the voting power of the Association.

5.4 Special Assessments. In addition to the Regular and Common Property Reserve Account Assessments authorized hereby, the Board shall have the authority to levy Special Assessments to satisfy any actual or projected deficiency between the expenses of the Association and the amounts realized through Regular and Common Property Reserve Account Assessments. Special Assessments shall be allocated equally among the Owners of Building Lots. Special Assessments are payable as the Board may from time to time determine, within thirty (30) days after mailing notice thereof to affected Owners.

5.5 Limited Assessments. The Association may levy against any Owner a Limited Assessment equal to the costs and expenses incurred by the Association, including legal fees, for corrective action performed pursuant to this Declaration which is required as a result of the willful or negligent actions or omissions of such Owner or such Owner's tenants, guests, contractors, or invitees.

5.6 Statement of Account. Upon payment of a reasonable fee, which shall be established by the Board but shall not exceed \$50.00, and upon written request of any Owner or any mortgagee, prospective mortgagee, or prospective purchaser of a Building Lot, the Association shall issue a written statement setting forth the amount of the unpaid Assessments, if any, with respect to such Building Lot, and the amount of the current monthly Assessments and the dates that such Assessments become or became due, which statement shall be conclusive upon the Association in favor of persons who rely thereon in good faith. Unless such request for a statement of account shall be complied with within twenty (20) days, all unpaid Assessments which become due prior to the date of making such request shall be subordinate to the lien of a mortgagee which acquired its interest subsequent to requesting such statement. If a prospective purchaser makes such request, the lien for such unpaid Assessments shall be released automatically if: (i) the statement is not furnished within the 20-day period provided herein, (ii) an additional written request is made by such purchaser and is not complied with within 10 days, and (iii) the purchaser subsequently acquires the Building Lot.

5.7 Reallocation Upon Annexation or Withdrawal of Property. When additional property is annexed to or withdrawn from the Property, the Association shall, within 60 days after the annexation, recompute the budget in accordance with Sections 5.2.2 and 5.3.1 based upon the additional or withdrawn Building Lots and Common Areas and Common Property and recompute all applicable assessments for each Building Lot. Newly annexed Building Lots shall be subject to assessment in the manner and at the times set forth in Sections 5.2 and 5.3. The Association shall send notice of any applicable Regular Assessment to the Owners of newly annexed Building Lots not later than 30 days before such assessments commence. Assessments shall be due and payable on or before a date set forth in the notice which shall be not less than 30 days after the date the notice is mailed or at such other time or times as the Association may specify in the notice in accordance with this Declaration or the Bylaws. If additional property is annexed to the Property during the Association's fiscal year, the Association shall send notice of and shall collect any adjustments to assessments for Building Lots which were within the Property prior to the annexation. Notice of the adjustment in the assessments shall be sent to such Owners not later than 60 days after the adjustment, if any, or with the next occurring annual assessment, whichever is sooner. To the extent that any adjustment results in a credit with respect to assessments payable by an Owner, such credit shall be applied toward the next occurring payment or payments of the applicable assessment.

5.8 Master CC&R Assessments. In the event the Property becomes subject to the operative provisions of the Master CC&Rs, the master association under the Master CC&Rs may assess against any Owner such further assessments as are permitted against any Owner.

6. ARCHITECTURAL REVIEW COMMITTEE

6.1 Architectural Review. No Improvement shall be commenced, erected, placed, altered or maintained on any Building Lot until the design plans and specifications (including, without limitation, site plans, building plans (including elevations), grading plans, landscape plans, lighting plans, and color and/or material samples) showing the nature, shape, heights, materials, colors and proposed location of the Improvement have been submitted to and approved in writing by the Architectural Review Committee. Improvements shall be consistent with the Design Guidelines established by the Architectural Review Committee, as amended from time to time. It is the intent and purpose of this Declaration to achieve a high standard of quality of workmanship and materials and to assure harmony of external design with existing Improvements and location with respect to topography and finished grade elevations.

6.2 Procedure. In all cases which require Architectural Review Committee approval or consent pursuant to this Declaration, the provisions of this Article 6 shall apply. The procedure and specific requirements for Architectural Review Committee approval or consent may be set forth in Design Guidelines adopted from time to time by the Architectural Review Committee. The Architectural Review Committee may charge a reasonable fee to cover the cost of processing an application for its approval.

