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AFTER RECORDING RETURN TO:
The Canyons Ranch
1336 NE Eby Avenue
Terrebonne, OR 97760
Attn: James A. Gardner

AMENDED AND RESTATED DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS FOR THE CANYONS RANCH

This Amended and Restated Declaration of Covenants, Conditions, and Restrictions (this "Declaration") is made this 22nd day of May 2003 by CANYONS LAND AND CATTLE COMPANY LLC, an Oregon limited liability company, hereinafter referred to as "Declarant".

Declarant previously recorded that certain "Declarations for The Canyons Ranch, Planned Community Development" dated December 12, 2001, and recorded in the real property records of Deschutes County, Oregon December 20, 2001 at 2001-62897 (the "Original Declaration").

With this Declaration, Declarant now desires to amend and restate the Original Declaration in its entirety.

Together with Sandra Schmidt-Morgan, who owns a 1/60th interest and who is consenting to this Declaration, Declarant is the owner of the real property described in **Exhibit A**, attached hereto and incorporated herein by reference (together with any additional property later subject to this Declaration as permitted herein, the "Property"). The Property is to be developed as a ranch community known as THE CANYONS RANCH. By recordation of this Declaration, and such amendments as may be recorded in accordance herewith, Declarant intends to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of any portion of the Property. Declarant desires to provide a flexible and reasonable procedure for the overall development of the Property and to establish a method for the administration, maintenance, preservation, use, and enjoyment of such Property.

NOW, THEREFORE, Declarant hereby amends and restates the Original Declaration in its entirety. Declarant further declares that the property described in **Exhibit A** and any additional property as may by Subsequent Amendment be added to and subjected to this Declaration shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, and conditions which are for the purpose of protecting the value and desirability of and which shall run with the real property subjected to this Declaration and which shall be binding on all parties having any right, title, or interest in the Property or any part thereof, their heirs, successors, successors in title, and assigns, and shall inure to the benefit of each owner thereof.

ARTICLE I: DEFINITIONS

Section 1. "Additional Property" shall mean and refer to additional real property brought under this Declaration and subject to Declarant's unilateral right of annexation as provided elsewhere in this Declaration.

Section 2. "Association" shall mean The Canyons Ranch Association, Inc.

Section 3. "Board of Directors" or "Board" shall mean the board of directors of The Canyons Ranch Association, Inc.

Section 4. "Bylaws" shall refer to the Bylaws of The Canyons Ranch Association, Inc.

Section 5. "Common Expenses" shall mean and include the actual and estimated expenses of operating the Association, including any reasonable reserve, and the cost of maintaining the Ranch Properties, all as may be found to be necessary and appropriate by the Board pursuant to the Declaration, the Tenancy in Common Agreement, and the Bylaws and the Articles of Incorporation of the Association.

Section 6. "Design Review Committee" or "Committee" shall mean the Design Review Committee of The Canyons Ranch, as established pursuant to Article X of this Declaration.

Section 7. "Design Guidelines" shall mean the Design Guidelines for The Canyons Ranch, as developed by the Design Review Committee, as the same may from time to time be amended.

Section 8. "Eligible Mortgage Holder" shall mean a holder, insurer, or guarantor of a first mortgage on a Landholding, who has requested notice of certain matters from the Association as hereinafter and in the Association's Bylaws provided.

Section 9. "Eligible Votes" shall mean those votes available to be cast on the issue at hand. A vote which is for any reason suspended is not available to be cast.

Section 10. "Improvement" shall mean everything constructed, installed or planted on the Property, including without limitation, buildings, driveways, sidewalks, streets, fences, walls, paving, pipes, wires, grading, landscaping, ponds, lakes, orchards, meadows, irrigation equipment and other works of improvement.

Section 11. "Landholding" shall mean the rights granted by Declarant to the owner or purchaser of a Tenancy in Common Interest to use a designated portion of the Property of up to 15 acres in size as follows: the exclusive right to place a dwelling within a +/- 2-acre portion identified in the grant as the "Building Envelope"; the exclusive right to landscape within a +/- 2-acre portion identified in the grant as the "Landscape Area"; and the right to the balance identified in the grant as the "Private Area" generally for private use and enjoyment purposes, subject to such rights as are reserved by Declarant for itself or the Association in the grant or in this Declaration. Declarant may create a Landholding by granting the above-described rights as

contractual rights, an easement, a lease or a license. Notwithstanding the foregoing, Declarant shall have the right to create Building Envelopes and/or Landscape Areas in excess of 2 acres. Except for Landholdings granted to Canyons, the location of particular Landholdings shall be identified on each deed to a Tenancy in Common Interest and on Exhibit B to the Tenancy in Common Agreement.

Section 12. "Majority" means those Owners, or other groups as the context may indicate, totaling more than fifty (50%) percent of the total number of Eligible Votes.

Section 13. "Member" shall mean and refer to a person or entity entitled to membership in the Association, as provided herein.

Section 14. "Mortgage" means any mortgage, deed to secure debt, and any and all other similar instruments used for the purpose of conveying or encumbering real property as security for the payment or satisfaction of an obligation.

Section 15. "Mortgagee" shall include a beneficiary or holder of a deed of trust, as well as a mortgagee.

Section 16. "Mortgagor" shall include the trustor of a deed of trust, as well as a mortgagor.

Section 17. "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of any Landholding and tenancy-in-common interest, which is part of the Property, but excluding any party holding the fee simple title merely as security for the performance of an obligation. Owner shall include the Declarant so long as Declarant holds any interest in the Property.

Section 18. "Person" means a natural person, a corporation, a partnership, trustee, or other legal entity.

Section 19. "Property" or "Properties" shall mean and refer to the real property described on attached **Exhibit A** and such Additional Property as may be annexed to this Agreement in accordance with Article VII.

Section 20. "Ranch Properties" shall mean all real and personal property, including Improvements, now or hereafter owned, reserved to, constructed by, administered by and/or maintained by the Association for the common use, enjoyment and/or benefit of the Owners, including all real and personal properties and Improvements and roadways as may be constructed from time to time and located on Ranch Properties; provided, however, the Owners' use of Ranch Properties shall be subject to such rules, regulations and fees as may be established by the Association from time to time. Ranch Properties include all portions of the Property except those included in individual Landholdings, but specifically including those rights over portions of Landholdings that are reserved by Declarant for the Association pursuant to this Declaration, deed or other document. Upon Declarant's creation of new Landholdings, such portion of the Property shall be removed from the definition of "Ranch Properties" except to the extent of reserved rights for the Association. The cost of maintaining, repairing, replacing and operating the Ranch Properties shall generally be funded through assessments collected pursuant to Article

IX. Notwithstanding the foregoing, the Association shall have the right to fund any portion of such costs through the imposition of fees on Owners for the use of certain Ranch Properties Improvements, amenities or activities if the Board deems such fees reasonable and appropriate under the circumstances. Ranch Properties specifically excludes all development and construction equipment and materials owned and/or acquired by Declarant and not used in connection with ordinary agricultural and/or construction activities on the Ranch Properties, including, without limitation, dump trucks, bulldozers, backhoes and crushed rock.

Section 21. "Subsequent Amendment" shall mean an amendment to this Declaration which adds Additional Property to that covered by this Declaration. Such Subsequent Amendment may, but is not required to, impose, expressly or by reference, additional restrictions and obligations on the land submitted by that Amendment to the provisions of this Declaration.

Section 22. "The Canyons Ranch" shall mean the real property described on **Exhibit A** and any Additional Property as may by Subsequent Amendment be added to and subjected to this Declaration.