6.3 Committee Decision. The Architectural Review Committee shall render its decision on an application for approval of the design of an Improvement or any other proposal submitted to it for approval or consent within 15 working days after it has received a complete written application therefor. A complete application shall specify the approval or consent

requested and be accompanied by all material reasonably required or desired by it to make an informed decision on such application. If the Architectural Review Committee fails to render approval or disapproval of such application within 30 working days after the Architectural Review Committee has received a complete application, or if no suit to enforce the terms of this Declaration has been commenced within one year after completion of construction of the Improvement, approval will not be required and the related provisions of this Declaration shall be deemed to have been fully complied with.

6.4 Committee Discretion. The Architectural Review Committee may, at its sole discretion, withhold consent to any proposed Improvement if the Architectural Review Committee finds the proposed Improvement would be inappropriate for the particular Building Lot or incompatible with the design standards that the Architectural Review Committee intends for Parkwood. Consideration of siting, shape, size, color, design, height, solar access, impairment of the view from other Building Lots within Parkwood, effect on the enjoyment of other Building Lots or the Common Areas, disturbance of existing terrain and vegetation and any other factors which the Architectural Review Committee reasonably believes to be relevant, may be taken into account by the Architectural Review Committee in determining whether or not to approve or condition its approval of any proposed Improvement.

6.5 Membership; Appointment and Removal. The Architectural Review Committee shall consist of as many persons, but not less than three, as Declarant may from time to time appoint. Declarant may remove any member of the Architectural Review Committee from office at any time and may appoint new or additional members at any time. The Association shall keep on file at its principal office a list of the names and addresses of the members of the Architectural Review Committee. Declarant may at any time delegate, but shall, in any event, delegate at or prior to the turnover meeting described in Section 4.6, to the Board of Directors of the Association the right to appoint or remove members of the Architectural Review Committee. If Declarant fails to delegate to the Board of Directors the right to appoint or remove members of the Architectural Review Committee by the date of the turnover meeting, or if Declarant fails to appoint an Architectural Review Committee, the Board of Directors shall assume responsibility for appointment and removal of members of the Architectural Review Committee. If the Board of Directors has assumed the responsibility for appointment of the members of the Architectural Review Committee and fails to make such appointments, the Board of Directors shall serve as the Architectural Review Committee.

6.6 Majority Action. Except as otherwise provided herein, a majority of the members of the Architectural Review Committee shall have the power to act on behalf of the Architectural Review Committee, without the necessity of a meeting and without the necessity of consulting or notifying the remaining members of the Architectural Review Committee. The Architectural Review Committee may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

6.7 Liability. The scope of the Architectural Review Committee's review is not intended to include any review or analysis of structural, geophysical, engineering or other similar considerations. Neither the Architectural Review Committee nor any member thereof shall be liable to any Owner, occupant, builder, or developer for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the Architectural Review Committee or a

member thereof, provided only that the member has, in accordance with the actual knowledge possessed by the Architectural Review Committee or by such member, acted in good faith.

6.8 Nonwaiver. Consent by the Architectural Review Committee to any matter proposed to it or within its jurisdiction shall not be deemed to constitute a precedent or waiver impairing its right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

6.9 Appeal. After Declarant has delegated appointment of the members of the Architectural Review Committee to the Board of Directors of the Association, any Owner adversely affected by an action of the Architectural Review Committee may appeal such action to the Board of Directors of the Association. Appeals shall be made in writing within ten days after the Architectural Review Committee's action and shall contain specific objections or mitigating circumstances justifying the appeal. A final, conclusive decision shall be made by the Board of Directors of the Association within 15 working days after receipt of such notification.

6.10 Effective Period of Consent. The Architectural Review Committee's consent to any proposed Improvement shall automatically be revoked one year after issuance unless construction of the work has been commenced or the Owner has applied for and received an extension of time from the Architectural Review Committee.

6.11 Estoppel Certificate. Within 15 working days after written request therefor is delivered to the Architectural Review Committee by any Owner, and upon payment to the Architectural Review Committee of a reasonable fee, if any, fixed by the Architectural Review Committee to cover costs, the Architectural Review Committee shall provide such Owner with an estoppel certificate executed by a member of the Architectural Review Committee and acknowledged, certifying with respect to any Lot owned by the Owner, that as of the date thereof, either: (a) all Improvements made or done upon or within such Lot by the Owner comply with this Declaration, or (b) such Improvements do not so comply. If the estoppel certificate states that the Improvements do not comply, such certificate shall also identify the noncomplying Improvements and set forth with particularity the nature of such noncompliance. Any purchaser from the Owner, and any mortgagee or other encumbrancer, shall be entitled to rely on such certificate with respect to the matters set forth therein, such matters being conclusive as between Declarant, the Architectural Review Committee, the Association and all Owners, and such purchaser or mortgagee.

6.12 Construction by Declarant. Improvements constructed by Declarant on any property owned by Declarant or RBLP are not subject to the requirements of this Article 6.

7. PROPERTY RIGHTS AND EASEMENTS

7.1 Owners' Use and Occupancy. Except as otherwise expressly provided in this Declaration or in the plat in which a Building Lot was platted or partitioned, the Owner of a Building Lot shall be entitled to the exclusive use and benefit of such Building Lot, including, without limitation, the Outdoor Living Area thereon (but an Owner's rights with respect to the Landscaped Area on such Owner's Building Lot is subject to the rights of the Association under this Declaration). Declarant, the Architectural Review Committee and any representative of the

Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any Building Lot for the purpose of determining whether or not the use of and/or Improvements on such Building Lot are then in compliance with this Declaration. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Building Lot. Declarant or the Association may grant or assign easements over or with respect to any Building Lot to municipalities or other utilities performing utility services and to communication companies.

7.2 Owners' Easements of Enjoyment. Subject to the provisions of this Declaration, every Owner and Owner's invitees shall have a right and easement of enjoyment in and to the Common Area, which easement shall be appurtenant to and shall pass with the title to every Building Lot. Use of the Common Area shall not result in unreasonable disturbance of occupants of the Building Structures and shall be subject to such rules and regulations as may be adopted by the Board from time to time.

7.3 Title to Common Area. Fee title to the Common Area shall be conveyed to the Association by Declarant free and clear of monetary liens and encumbrances at any time, in the discretion of Declarant, prior to the date on which Class B membership in the Association ceases and is converted to Class A membership as described in Section 4.3.

7.4 Extent of Owners' Rights. The rights and easements of enjoyment in the Common Area created hereby shall be subject to the following and all other provisions of this Declaration:

7.4.1 Association's and Owners' Easements. Declarant grants to the Association for the benefit of the Association and all Owners of Lots within the Property the following easements over, under and upon the Common Area:

(a) An easement for installation and maintenance of power, gas, electric, water and other utility and communication lines and services installed by Declarant or with the approval of the Board and any such easement shown on any plat of the Property.

(b) An easement for construction, maintenance, repair and use of the Building Structures and the Common Area and any common facilities thereon.

7.4.2 Declarant's Easements. So long as Declarant or RBLP owns any Building Lot, and in addition to any other easements to which Declarant may be entitled, Declarant reserves an easement over, under and across the Common Area in order to carry out development, construction, sales and rental activities necessary or convenient for the development of the Property or the sale or rental of Building Lots and for such other purposes as may be necessary or convenient for discharging Declarant's obligations or for exercising any of Declarant's rights hereunder.

7.4.3 Utility and Other Municipal Easements. Declarant or the Association may (and, to the extent required by law, shall) grant or assign easements to municipalities or other utilities performing utility services and to communication companies, and the Association may

grant free access thereon to police, fire and other public officials and to employees of utility companies and communications companies serving the Property.

7.4.4 Use of the Common Area. Except as otherwise provided in this Declaration, the Common Area shall be reserved for the use and enjoyment of all Owners and no private use may be made of the Common Area. The Board shall have authority to abate any trespass or encroachment upon the Common Area at any time, by any reasonable means and with or without having to bring legal proceedings.