Section 23. "Tenancy in Common Agreement" shall mean that certain agreement dated December 12, 2001 and recorded in the real property records of Deschutes County, Oregon on December 31, 2001 at 2001-61580, as the same may be amended from time to time. The Tenancy in Common Agreement shall be executed by each Owner. Such Tenancy in Common Agreement acknowledges that each Owner owns an undivided tenancy in common interest in the Property and is entitled to the exclusive right to possess a Landholding, as described in each Owner's deed and in the Tenancy in Common Agreement.

Section 24. "Tenancy in Common Interest" shall mean a tenancy in common interest in the Property as defined in the Tenancy In Common Agreement.

ARTICLE II: PROPERTY RIGHTS

Section 1. OWNER'S EASEMENT OF ENJOYMENT OF RANCH PROPERTIES. Every Owner shall have a right and easement of ingress and egress, use and enjoyment in and to the Ranch Properties which shall be appurtenant to and shall pass with the title to every tenancy in common interest in the Property, subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other fees for the use of any facility now or hereafter situated or constructed upon the Ranch Properties and to impose reasonable limits on the number of guests who may use the facilities;

(b) The right of the Association to limit and/or regulate access to portions of the Ranch Properties that are farmed or grazed by the Association for the benefit of Owners, and the right of the Association to promulgate and amend rules and regulations governing the use of Ranch Properties from time to time;

(c) The right of the Association to suspend an Owner's voting rights and to suspend the right to use any of the facilities (i) for any period during which any assessment of the Association against that Owner's Landholding remains unpaid; and/or (ii) for any infraction by

an Owner of the Association's rules and regulations for the duration of the infraction and for an additional period thereafter not to exceed thirty (30) days; and/or (iii) for any other material violation of the Tenancy in Common Agreement and/or this Declaration.

(d) The right of the Declarant, in its sole discretion, to grant easements, for development purposes or otherwise, in and to the Ranch Properties to any public agency, authority, utility, or Owner, for such purposes as benefit the Property or portions thereof;

(e) The right of the Declarant, in its sole discretion, to grant easements in and to the Ranch Properties for the benefit of individual Owners and/or Landholdings, including, without limitation, for septic tanks and/or drainfields;

(f) The rights of Declarant granted pursuant to the Tenancy in Common Agreement; and

(g) The right of the Association to borrow money for the purpose of improving the Ranch Properties, or any portion thereof, for acquiring additional Ranch Properties, or for constructing, repairing, or improving any facilities located or to be located thereon.

Article II, Sections 1(d), 1(e) and 1(f) may not be amended without the written consent of Declarant.

Section 2. OWNER'S EASEMENT OF ENJOYMENT OVER RANCH PROPERTIES. Every Owner shall have a right and easement of ingress and egress, use and enjoyment in and to that portion of the Property which has not been specifically granted as a Landholding to another Owner, as shown on Exhibit B to the Tenancy in Common Agreement. Each Owner of a particular Landholding shall have the rights of use and enjoyment in and to said Landholding as described herein and in the Tenancy in Common Agreement and an easement for ingress and egress over the Ranch Properties (excluding other Landholdings and subject to all applicable rules and regulations) to access his or her Landholding. The foregoing right and easement, as well as the easements granted pursuant to Article II, Section 1, shall be appurtenant to and shall pass with title to each Tenancy in Common Interest to benefit such Tenancy in Common Interest and the related Landholding.

Section 3. DELEGATION OF USE. Any Owner may delegate, in accordance with the Bylaws of the Association and subject to reasonable rules, regulations, and limitations as may be adopted in accordance therewith, his or her right of enjoyment to the Ranch Properties and facilities to the members of his or her family, tenants, and social invitees and shall be deemed to have made a delegation of all such rights to any lessee of his or her Landholding.

Section 4. OWNER'S RIGHT TO INGRESS, EGRESS, AND SUPPORT. Each Owner shall have the right of ingress and egress over, upon, and across the Ranch Properties (excluding other Landholdings and subject to all applicable rules and regulations) necessary for access to his or her Landholding and shall have the right to lateral support for his or her Landholding, and such rights shall be appurtenant to and pass with the title to each Tenancy in Common Interest to benefit such Tenancy in Common Interest and the related Landholding.

Section 5. **USE OF RANCH PROPERTIES.** No planting or gardening shall be done, and no fences, hedges, or walls shall be erected or maintained upon the Ranch Properties or upon any Landholding, except as may be installed or constructed by Declarant, or as may be approved by the Association's Board of Directors or their designated representatives (including the Design Review Committee). Except for the right of ingress and egress, the Owners of Landholdings may use portions of the Property outside their respective Landholdings only in accordance with reasonable rules and regulations as may be adopted by the Association's Board of Directors or as is expressly provided herein. It is expressly acknowledged and agreed by all parties concerned that this Section is for the mutual benefit of all Owners and is necessary for the protection of all Owners.

Section 6. **RULES AND REGULATIONS.** The Board of Directors may establish reasonable rules and regulations concerning the use of the Property, the Ranch Properties (including all facilities located thereon), and individual Landholdings, including all Improvements. Copies of such rules, regulations and amendments thereto shall be furnished by the Association to all Owners prior to the effective date of such rules, regulations and/or amendments. Such rules and regulations shall be binding upon the Owners, their families, employees, visitors, guests, invitees, tenants, licensees and agents until and unless such regulation, rule, or requirement shall be specifically overruled, cancelled, or modified by the Board or the Association in a duly noticed regular or special meeting, by the vote of the Owners holding a majority of the Eligible Votes in the Association. The Board shall have the authority to impose reasonable monetary fines and other sanctions, and monetary fines may be collected by lien and foreclosure as provided in Article IX.

Section 7. **DECLARANT'S AND ASSOCIATION'S RESERVED EASEMENTS AND RIGHTS.**

(a) Notwithstanding any provisions contained in the Declaration to the contrary, Declarant hereby expressly reserves unto itself and its successors and assigns a nonexclusive, perpetual right, privilege and easement with respect to the Property for the benefit of Declarant, its successors, and assigns over, under, in, and/or on the Property, without obligation and without charge to Declarant, for the purposes of construction, installation and relocation of Improvements and/or equipment; development, sale (of Tenancy in Common Interests and Landholdings), maintenance, repair, replacement of the Property, including Improvements and/or equipment located thereon; use, enjoyment and/or otherwise dealing with the Property and any other adjacent property now owned or which may in the future be owned by Declarant, regardless of whether the same is annexed to this Declaration and becomes Additional Property. The reserved easement shall constitute a burden on the title to the Property and specifically includes, but is not limited to:

(i) The right of access, ingress, and egress for vehicular, pedestrian and equestrian traffic over, under, on or in THE CANYONS RANCH; and the right to tie into any portion of THE CANYONS RANCH with driveways, parking areas, and walkways; and the right to tie into and/or otherwise connect and use (without a tap-on or any other fee for so doing), replace, relocate, maintain, and repair any device which provides utility or similar services, including, without limitation, electrical, telephone, natural gas, water, sewer, underground septic tanks and drainfields and drainage lines and facilities constructed or installed in, on, under,

and/or over THE CANYONS RANCH, which rights may be assigned to the Association at or after the turnover meeting described in Article IV; and

(ii) The right to construct, install, replace, relocate, maintain, repair, use, and enjoy signs, model residences, sales offices, construction offices and business offices as, in the sole opinion of Declarant, may be required, convenient, or incidental to the construction and sale by Declarant of Tenancy in Common Interests (including Landholdings) in THE CANYONS RANCH (including any portion of the Additional Property).

(b) No rights, privileges, and easements granted or reserved herein shall be merged into the title of any or all of the Property, but shall be held independent of such title, and no such right, privilege, or easement shall be surrendered, conveyed, or released unless and until and except by delivery of a quitclaim deed from Declarant releasing such right, privilege, or easement by express reference thereto.