7.4.5 Alienation of the Common Area. The Association may not by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area owned directly or indirectly by the Association for the benefit of the Building Lots unless the holders of at least 80 percent of the Owners of Building Lots not owned by Declarant or RBLP at the time of vote and the Class B member, if any, have given their prior written approval. This provision shall not apply to a grant of the easements described in Section 7.4.2 or 7.4.3. A sale, transfer or encumbrance of the Common Area or any portion of the Common Area in accordance with this Section 7.4.5 may provide that the Common Area so conveyed shall be released from any restriction imposed on such Common Area by this Declaration. No such sale, transfer or encumbrance may, however, deprive any Building Lot of such Building Lot's right of access or support without the written consent of the Owner of such Building Lot.

7.4.6 Limitations on Use. Use of the Common Area by the Owners shall be subject to the provisions of this Declaration, and to the following:

- (a) The right of the Association to suspend the use rights of an Owner to the extent provided in Article 9 below; and
- (b) The right of the Association to adopt, amend and repeal rules and regulations in accordance with this Declaration and the Bylaws.

7.5 Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, Owner's right of enjoyment of the Common Area to the members of Owner's family and to Owner's tenants or contract purchasers, in each case, who reside on the Building Lot.

7.6 Encroachments. If an encroachment results from construction, reconstruction, repair, shifting, settlement or movement of any portion of the Property, an easement for the encroachment shall exist to the extent that any Building Lot or Common Area encroaches on any other Building Lot or Common Area. An easement shall continue for the purpose of maintaining the encroachment so long as the encroachment exists. Nothing in this Section 7.6 shall relieve an Owner of liability in case of an Owner's willful misconduct or shall relieve Declarant or any other person of liability for failure to adhere to any plat of any portion of the Property.

7.7 Maintenance Easement. An easement is hereby reserved in favor of the Association and its successors, assigns, contractors, agents and employees over and across each Building Lot and the Landscaped Areas, for purposes of accomplishing the maintenance, repair, and replacement of the exteriors of Building Structures and landscaping and other Improvements located upon the Landscaped Areas.

8. ADDITIONAL RESTRICTIONS AND DUTIES

8.1 Structures Permitted. Except to the extent expressly provided or contemplated in this Declaration, no Improvements shall be erected or permitted to remain on any Building Lot except Improvements designed for residential living and Improvements normally accessory thereto.

8.2 Residential Use. Building Lots shall only be used for residential purposes. Except with the consent of the Board, and as allowed by applicable ordinances, agreements, or land use approvals, no trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any Building 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 Building Lot. Nothing in this paragraph shall be deemed to prohibit: (i) activities relating to the rental or sale of Building Structures or Building Lots, (ii) the right of Declarant or any contractor or homebuilder to construct Building Structures on any Building Lot, to store construction materials and equipment on such Building Lots in the normal course of construction, and to use any Building Structure as a sales or rental office or model home for purposes of sales or rental in the Property, and (iii) the right of an Owner to maintain Owner's professional personal library, keep Owner's personal business or professional records or accounts, handle Owner's personal business or professional telephone calls or confer with business or professional associates, clients or customers, in Owner's Building Structure. The Board shall not approve commercial activities otherwise prohibited by this Section unless the Board determines that only normal residential activities would be observable outside of the Building Structure and that the activities would not be in violation of applicable ordinances.

8.3 Offensive or Unlawful Activities. No noxious or offensive activities shall be carried on upon any Building Lot or Common Area, nor shall anything be done or placed on any Building Lot or Common Area which interferes with or jeopardizes the enjoyment of other Building Lots or the Common Areas, or which is a source of annoyance to residents. No unlawful use shall be made of a Building Lot or any part thereof, and all laws, zoning ordinances, and regulations of all governmental bodies having jurisdiction thereof shall be observed. Without limiting the generality of the foregoing, no heat pump or other heating, ventilating, or air conditioning equipment, the operation of which produces noise at a level higher than 80 decibels, shall be allowed on or in any Building Lot or Building Structure.

8.4 Use of Outdoor Living Areas. Outdoor Living Areas shall be used exclusively for patios, low-profile decks, and private planting and landscaping areas.

8.5 Parking. Parking of boats, trailers, motorhomes, trucks (except pickups of 3/4 ton weight or less), truck campers, motorcycles, or other recreational vehicles or similar equipment and vehicles shall not be allowed on any part of the Property or on public streets adjacent thereto, excepting only within areas designated for such purposes by the Board in accordance with the terms of this Declaration or within the confines of an enclosed garage or screened area, the plans of which comply with applicable ordinances, agreements, or land use approvals and have been reviewed and approved by the Architectural Review Committee prior to construction, and no portion of the same may project beyond the screened area.