(c) There is hereby reserved to the Association blanket easements upon, across, above, and under all portions of the Property, including the Landholdings (with the exception of the Building Envelopes and the Landscape Areas, as shown on the Tenancy in Common Agreement) for the following purposes: (i) the grazing of livestock; (ii) the planting, irrigating, maintaining and harvesting of agricultural products; and (iii) uses incidental to (i) and (ii), including, without limitation, the construction, placement, repair, replacement, maintenance and repair of irrigation equipment and farming-related Improvements. The foregoing rights shall include the right of ingress and egress over such portions of the Property as the Association may elect, in its sole discretion, to use from time to time. The easements granted in this section shall be for the benefit of the Association only and shall not be read so as to require the Association to engage in any agricultural or grazing activities.

(d) There is hereby reserved to the Association blanket easements upon, across, above, and under all portions of the Property, including Landholdings, within THE CANYONS RANCH for access, ingress, egress, installation, repairing, replacing, and maintaining all utilities serving THE CANYONS RANCH or any portion thereof, including, but not limited to, gas, water sanitary sewer, telephone, and electricity, as well as storm drainage and any other service such as, but not limited to, a master television antenna system, cable television system, data lines, or security system which the Association might decide to have installed to serve THE CANYONS RANCH. It shall be expressly permissible for the Association or its designee, as the case may be, to install, repair, replace, and maintain or to authorize the installation, repairing, replacing, and maintaining of such wire, conduits, cables, and other equipment related to the providing of any such utility or service. Should any party furnishing any such utility or service request a specific license or easement by separate recordable document, the Board shall have the right to grant such easement and by acceptance to a deed for his or her Tenancy in Common Interest, each Owner expressly appoints the chairman or president of the Board as his or her attorney in fact for such purpose. Any television antenna system installed under the easement granted in this Article II, Section 7(d) shall be shielded or camouflaged as much as is reasonably possible to minimize negative impacts on surrounding and adjacent property. In the event of a dispute regarding adequate shielding, the determination of the Committee shall be definitive. The foregoing two sentences shall not be subject to amendment.

(e) Notwithstanding any other terms contained herein, there is hereby reserved for Declarant a right to crush rock in that meadow known as "Big Meadow," which is surrounded by Vineyards Way and Good Pasture Road, for so long as Declarant owns any Tenancy in Common Interest.

(f) This Article II, Section 7 may not be amended without the written consent of Declarant.

Section 8. TITLE TO RANCH PROPERTIES. Each Owner is the owner of an undivided Tenancy in Common Interest in the Property and the holder of a Landholding. This co-tenancy ownership shall be subject to the terms and conditions of the Tenancy in Common Agreement and this Declaration, including without limitation, Declarant's reserved easements set forth in Article II Section 7 above and Declarant's reserved right to future development set forth in Article II Section 10.

Section 9. CONSOLIDATION OF LANDHOLDINGS. The Owner of two Tenancy in Common Interests whose Landholdings are adjoining may, with the approval of the Design Review Committee, elect to consolidate such Landholdings into one Landholding. Subject to any applicable Deschutes County ordinances, the Design Review Committee may impose reasonable conditions or restrictions on the granting of its approval of a Landholding consolidation, including, but not limited to, maintenance or landscaping requirements and limitations on use. The consolidation shall be effective upon the recording in the deed records in Deschutes County of a declaration of the Owner stating that the two Landholdings are consolidated. The declaration shall include a written consent to the consolidation executed on behalf of the Design Review Committee by at least one member thereof and a description of any restrictions and conditions imposed as a condition of such consent. Thereafter, and except if otherwise provided by the Design Review Committee as a condition of its consent, the consolidated Landholdings shall constitute one Landholding for all purposes of this Declaration, except for assessments. Such Owner shall continue to be responsible for payment of assessments on two Tenancy in Common Interests as if each had a separate Landholding associated with it.

Section 10. DECLARANT'S RESERVED RIGHT TO FUTURE DEVELOPMENT. Notwithstanding any provisions contained in this Declaration to the contrary, Declarant hereby expressly reserves unto itself and its successors and assigns, a nonexclusive perpetual right and privilege to develop and grant up to not more than 60 Landholdings, each with a Tenancy in Common Interest, within The Canyons Ranch and to develop such Ranch Properties amenities or recreational amenities as the Declarant shall, in its sole and absolute discretion, deem to be of benefit to The Canyons Ranch. The Owners of each Tenancy in Common Interests with a Landholding shall have all of the rights and privileges as an Owner described in this Declaration. Once reserved for the use of a particular tenant in common/Owner, a Landholding shall be excluded from the Ranch Properties, except to the extent of easements or other rights reserved in Exhibit B to the Tenancy in Common Agreement or herein. The Landholdings will be described in each Owner's Deed and in the Tenancy in Common Agreement. As provided in the Tenancy in Common Agreement, until each Landholding is granted to the owner/purchaser of a Tenancy in Common Interest, the location of such Landholding shall remain subject to the sole discretion of Declarant. All Landholdings as described in this Section shall be subject to all of the terms, conditions and restrictions set forth in the Tenancy in Common Agreement and this Declaration.

Declarant shall have a period of fifty (50) years commencing January 1, 2003 within which to complete development of The Canyons Ranch and to develop and convey Tenancy in Common Interests together with Landholdings as described in this Article II, Section 10.

Section 11. **DECLARANT'S RESERVED RIGHT TO GRANT RIGHTS TO USE RANCH PROPERTY AMENITIES.** So long as Declarant owns any interest in the Property, Declarant further reserves the right, in its sole and absolute discretion, to grant or assign rights to use the Ranch Properties amenities or recreational amenities to persons other than Owners. In addition, Declarant has executed an agreement (the "Pronghorn Agreement") with High Desert Development Partners LLC and High Desert Development Company LLC, the developer of Pronghorn, a destination resort being developed in Deschutes County, Oregon between Redmond and Bend. In exchange for granting certain rights to some Owners to acquire membership rights to use the amenities at Pronghorn, the Pronghorn Agreement grants the right for 10 owners within Pronghorn to acquire the right to use and access the Ranch Properties, including all amenities constructed thereon, subject to the same rules, regulations and fees as are applicable to Owners. Declarant shall have the right to assign the Pronghorn Agreement and any other use agreements with third parties to the Association, which shall comply with the terms thereof.

Section 12. **USE OF PROPERTY EAST OF CROOKED RIVER.** Use of that portion of the Property located east of the Crooked River shall be subject to the following limitations: Racing of vehicles or bicycles is prohibited; the discarding of trash, litter or other materials is prohibited; no more than two vehicles shall be permitted to travel together except in the case of emergency or as needed for security, fire-fighting/prevention, or agricultural purposes; and activities which generate excessive noise are prohibited. In the event of a dispute as to what constitutes a violation of this Article II, Section 12, the decision of the Board shall be definitive. Each Owner shall comply, and shall assure that his or her family members, guests, tenants, employees, visitors, invitees, licensees and agents comply, with the foregoing.

ARTICLE III: RESTRICTIONS ON USE

Section 1. **EXTERIOR LIGHTING.** No exterior lighting fixture (other than standard fixtures approved by the Design Review Committee or installed by Declarant) shall be installed within or upon any Landholding without the prior approval of the Design Review Committee. No lighting fixture shall be installed that may become an annoyance or a nuisance to Owners or occupants of adjacent properties; provided, however, that holiday lighting may be permitted at a time and form to be determined by the Association. All modifications of exterior lighting must be approved in writing by the Design Review Committee, in advance, as provided herein. All exterior lighting shall strictly comply with the Design Guidelines and all applicable laws, including, without limitation, the Deschutes County lighting ordinance.

Section 2. **STORAGE AND PARKING OF VEHICLES.**

(a) **Limits.** Except for such storage area(s) as may be established by the Association from time to time, there shall be no outside storage or parking upon any Landholding or the Ranch Properties of any automobile, commercial vehicle, truck, tractor, mobile home or trailer (either with or without wheels), camper, camper trailer, boat or other

watercraft, boat trailer, or any other transportation device of any kind, except for Owner's personal automobile(s) or the automobiles of visitors temporarily parked, in either case, such parking shall be in private driveways or marked spaces and in accordance with rules and regulations designated and promulgated by the Board. No Owners or tenants shall repair or restore any vehicle of any kind upon any Landholding or Ranch Properties, except for emergency repairs, and then only to the extent necessary to enable movement thereof to a proper repair facility. Owners may store boats and recreational vehicles inside garages or within the "storage area" as designated by the Association for this purpose.

(b) Limited Exception for Declarant. Declarant shall have the right to install, maintain and/or relocate one or more mobile homes and/or manufactured homes on portions of the Property as Declarant deems necessary to preserve or relocate existing land use rights, including, without limitation, the right to replace existing dwellings. Notwithstanding the foregoing, Declarant's rights under this Article III, Section 2(b) shall be limited as follows:

(i) The right to install shall expire not later than fifteen (15) years from the date hereof, though any mobile or manufactured homes installed prior to such date may remain so long as the same comply with subsections (ii), (iii) and (iv) below;

(ii) Any such mobile or manufactured home shall not be occupied except that Declarant may use the same for office space purposes;

(iii) Declarant may convey such mobile or manufactured home to a purchaser of a Tenancy in Common Interest, but such purchaser shall then be obligated for the maintenance and repair of such home;

(iv) Such mobile or manufactured home(s) shall be maintained in good condition and repair so as to minimize the negative impacts on surrounding properties and Landholdings as much as is reasonably possible; and

(v) Each Owner who purchases a Tenancy in Common Interest and Landholding with a mobile or manufactured home shall remove the mobile or manufactured home not later than 120 days (or such shorter period of time as may be provided by applicable ordinances) after completion of construction of a new residential dwelling on the Landholding; provided, however, in no event shall the mobile or manufactured home be removed later than the date that is fifteen (15) years from the date of closing of the initial sale of such Tenancy in Common Interest and Landholding to a party other than Declarant. As used herein, "completion" shall mean the issuance of a certificate of occupancy for the new residential dwelling.

Section 3. PETS. No animals, livestock, or poultry of any kind shall be raised, bred or kept or permitted within any Landholding. Notwithstanding the foregoing, an Owner may have a reasonable number of household pets on his or her Landholding, provided the same are not kept, bred or raised for commercial purposes and are reasonably controlled so as not to be a nuisance. In the event of a dispute as to what constitutes "reasonable" under the preceding sentence, the determination of the Committee shall be final. No pit bulls shall be allowed on any Landholding. Any inconvenience, damage or unpleasantness caused by such pets shall be the

responsibility of the respective Owner thereof. No dog shall be permitted to roam THE CANYONS RANCH unattended, and all dogs shall be kept on a leash or under voice control. No dog shall be permitted to disturb deer, or other wildlife within THE CANYONS RANCH. Because of the unique environment, wildlife and acoustical properties within THE CANYONS RANCH, all dogs shall be kept within the individual residential unit of the Owner, or shall be kept at Owner's expense in kennel facilities provided by the Association's Board of Directors. An Owner or resident may be required to remove a pet upon receipt of the third notice in writing from the Association Board of Directors of violations of any rule, regulation or restriction governing pets within THE CANYONS RANCH. In the event that the Board of Directors determines, in its sole discretion, that a pet constitutes a safety risk to persons or property, the Board may require the applicable Owner or resident to remove such pet immediately. None of the foregoing provisions of this Article III, Section 3 shall be subject to amendment. Notwithstanding the provisions of this Article III, Section 3, or anything else to the contrary contained herein, Declarant reserves the right to include within a Landholding the historic dairy barn located on Good Pasture Road at the west end of Big Meadow. If such barn is included within a Landholding, the Owner of such Landholding shall have the right to use the barn to keep a reasonable number of such Owner's horses. In the event of a dispute regarding what constitutes "reasonable" in the foregoing sentence, the decision of the Board shall be determinative.

Section 4. **STRUCTURES PERMITTED.** No Improvements shall be erected or permitted to remain on any Landholding except Improvements constructed as single-family dwelling units (plus a guest house if permitted by Deschutes County) and Improvements normally accessory thereto, which Improvements are in compliance with applicable laws and regulations. The foregoing provision shall not exclude construction of a garage, a private greenhouse, deck or decks, fences, picnic tables, outdoor furniture, and a private in-ground swimming pool, provided the location of such structures are in conformity with applicable Deschutes County ordinances (or other governmental bodies having jurisdiction), are compatible in design and decoration with the dwelling structure constructed on such Landholding, and have been approved by the Design Review Committee. No dwellings or other Improvements shall be constructed outside of the building envelope (as shown in the Tenancy in Common Agreement) for a Landholding, and no landscaping shall be installed outside of the Landscape Area (as shown in Exhibit B to the Tenancy in Common Agreement) for a Landholding without the written consent of the Board; provided, however, for Landholdings located on a canyon rim, the applicable Owner may install fencing along the rim and outside of the Building Envelope so long as the same is reasonably necessary for safety purposes, is permitted by applicable law and is approved by the Committee. No private tennis courts shall be permitted, except that Declarant shall have the right (but not the obligation) to construct one or more tennis courts on a Landholding or a portion of the Ranch Properties, provided such court(s) are treated as Ranch Properties.

Section 5. **RESIDENTIAL USE.** Landholdings shall only be used for single-family residential purposes. Except with the consent of the Board of Directors of the Association, and as allowed by applicable Deschutes County ordinances, no trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any Landholding, nor shall any goods, equipment, vehicles, materials or supplies used in connection with any trade, service or business be kept or stored on any Landholding. Nothing in this section shall be deemed to

prohibit (a) activities relating to the rental or sale of living units, (b) the right of Declarant or any contractor or home builder to construct living units on any Landholding, to store construction materials and equipment on such Landholdings in the normal course of construction, and to use any living unit as an office or model home for purposes of sales in THE CANYONS RANCH, and (c) the right of the Owner of a Landholding to maintain his or her professional personal library, keep his or her personal business or professional records or accounts, handle his or her personal business or professional telephone calls or confer with business or professional associates, clients or customers, in his or her living unit. The Board of Directors shall not approve commercial activities otherwise prohibited by this section unless the Board of Directors determines that only normal residential activities would be observable outside of the living unit and that the activities would not be in violation of applicable Deschutes County ordinance.

Section 6. OFFENSIVE OR UNLAWFUL ACTIVITIES; MINING.

(a) No noxious or offensive activities shall be carried on upon any Landholding or the Ranch Properties, nor shall anything be done or placed on any Landholding or the Ranch Properties which interferes with or jeopardizes the enjoyment of other Landholdings or the Ranch Properties. No unlawful use shall be made of a Landholding nor any part thereof, and all valid 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, as measured at the Landholding line, shall be allowed on any Landholding or living unit. Each Owner shall be responsible for assuring that his or her Landholding, family members, guests, tenants, employees, visitors, invitees, licensees and agents comply with the foregoing requirements. Shooting and hunting may be permitted by the Association in designated areas, subject to the following: There shall be no hunting or shooting on any portion of the Property east of the Crooked River or on any portion of the Property within five hundred (500) yards of the boundary with Smith Rock State Park; provided, however, hunting shall be permitted as necessary for animal control and/or responsible wildlife management. The foregoing sentence shall not be subject to amendment. In the event of any disputes arising under this Article III, Section 6, the Board shall be the arbiter, which decision shall be final.