8.6 Vehicles in Disrepair. No Owner shall permit any vehicle which is in an extreme state of disrepair to be abandoned or to remain parked upon any Building Lot or on the Common Area for a period in excess of 48 hours. A vehicle shall be deemed in an "extreme state of disrepair" when the Board reasonably determines that its presence offends the occupants of the neighborhood. Should any Owner fail to remove such vehicle within five days following the date on which notice is mailed to such Owner by the Association, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner.

8.7 Signs. No signs shall be erected or maintained on any Building Lot except signs which are approved as to appearance and location by the Architectural Review Committee. The restrictions contained in this paragraph shall not apply to:

8.7.1 Political Signs. The temporary placement of "political" signs on any Building Lot by the Owner thereof; or

8.7.2 Declarant's Sales Office and Model Home Signs. The placement by Declarant or Declarant's agents of one or more signs identifying the name of Declarant and/or the location of a sales office or model home.

8.8 Rubbish and Trash. No Building Lot or part of the Common Area shall be used as a dumping ground for trash or rubbish of any kind. All garbage and other waste shall be kept in appropriate sanitary containers for proper disposal and out of public view. If any default under this Section 8.8 exists for a period longer than ten (10) days after written notice of such default is mailed to the responsible Owner by the Association, the Association shall have, in addition to any other rights under this Declaration, or at law or in equity, the remedies specified in Sections 9.2.1, 9.2.2, and 9.2.3.

8.9 Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuilding shall be used on any Building Lot at any time as a residence, either temporarily or permanently.

8.10 Service Yards. Service yards (garbage, fuel tanks, clotheslines, etc.) shall be completely screened such that the elements screened are not visible at any time from the street or any adjoining property.

8.11 Antennas and Satellite Disks. Exterior antennas, exterior satellite receivers and transmission disks shall not be permitted to be placed upon any Building Lot except as approved by the Architectural Review Committee.

8.12 Interior Walls. Each Owner shall ensure that the wall(s) separating such Owner's dwelling unit from other dwelling units within the same Building Structure are not punctured or otherwise breached by such Owner or Owner's lessees, invitees, contractors, or family members.

9. ENFORCEMENT

9.1 Use of Common Area. In the event any Owner shall violate any provision of this Declaration, the Bylaws, or any rules or regulations adopted by the Association governing the use of Building Lots or the Common Area, then the Association, acting through the Board, may

notify the Owner in writing that the violations exist and that such Owner is responsible for them, and may, after affording the Owner reasonable notice and opportunity to be heard, do any or all of the following: (i) suspend the Owner's voting rights and right to use the Common Area for the period that the violations remain unabated, or for any period not to exceed 60 days for any infraction of its rules and regulations, (ii) impose reasonable fines upon the Owner, in the manner and amount the Board deems appropriate in relation to the violation, which fines shall be paid into the Common Property Reserve Account, or (iii) bring suit or action against such Owner to enforce this Declaration. Nothing in this Section, however, shall give the Association the right to deprive any Owner of access to and from such Owner's Building Lot.

9.2 Nonqualifying Improvements and Violation of General Protective Covenants. In the event any Owner constructs or permits to be constructed on such Owner's Building Lot an Improvement contrary to the provisions of this Declaration, or causes or permits any Improvement, activity, condition or nuisance contrary to the provisions of this Declaration to remain uncorrected or unabated on such Owner's Building Lot, then the Association, acting through the Board, may notify the Owner in writing of any such specific violations of this Declaration and may require the Owner to remedy or abate the same in order to bring the Owner's Building Lot, the Improvements thereon and the Owner's use thereof into conformance with this Declaration. If the Owner is unable or unwilling to comply with the Association's specific directives for remedy or abatement, or the Owner and the Association cannot agree on a mutually acceptable solution within the framework and intent of this Declaration, after the Owner has been afforded notice and opportunity to be heard, within sixty (60) days after such notice, then the Association, acting through the Board, shall have, in addition to any other rights or remedies provided in this Declaration, at law or in equity, the right to do any or all of the following:

9.2.1 Fines. Impose reasonable fines against such Owner in the manner and amount the Board deems appropriate in relation to the violation;

9.2.2 Remove Cause of Violation. Enter the offending Building Lot (which entry shall not subject the Association, the directors of the Association or any agent or representative thereof to liability for trespass, conversion or any other claim for damages) and remove the cause of such violation, or alter, repair or change the item which is in violation of the Declaration in such a manner as to make it conform thereto, in which case the Association may assess such Owner for the entire cost of the work done, which amount shall be payable to the Common Property Reserve Account, provided that no items of construction shall be altered or demolished in the absence of judicial proceedings; and/or

9.2.3 Suit or Action. Bring suit or action against the Owner on behalf of the Association and other Owners to enforce this Declaration.