(b) Except for rock crushing by Declarant as specifically permitted herein, no mining or mining-related activities shall be permitted on any portion of the Property, including individual Landholdings. The foregoing shall be deemed to prohibit all excavations of land by individual Owners except to the extent approved by the Committee and/or necessary to construct Improvements that have been approved by the Committee.

Section 7. MAINTENANCE OF STRUCTURES AND GROUNDS. Each Owner shall maintain such Owner's Landholding and all Improvements thereon in a clean and attractive manner, in good condition and repair. Such maintenance shall include, without limitation, painting, repair, replacement and care for roofs, gutters, downspouts, exterior building surfaces, walks and other exterior improvements and glass surfaces. In addition, each Owner shall keep all shrubs, trees, grass and plantings of every kind on such Owner's Landholding properly cultivated and free of trash, weeds and other unsightly material. Damage to a Landholding

caused by fire, flood, storm, earthquake, vandalism, or other causes shall likewise be the responsibility of each Owner and shall be repaired within a reasonable period of time.

Section 8. **SIGNS.** No signs shall be erected or maintained on any Landholding except signs which are approved as to appearance and location by the Design Review Committee. Declarant shall be excepted from this restriction.

Section 9. **COMPLETION OF CONSTRUCTION.** The construction of any building on any Landholding, including painting and all exterior finish, shall be completed within 18 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 Design Review Committee. The Building Envelope shall be kept reasonably clean and in workmanlike order during the construction period. The Association may enact restrictions and procedures to control access, parking and disruptions within THE CANYONS RANCH and its environment during construction, including but not limited to, restrictions on access, parking, pets, and noise and restriction of individuals working on construction from access to or use of other Landholdings or Ranch Properties, except for purposes directly related to construction, as permitted in writing by the Association on that Landholding.

Section 10. **LANDSCAPE COMPLETION.** All landscaping within the Building Envelope and/or Landscape Area must be completed within sixty (60) days from the date of occupancy of the living unit constructed thereon. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval of the Design Review Committee.

Section 11. **TEMPORARY STRUCTURES.** Except for those used by Declarant, no structure of a temporary character, trailer, basement, tent, shack, garage, barn or other outbuildings shall be used on any Landholding at any time as a residence either temporarily or permanently, except that nothing in this provision shall prohibit the Association from issuing a written "camping" permit for overnight camping of residents and guests in the Camp. As used herein, the "Camp" shall refer to one campground of not more than ten (10) acres located on a portion of the Property in Redrock Canyon, which Camp shall be identified by the Association. The Association shall have the right to change the location of the Camp from time to time, provided it remains in Redrock Canyon. No overnight camping shall be permitted on any other portion of the Property. The foregoing restrictions on camping shall not be subject to amendment. All recreational camping so permitted shall in no way disturb the natural environment and shall comply with requirements set forth by the Association, including without limitation, those relating to fire and waste disposal. It is the intent of this provision to allow overnight camping, consistent with the historical use of THE CANYONS RANCH, in the Camp and subject to regulations promulgated by the Association and applicable law. The foregoing shall not be construed so as to prohibit temporary building trailers, which shall be permitted subject to the rules and regulations set forth by the Design Review Committee and/or the Board.

Section 12. **SETBACK, MAXIMUM HEIGHT AND MINIMUM YARD REQUIREMENTS.** The construction of any and all Improvements on each Landholding shall be subject to (i) the setback, maximum height, and minimum yard requirements as set forth in the

Design Review Committee Rules and Regulations; (ii) all applicable setbacks, height limitations, minimum yard sizes or other similar requirements established by Deschutes County or other governmental agencies with jurisdiction over each such Landholding, including those established in any land use approvals granted for any portion of the Property; (iii) any land use review procedure established by Deschutes County or other government agencies with jurisdiction over such Landholding for review and approval of variances from setbacks, height limitations, yard sizes or other similar requirements. Setbacks may vary from one Landholding to the next, depending upon location, view and building envelopes, as shown in the Tenancy in Common Agreement. In addition, all Landholdings are subject to any more restrictive view easement(s), setback, maximum height or minimum yard requirements as are established from time to time by the Design Review Committee. No Improvement shall be constructed or maintained in violation of any setback, maximum height or minimum yard requirement, except as allowed with the written consent of the Design Review Committee and approval of Deschutes County, if required.

Section 13. TRANSIENT/RENTAL USE. No Owner or Owners of any residential unit within THE CANYONS RANCH shall be permitted to rent their unit to any person or persons for transient occupancy. As used herein, "transient occupancy" shall mean a period of ninety (90) days or less. Transient use shall not include a rental of any unit for a period of in excess of ninety (90) consecutive calendar days. As used herein, "rent" or "rental" shall mean the granting of the right to use or possess for lodging or sleeping purposes any unit in THE CANYONS RANCH in exchange for rent payment, regardless of whether such rent payment is actually received by the unit owner. As used herein, "rent payment" shall mean money, goods, labor, credits, property or other consideration valued in money without any deduction. Each Owner and tenant-occupants shall be responsible for compliance by all of such Owner's family members, guests, tenants, employees, visitors, invitees, licensees and agents whether the same are occupying the Owner's Landholding or otherwise visiting or using any portion of the Property, with all provisions of this Declaration of Covenants, Conditions and Restrictions, any and all rules and regulations promulgated by the Association to protect the natural environment, quiet enjoyment and quality of life of THE CANYONS RANCH, and all applicable laws.

Section 14. SNOWMOBILES AND RECREATIONAL VEHICLES. No snowmobiles, motor cycles or mechanized vehicles shall be used on the Property except in areas designated by the Association and/or on roads. In no event may the Association designate any areas of the Property east of the Crooked River for the off-road use of such vehicles. The foregoing sentence shall not be subject to amendment. Notwithstanding the foregoing terms of this Article III, Section 14, the Association may permit the use of, or itself use, mechanized vehicles on or off-road (including on areas of the Property east of the Crooked River) solely for the purposes of protecting and maintaining the security, natural environment, fire prevention and fire fighting and peaceful enjoyment of THE CANYONS RANCH, for agricultural purposes and for showing the Property to potential purchasers. No person shall live in a recreational vehicle on the Property.

Section 15. FENCES. No fences shall be installed except as approved by the Design Review Committee.

Section 16. NOISE. All Owners shall follow rules and regulations promulgated by the Association to limit and prohibit loud music or noise that would disrupt the quiet enjoyment of

neighboring Landholdings and the natural environment and wildlife of THE CANYONS RANCH, provided, however, that nothing in this paragraph shall be interpreted to prohibit Owners and the Association from the peaceful and reasonable enjoyment of music within their units that does not intrude upon others, or outdoor performances of music if authorized by the Association.

Section 17. RECREATIONAL ENJOYMENT; ASSUMPTION OF RISK. Owners shall be entitled to recreational enjoyment of Ranch Properties of THE CANYONS RANCH, including, but not limited to, horseback riding, sleigh riding, hiking, climbing, bicycling, golfing, nature walking and observation, cross country skiing, ice skating, fishing, picnicking, camping within designated areas, canoeing, swimming and floating on the Crooked River, and other recreational activities as authorized by the Association, provided, however, that the risk of such use rests fully and completely with the Owner and with the user and the same shall be undertaken in full compliance with applicable law. The Association may promulgate, and each Owner (including their respective family members, guests, tenants, employees, visitors, invitees, licensees and agents) and other users shall comply with, rules and regulations pertaining to such appropriate recreational use of the Ranch Properties. Each Owner shall be responsible for advising his or her family members, guests, tenants, employees, visitors, invitee, licensees and agents of all applicable rules and regulations and the applicable terms contained in this Agreement, including without limitation, the assumption of liability contained in this Article III, Section 17, prior to permitting such person(s) to enter upon or use any portion of the Property. Each Owner (the "Indemnifying Owner") shall indemnify, defend and hold harmless the Association, the Declarant and each other Owner for the failure of the Indemnifying Owner, and/or the failure of his or her family members, guests, tenants, employees, visitors, invitees, licensees and/or agents to comply with the terms of this Declaration, including, without limitation, the assumption of liability contained in this Article III, Section 17. By taking title to a Tenancy in Common Interest, each Owner specifically consents and agrees to the terms of this Article III, Section 17. In addition to the terms of this Article III, Section 17, the Association may require that Owners and/or their family members, guests, tenants, employees, visitors, invitees, licensees and/or agents sign additional liability waivers as a condition of use or participation in specific activities at The Canyons Ranch.

Section 18. GUESTS. To protect the quiet enjoyment and natural environment of THE CANYONS RANCH, the Association may enact and implement reasonable restrictions on the number of guests, on repetitive guests, and on disruptive guests, and may otherwise limit guest use of THE CANYONS RANCH consistent with the rights of other Owners and the quiet enjoyment and natural environment of THE CANYONS RANCH.

Section 19. LANDSCAPING. No landscaping shall be installed on any Landholding or the Ranch Properties, except as approved by the Design Review Committee.

Section 20. BUILDING DESIGNS. Except for those constructed by Declarant, Improvements built at THE CANYONS RANCH shall be constructed in the style as described in the Design Review Committee Rules and Guidelines, shall be consistent with the ranch character and natural environment of THE CANYONS RANCH as determined by the Design Review Committee, and shall be subject to the exclusive review and determination of the Design Review Committee.

Section 21. **TIMESHARE.** No Landholding shall be used in connection with a time share plan as that term is defined in the Administrative Rules of the Oregon Real Estate Commissioner or in the statutes of the State of Oregon. The creation of a time share plan involving any portion of the Property is prohibited.

Section 22. **UNDIVIDED INTERESTS.** No Landholding may be held in more than three (3) undivided interests.

Section 23. **CONSERVATION EASEMENTS AND SIMILAR ENCUMBRANCES.** Each Owner shall comply, and shall assure compliance by his or her Guests (as defined in Article XI, Section 6), with the terms of any documents or encumbrances affecting the Property as described in Article VIII, Section 7.

Section 24. **DESTINATION RESORTS.** No portion of the Property shall be used in connection with a destination resort, as that term is currently defined by the statutes of the State of Oregon. The creation of a destination resort involving any portion of the Property is prohibited. This Article III, Section 24 shall not be subject to amendment.

Section 25. **GOLF COURSE.** No portion of the Property shall be used in connection with a golf course. The creation of a golf course involving any portion of the Property is prohibited. This Article III, Section 24 shall not be construed as prohibiting golf-related facilities such as a driving range or other practice facilities. Any golf practice facilities constructed on the Property shall be set back not less than one-quarter mile from the Crooked River and shall not exceed +/-12 acres. The use of barrier nets in conjunction with any golf practice facilities is prohibited. This Article III, Section 25 shall not be subject to amendment.

ARTICLE IV: MEMBERSHIP AND VOTING RIGHT

Section 1. **MEMBERSHIP.** Every person or entity who is the record owner of a Tenancy in Common Interest in the Property together with a Landholding or a contract vender thereof that is subject to this Declaration shall be deemed to be a Member of the Association. Membership shall be appurtenant to and may not be separated from such ownership. The foregoing is not intended to include persons who hold an interest merely as security for the performance of an obligation, and the giving of a security interest shall not terminate the Owner's membership. No Owner, regardless of how many individuals or entities comprise the Owner, shall have more than one (1) membership per Tenancy in Common Interest together with a Landholding. In the event the Owner is more than one person or entity, votes and rights of use and enjoyment shall be as provided herein. The rights and privileges of membership, including the right to vote, may be exercised by a Member or the Member's spouse, but in no event shall more than one (1) vote be cast for each Tenancy in Common Interest.

Section 2. **VOTING RIGHTS.** Voting rights within the Association shall be allocated as follows:

(a) Tenancy in Common Interests. Tenancy in Common Interests shall be allocated one vote per Tenancy in Common Interest.

(b) Classes of Voting Membership. The Association shall have two classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the 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 the Declarant). Class A Members shall be entitled to voting rights for each Tenancy in Common Interest held computed in accordance with Section 1 above. When more than one person holds a Tenancy in Common Interest, all such persons shall be Members, but in no event shall more than one (1) vote be cast with respect to any one Tenancy in Common Interest. In such a case, the vote for such Tenancy in Common Interest shall be exercised as those holding interests in the particular Tenancy in Common Interest may among themselves determine.

Class B. The Class B Member shall be Declarant and shall be entitled to three times the voting rights computed under subsection (2)(a) above for each Tenancy in Common Interest held by Declarant. 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:

- (i) At the turnover meeting (as described in Article IV, Section 5); or
- (ii) At such earlier time as Declarant may elect in writing to terminate the Class B membership and records a notice of the same in the real property records of Deschutes County, Oregon.

Section 3. **POWERS AND OBLIGATIONS.** The Association shall have, exercise and perform all of the following powers, duties and obligations:

(a) Declaration. The powers, duties and obligations granted to the Association by this Declaration.

(b) Statutory Powers. The powers, duties and obligations of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon.

(c) General. Such additional or different powers, duties and obligations as are 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 CANYONS RANCH.

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, as necessary, by changes in the Articles of Incorporation or Bylaws of the Association made in accordance with such instruments and with the nonprofit corporation laws of the State of Oregon.

Section 4. **LIABILITY.** Neither the Association nor any officer or member of its Board of Directors 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 its Board of Directors, provided only that the officer or Board member has acted in good faith in accordance with the actual knowledge possessed by him or her.

Section 5. INTERIM BOARD; TURNOVER MEETING. Declarant shall have the right to appoint an interim board of three directors or more, who shall serve as the Board of Directors of the Association until replaced by Declarant or their successors have been elected by the Owners at the turnover meeting described in this Section. Declarant shall call the turnover meeting by giving notice to each Owner as provided in the Bylaws of the Association for the purpose of turning over administrative responsibility for THE CANYONS RANCH to the Association not later than one hundred twenty (120) days after Tenancy in Common Interests representing seventy five percent (75%) of the votes in THE CANYONS RANCH have been sold and conveyed to Owners other than Declarant. If the Declarant does not call a meeting required by this Section within the required time, the Transitional Advisory Committee described in Article IV Section 6 below or any Owner may call a meeting and give notice as required in this Section. At the turnover meeting, the interim directors shall resign and their successors shall be elected by the Owners and Declarant as provided in this Declaration and the Bylaws of the Association.

(a) Estoppel Certificate. Not later than ninety (90) days after the turnover meeting described in Section 5 above, the Association shall provide Declarant with an estoppel certificate (i) certifying that Declarant has satisfied all of its obligations owed to the Association, including, without limitation, any obligations arising out of or related to this Declaration, or (ii) identifying with specificity the extent to which any such obligations remain unsatisfied.

Section 6. DECLARANT CONTROL AFTER TURNOVER. After the turnover meeting described in Article IV Section 5 above, Declarant shall become a Class A Member.