9.3 Default in Payment of Assessments; Enforcement of Lien. If an Assessment or other charge levied under this Declaration is not paid within thirty (30) days after its due date, such Assessment or charge shall become delinquent and shall bear interest from the due date until paid at the rate set forth below and, in addition, the Association may exercise any or all of the following remedies:

9.3.1 Suspension of Rights; Acceleration. The Association may suspend such Owner's voting rights and right to use the Common Area until such amounts, plus other charges under this Declaration, are paid in full and may declare all remaining periodic installments of any Assessment or any other amounts owed by such Owner to the Association immediately due and payable. In no event, however, shall the Association deprive any Owner of access to and from such Owner's Building Lot.

9.3.2 Lien. The Association shall have a lien against each Building Lot for any Assessment levied against such Building Lot and any fines or other charges imposed under this Declaration or the Bylaws against the Owner of the Building Lot from the date on which the Assessment, fine or charge is due. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 87.352 to 87.382 shall apply to the Association's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Association, through its duly authorized agents, may bid on the Building Lot at such foreclosure sale, and may acquire and hold, lease, mortgage and convey the Lot. If any Assessment is payable in installments, the full amount of the Assessment is a lien from the date the first installment of the Assessment becomes due.

9.3.3 Suit or Action. The Association may bring an action to recover a money judgment for unpaid Assessments, fines and charges under this Declaration without foreclosing or waiving the lien described in Section 9.3.2. Recovery on any such action, however, shall operate to satisfy the lien, or the portion thereof, for which recovery is made.

9.3.4 Other Remedies. The Association shall have any other remedy available to it by law or in equity.

9.4 Notification of First Mortgagee. The Board shall notify any first mortgagee of any Building Lot of any default in performance of the terms of this Declaration by the Building Lot Owner which is not cured within sixty (60) days.

9.5 Subordination of Lien to Mortgages. The lien for the assessments or charges provided for in this Declaration shall be subordinate to the lien of any mortgage or deed of trust on such Building Lot which was made in good faith and for value and which was recorded prior to the recordation of the notice of lien. Sale or transfer of any Building Lot shall not affect the assessment lien, provided that the sale or transfer of any Building Lot which is subject to a mortgage or deed of trust pursuant to a decree of foreclosure thereunder or pursuant to a proceeding, deed or assignment in lieu of foreclosure shall extinguish the lien of an assessment, notice of which was recorded after the recording of the mortgage or trust deed. Any such sale or transfer, however, shall not release the Building Lot from liability for any assessments or charges thereafter becoming due or from the lien of such subsequent assessments or charges.

9.6 Interest, Expenses and Attorneys' Fees. Any amount not paid to the Association when due in accordance with this Declaration shall bear interest from the due date until paid at a rate three percentage points per annum above the "prime rate" or "reference rate" offered by Bank of America as of the due date therefor, or at such other rate as may be established by the Board, but not to exceed the lawful rate of interest under the laws of the State of Oregon. A late charge may be charged for each delinquent assessment in an amount established from time to

time by resolution of the Board not to exceed 30% of such assessment. In the event the Association shall file a notice of lien, the lien amount shall also include the recording fees associated with filing the notice, and a fee for preparing the notice of lien established from time to time by resolution of the Board. In the event the Association shall bring any suit or action to enforce this Declaration, or to collect any money due hereunder or to foreclose a lien, the Owner-defendant shall pay to the Association all costs and expenses incurred by the Association in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable as attorneys' fees at trial and upon any appeal or petition for review thereof.

9.7 Nonexclusiveness and Accumulation of Remedies. An election by the Association to pursue any remedy provided for violation of this Declaration shall not prevent concurrent or subsequent exercise of any other remedy permitted hereunder. The remedies provided in this Declaration are not exclusive, but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Association. In addition, any aggrieved Owner may bring an action against another Owner or the Association to recover damages or to enjoin, abate, or remedy any violation of this Declaration by appropriate legal proceedings.

10. CASUALTY AND CONDEMNATION

10.1 Casualty. The Association shall be responsible for repairing, reconstructing, and rebuilding all damage to or destruction of: (i) the structural components of the Building Structures and (ii) the Common Area, subject to the provisions of this Section 10 and of Section 5.5. The Association shall rebuild and/or restore the damaged or destroyed portions of the structural components of the Building Structures and the Common Area to substantially the same condition in which these existed prior to such damage or destruction, unless Owners of at least 75% of the Building Lots and at least 75% of first mortgagees of Building Lots agree that the damaged or destroyed portions shall not be rebuilt and/or restored. Rebuilding and/or restoration shall begin within sixty (60) days following the damage or destruction. If the proceeds of the insurance policies held by the Association are insufficient to fund the full cost of rebuilding and/or restoration, the difference between the amount of such proceeds and such cost shall be charged to all Owners by means of a Special Assessment. If the required number of Owners and first mortgagees of Building Lots agree that the damaged or destroyed portions of the Building Structures and/or Common Area shall not be rebuilt and/or restored, the proceeds of the insurance policies held by the Association shall be distributed on an equitable basis among the Owners of the affected Building Lots in such manner as the Board shall determine. The Association shall represent the Owners in any proceeding, negotiation, settlement, or agreement relating to the payment of proceeds under any insurance policies held by the Association.

10.2 Total Condemnation. In the event of condemnation of the whole of the Property, the compensation to be paid to Owners of Building Lots shall be negotiated and finalized, including, if required, by representation in any proceeding, by the Association, subject to ratification of such compensation by the Owners of at least 75 percent of the Building Lots at a special meeting called for that purpose, whether or not proceedings are necessary, and compensation, less expenses involved, if any, in obtaining the compensation shall be paid to the Association and then distributed among the Owners in equitable proportions and payable to any

mortgagee to the extent required to obtain a discharge of mortgage. Notwithstanding the award for the condemnation of the whole Property, the rights of each Owner shall be separate to negotiate and finalize such Owner's personal compensation for Improvements made to the Building Lots, cost of moving, and other similar items personal to each Owner.

10.3 Partial Condemnation. In the event of a partial condemnation of the Property which includes some Building Lots, each Owner whose Building Lots is condemned shall deal with the condemning authority with regard to compensation therefor, and the compensation for such Building Lots shall be paid to such Owner (or the mortgagee of that Owner's Building Lot). The Association shall negotiate compensation relating to any Common Property. The cost, if any, of restoring the balance of the Property so that it may be used shall be determined by the Association and the Association shall negotiate with the condemning authority with regard to compensation for this expenditure. Any moneys received by the Association for any such reconstruction shall be held in trust by the Association for the purpose of such reconstruction.

11. MISCELLANEOUS

11.1 Term. The covenants, conditions and restrictions of this Declaration shall run until December 31, 2029, unless amended as herein provided. After December 31, 2029, such covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years each, unless amended or extinguished by a written instrument executed by members holding at least 75% of the voting power of the Association which is recorded in the deed records of Deschutes County.

11.2 Amendment and Repeal.

11.2.1 This Declaration, or any provision thereof, as from time to time in effect with respect to all or any part of the Property, may be amended or repealed by the vote or written consent of the Class B member, if any, and of Owners holding not less than 75% of the voting power of the Association.

11.2.2 Any such amendment or repeal shall become effective only upon recordation in the deed records of Deschutes County of a certificate of the president or secretary of the Association setting forth in full the amendment, amendments or repeal so approved and certifying that said amendment, amendments or repeal have been approved in the manner required by this Declaration.

11.2.3 In no event shall an amendment under this Section create, limit or diminish special Declarant rights without Declarant's written consent, or change the boundaries of any Building Lot or any uses to which any Building Lot is restricted unless the Owners of the affected Building Lots unanimously consent to the amendment.