ARTICLE V: MAINTENANCE

Section 1. ASSOCIATION'S RESPONSIBILITY. The Association shall maintain and keep in good repair the Ranch Properties, and easements or other rights reserved to the Association and its Members upon any individual Landholding, such maintenance to be funded as hereinafter provided and as permitted by the then-current, approved Association budget. In addition, the Association shall maintain and keep in good repair any property over which the Association obtains an easement to use such property as if it were a part of the Ranch Properties. The maintenance required under this Article V, Section 1 shall include, but not be limited to, maintenance, repair and replacement, subject to any insurance then in effect, of all landscaping, agriculture, and other flora, structures, equipment, roadways and Improvements situated upon the Ranch Properties or the easement area; provided, however, the decision when, where and whether to irrigate shall remain within the sole discretion of the Board.

Section 2. OWNER'S RESPONSIBILITY. Except as provided in Section 1 of this Article V, all maintenance of the Landholding and Improvements, including landscaping, thereon shall be the responsibility of the Owner, and each Owner shall maintain and keep in good repair such property and Improvements.

ARTICLE VI: INSURANCE

Section 1. **INSURANCE.** The Association's Board of Directors, or its duly authorized agent, shall have the authority to and shall obtain insurance for all insurable Improvements on the Ranch Properties against loss or damage by fire or other hazards, including extended coverage, vandalism, and malicious mischief. This insurance shall be in an amount sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any such hazard. The policy may contain a reasonable deductible, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance at least equals the full replacement cost. At least annually, the Board of Directors of the Association shall review the insurance coverage of the Association.

The Board shall also obtain a public liability policy covering the Ranch Properties, the Association, and its Members for all damage or injury caused by the negligence of the Association or any of its Members or agents in amounts as may be determined by the Board in its reasonable discretion.

In addition to the other insurance required by this Section, the Board shall obtain, as a common expense, worker's compensation insurance, if and to the extent necessary, and a fidelity bond or bonds on directors, officers, employees, and other persons handling or responsible for the Association's funds. The amount of fidelity coverage shall be determined in the directors' best business judgment, but may not be less than three (3) months' assessments, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and may not be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association.

The Board may, but shall not be required to, purchase directors and officers liability insurance protecting the members of the Board, and, if the Board so chooses, any officers or employees of the Association.

Premiums for all insurance purchased by the Association for the Association and/or the Ranch Properties shall be common expenses of the Association.

Section 2. **INDIVIDUAL INSURANCE.** By virtue of taking title to a Tenancy in Common Interest in the Property with exclusive rights to a Landholding subject to the terms of this Declaration, each Owner covenants and agrees to carry fire and extended coverage casualty insurance on the Landholdings and all Improvements constructed thereon in the amount of full replacement value. Each individual Owner further covenants and agrees that in the event of a partial loss or damage and destruction resulting in less than total destruction, the individual Owner shall proceed promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction. In the event that the structure is totally destroyed and the individual Owner determines not to rebuild or to reconstruct, the individual Owner shall clear the Landholding of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction. In addition, each Owner covenants and agrees to carry public liability and property damage insurance with respect to such Landholding with limits of not less than One Million Dollars (\$1,000,000.00) per person per occurrence and One Million Dollars (\$1,000,000) for property damage. All insurance required to be carried hereunder shall

be obtained from a reputable insurance company authorized to do business in the State of Oregon. The Association shall have the right to adjust the amount and types of insurance required to be carried by this section from time to time.

ARTICLE VII: ANNEXATION OF ADDITIONAL PROPERTY

Section 1. ANNEXATION WITHOUT MEMBERSHIP VOTE. As the owner thereof or, if not the owner, with the consent of the owner thereof, Declarant shall have the unilateral right, privilege, and option, from time to time at any time until January 1, 2027, to subject to the provisions of this Declaration and the jurisdiction of the Association all or any portion of any contiguous real property to that described in **Exhibit A** attached hereto and by reference made a part hereof by filing in the Deschutes County, Oregon real property records, an amendment annexing such property. Such amendment to this Declaration shall not require the vote of the Members. Any such annexation shall be effective upon the filing for record of such amendment unless otherwise provided therein.

Section 2. The rights reserved unto Declarant to subject Additional Property to the Declaration shall not be implied or construed so as to impose any obligation upon Declarant to subject any of such additional land to this Declaration or to the jurisdiction of the Association nor any obligation, if subjected, to build housing of the same type, design, or materials as may then exist on any existing Landholdings or otherwise be required by the Design Review Committee. If such additional land is not subjected to this Declaration, Declarant's reserved rights shall not impose any obligation on Declarant to impose any covenants and restrictions similar to those contained herein upon such additional land, nor shall such rights in any manner limit or restrict the use to which such additional land may be put by Declarant or any subsequent Owner thereof, whether such uses are consistent with the covenants and restrictions imposed hereby or not.

Section 3. RECOMPUTATION OF ASSESSMENTS UPON ANNEXATION. When additional property is annexed to this Declaration, the Association shall, within sixty (60) days after the annexation, recompute the budget based upon the additional land and recompute all applicable assessments for each Tenancy in Common Interest with a Landholding. If additional property is annexed to this Declaration during the Association's fiscal year, the Association shall send notice of and shall collect adjustments to assessments. Notice of the adjustment in the assessments shall be sent to such Owners not later than sixty (60) days after the annexation 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.

ARTICLE VIII: RIGHTS AND OBLIGATIONS OF THE ASSOCIATION

Section 1. RANCH PROPERTIES. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Ranch Properties and all Improvements and landscaping therein (including furnishings and equipment related thereto, if any), and shall keep and maintain it in good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions of this

Declaration and the Bylaws. The Associations' obligations under this Article VIII, Section 1 shall be limited by commercial reasonableness, the limits of the then-current approved budget and the reasonable discretion of the Board.

Section 2. **SERVICES.** The Association may obtain and pay for the services of any person or entity to manage its affairs or any part thereof, to the extent it deems advisable, as well as such other personnel as the Association shall determine to be necessary or desirable for the proper operation of the Ranch Properties or the enforcement of this Declaration, whether such personnel are furnished or employed directly by the Association or by any person or entity with whom or with which it contracts. The Association may obtain and pay for legal and accounting services necessary or desirable in connection with the operation of the Ranch Properties or the enforcement of this Declaration. The Association may, but shall not be required to, arrange as an Association expense with third parties to furnish water, trash collection, sewer service, and other common services to each Landholding.

Section 3. **PERSONAL PROPERTY AND REAL PROPERTY FOR COMMON USE.** The Association, through action of its Board of Directors, may acquire, hold, and dispose of tangible and intangible personal property and real property. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold, or other property interests located within or on the Property conveyed to it by the Declarant.

Section 4. **IMPLIED RIGHTS.** The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, and every other right or privilege reasonably to be implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

Section 5. **SELF HELP.** In addition to any other remedies provided for herein, the Association or its duly authorized agent shall have the power, but not the obligations, to enter upon a Landholding or any portion of the Ranch Properties to abate or remove, using such force as may be reasonably necessary, any Improvement, thing or condition which violates this Declaration, the Bylaws, the rules and regulations, applicable law or the use restrictions. Unless an emergency situation exists, the Board shall give the violating owner ten (10) days' written notice of its intent to exercise self help. All costs of self help, including reasonable attorneys' fees actually incurred shall be assessed against the violating Owner and shall be collected as provided for herein for the collection of assessments.

Section 6. **RIGHT OF ENTRY.** The Association shall have the right, but not the obligation, in addition to and not in limitation of all the rights it may have, to enter onto Landholdings and/or into residential units or other Improvements for emergency, security, or safety purposes. Such right may be exercised by the Association's Board of Directors, officers, agents, employees, managers and all police officers, firefighters, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation, entry shall only be during reasonable hours and after reasonable notice to the Owner or occupant of the Landholding and/or Improvement.