11.3 Regulatory Amendments. Notwithstanding the provisions of Section 11.2, until the turnover meeting described in Section 4.6, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National

Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon which insures, guarantees or provides financing for a planned community or lots in a planned community.

11.4 Amendments for Master CC&Rs. Notwithstanding the provisions of Section 11.2, in the event the Property, or any portion thereof, is made subject to the operative provisions of the Master CC&Rs, then Declarant, for so long as Class B membership has not terminated, and the Association, acting through the Board, from and after the date Class B membership has terminated, shall have the right to amend this Declaration or the Bylaws to comply with the applicable requirements of the Master CC&Rs, which amendment shall become effective upon its recordation in the deed records of Deschutes County, Oregon.

11.5 Notices. Any notices permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered 72 hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

11.6 Right of Enforcement. Except as otherwise provided herein, any Owner of any Building Lot covered by this Declaration shall have the right to enforce any or all of the provisions hereof against any property covered by this Declaration and the Owners thereof.

11.7 Remedies Cumulative. Each remedy provided herein is cumulative and not exclusive.

11.8 Joint Owners. In any case in which two or more persons share the ownership of any Building Lot, regardless of the form of ownership, the responsibility of such 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.

11.9 Lessees and Other Invitees. Lessees, invitees, contractors, family members and other persons entering the Property under rights derived from an Owner shall comply with all of the provisions of this Declaration restricting or regulating the Owner's use, improvement or enjoyment of such Owner's Building Lot 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.

11.10 Non-Waiver. The failure to enforce any of the provisions herein at any time shall not constitute a waiver of the rights to enforce any such provision or any other provision of said restrictions.

11.11 Restrictions Construed Together. All of the provisions hereof shall be liberally construed together to promote and effectuate the general plan and scheme of the Property.

11.12 Restrictions Severable. Each of the provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

11.13 Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

11.14 Captions. All captions and titles used in this Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

[Balance of page intentionally left blank.]

2000-21426-27

IN WITNESS WHEREOF, the undersigned, as Declarant, has hereunto set its hand and seal this 22nd day of MAY, 2000.

COSTA PACIFIC HOMES, LLC, an Oregon limited liability company

By: [Signature]
William J. McCrae, CFO

ACKNOWLEDGED AND CONSENTED TO:

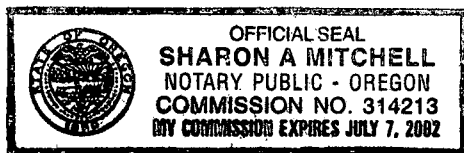
RIVER BEND LIMITED PARTNERSHIP, an Oregon limited partnership

By: The Bend Company, General Partner

By: [Signature]
William J. Smith, President

STATE OF OREGON)
) ss.
County of DESCHUTES)

The foregoing instrument was acknowledged before me on this 22nd day of MAY, 2000, by William J. McCrae, who is the CFO of Costa Pacific Homes, LLC, an Oregon limited liability company, on behalf of the limited liability company.

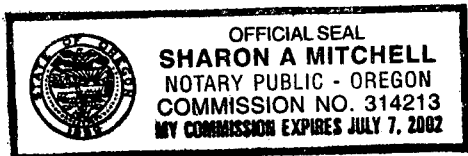


Sharon A. Mitchell
Notary Public for Oregon
My Commission Expires: July 7, 2002

2000-21426-28

STATE OF OREGON)
) ss.
County of DESCHUTES)

MAY The foregoing instrument was acknowledged before me on this 30TH day of
_____, 2000, by William L. Smith, who is the President of The Bend Company,
General Partner of River Bend Limited Partnership, an Oregon limited partnership, on behalf of
the limited partnership.



Sharon A. Mitchell
Notary Public for Oregon
My Commission Expires: July 7, 2002

EXHIBIT A**Legal Description of the Property**

THE BLUFFS AT RIVER BEND, PHASE 1, a Zero Lot Line Subdivision; a Replat of Second Addition to Bend Park, Block 134, Lots 3 through 8 and 9 through 14, and Block 142, Lots 5 through 8, Located in Section 5, Township 18 South, Range 12 East of the Willamette Meridian, Deschutes County, Oregon; Plat No. PZ99-090, recorded March 30, 2000 in Book 11, Pages 204 and 205, Document No. 2000-12182, Deschutes County records (the "Property").