Section 7. **COMPLIANCE WITH WILDLIFE PLANS, CONSERVATION EASEMENTS OR SIMILAR DOCUMENTS.** To the extent that the Declarant or the

Association subjects any portion of the Property to one or more conservation easements, wildlife habitat management/restoration easements, riparian management/restoration easements, wildlife habitat conservation management plans, designation as "riparian land" or other similar documents or encumbrances, the Association shall assure that the relevant portion of the Property complies with the terms thereof. The holder of any affected Landholding shall cooperate with the Association in connection with such compliance. Declarant's right to subject the Property (or any portion) to such encumbrances is limited as provided in the Tenancy in Common Agreement. In entering into any such easements, plans or similar documents or encumbrances relating to the Property, Declarant may (i) do so on behalf of the Association or (ii) may do so on its own behalf and subsequently assign its rights and obligations thereunder to the Association.

ARTICLE IX: ASSESSMENTS

Section 1. **PURPOSE OF ASSESSMENT.** The assessments provided for herein shall be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit, and enjoyment of the Owners and the occupants of Landholdings, including the maintenance of real and personal property on the Ranch Properties (including such Improvements and/or amenities as may be constructed from time to time by Declarant in its sole discretion) and the activities of the Association (which activities shall include those specifically required by this Declaration as well as those deemed to be in the best interests of The Canyons Ranch or the Owners by the Association), all as may be more specifically authorized from time to time by the Board of Directors. The foregoing shall include, without limitation, farming and ranching activities as the Association deems advisable.

Section 2. **CREATION OF ASSESSMENTS.** Each Owner of a Tenancy in Common Interest together with a Landholding, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association; (a) annual assessments or charges due hereunder; (b) special assessments, such assessments to be established and collected as hereinafter provided; and (c) specific assessments against any particular Landholding which are established pursuant to the terms of this Declaration, including, but not limited to, reasonable fines (which may include the expenses incurred by the Association in connection with an Owner's violation of the terms of this Declaration, the Bylaws, the Articles or the Tenancy in Common Agreement) as may be imposed in accordance with the terms of this Declaration. All such assessments, together with late charges, interest (not to exceed the maximum legal rate), costs, and reasonable attorneys' fees actually incurred, shall be a charge on the Owner's Tenancy in Common Interest and Landholding and shall be a continuing lien upon that Owner's Tenancy in Common Interest and Landholding against which each assessment is made in accordance with the terms of Article XII, Section 1.

Section 3. **COMPUTATION OF ASSESSMENT.** It shall be the duty of the Board annually to prepare a budget covering the estimated costs of operating the Association during the coming calendar year, which shall include a capital contribution or reserve in accordance with a capital budget separately prepared. The Board shall cause the budget and the assessments to be levied against each Tenancy in Common Interest/Landholding for the following year to be delivered to each Owner at least thirty (30) days prior to the end of the current calendar year.

The budget and the assessment shall become effective unless disapproved at a meeting by a Majority of the Owners. Notwithstanding the foregoing, however, in the event the membership disapproves the proposed budget or the Board fails for any reason so to determine the budget for the succeeding year, then and until such time as a budget shall have been determined, as provided herein, the budget in effect for the then current year shall continue for the succeeding year.

Section 4. **SPECIAL ASSESSMENTS.** In addition to the other assessments authorized herein, the Association may levy special assessments in any year. So long as the total amount of special assessments allocable to each Tenancy in Common Interest/Landholding does not exceed One Thousand Dollars (\$1,000) (such amount to be adjusted each year to reflect increases in the CPI) in any one fiscal year, the Board may impose the special assessment. Any special assessment which would cause the amount of special assessments allocable to any Tenancy in Common Interest/Landholding to exceed this limitation shall be effective only if approved by a Majority of the Owners. Special assessments shall be paid as determined by the Board, and the Board may permit special assessments to be paid in installments extending beyond the year in which the special assessment is imposed.

Section 5. **LIEN FOR ASSESSMENTS.** All sums assessed against any Tenancy in Common Interest/Landholding pursuant to this Declaration, including fines for non-compliance with the terms of this Declaration, the Tenancy in Common Agreement, the Bylaws or the Articles of Incorporation, together with late charges, interest, costs, and reasonable attorneys' fees actually incurred, as provided herein, shall be secured by a lien on such Tenancy in Common Interest/Landholding in favor of the Association as provided in Article XII, Section 1. Foreclosure of such lien shall be within the sole discretion of the Board. Such lien shall be superior to all other liens and encumbrances on such Tenancy in Common Interest/Landholding, except for (a) liens for ad valorem taxes; or (b) liens for all sums unpaid on a first Mortgage or on any Mortgage to Declarant duly recorded in the real property records of Deschutes County, Oregon, and all amounts advanced pursuant to such Mortgage and secured thereby in accordance with the terms of such instrument. All other persons acquiring liens or encumbrances on any Tenancy in Common Interest/Landholding after this Declaration shall have been recorded in such records shall be deemed to consent that such liens or encumbrances shall be inferior to future liens for assessments, as provided herein, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrances.

Section 6. **EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION.** Any assessments which are not paid when due shall be delinquent. Any assessment delinquent for a period of more than thirty (30) days shall incur a late charge in an amount as the Board may from time to time determine. The Association shall cause a notice of delinquency to be given to any Owner who has not paid within thirty (30) days following the due date. If the assessment is not paid within thirty (30) days following the due date, a lien, as herein provided, shall attach and, in addition, the lien shall include the late charge, interest, not to exceed the maximum legal rate, on the principal amount due, and all late charges from the date first due and payable, all costs of collection, reasonable attorneys' fees actually incurred, and any other amounts provided or permitted by law. In the event that the assessment remains unpaid after ninety (90) days, the Association may, as the Board shall determine in its sole discretion, institute suit to collect such amounts and to foreclose its lien in accordance with Article XII,

Section 1. Each Owner, by acceptance of a deed or as a party to any other type of a conveyance, vests in the Association or its agents the right and power to bring all actions against him or her, personally, for the collection of such charges as a debt or to foreclose the aforesaid lien in the same manner as other liens for the improvement of real property. The lien provided for in this Article shall be in favor of the Association and shall be for the benefit of all other Owners. No Owner may waive or otherwise except liability for the assessments provided for herein, including, by way of illustration, but not limitation, abandonment of the Tenancy in Common Interest and/or the Landholding. All payments shall be applied first to costs and attorneys' fees, then to late charges, then to interest, then to delinquent assessments, then to any unpaid installments of the annual assessment or special assessments which are not the subject matter of suit in the order of their coming due, and then to any unpaid installments of the annual assessment or special assessments which are the subject matter of suit in the order of their coming due.

Section 7. CAPITAL BUDGET AND CONTRIBUTION. The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution or reserve, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital budget, with respect to both amount and timing by annual assessments over the period of the budget. The capital contribution required shall be fixed by the Board and included within the budget and assessments, as provided in Section 3 of this Article. A copy of the capital budget shall be distributed to each Owner in the same manner as the operating budget.

Section 8. SUBORDINATION OF THE LIEN TO FIRST DEEDS OF TRUST AND FIRST MORTGAGES. The lien of the assessments, including interest, late charges, costs (including attorneys' fees) provided for herein, shall be subordinate to the lien of any first Mortgage upon any Tenancy in Common Interest/Landholding as provided in Article XII, Section 1.

Section 9. DATE OF COMMENCEMENT OF ANNUAL ASSESSMENTS. The annual assessments provided for herein shall commence as to all Tenancy in Common Interests with a Landholding then existing and subject to assessment under the Declaration on the first day of the month following the conveyance of the first Tenancy in Common Interest with a Landholding by the Declarant and shall be due and payable in a manner and on a schedule as the Board of Directors may provide; provided, however, the Board shall have the right to grant exceptions in its sole discretion. The first annual assessment shall be adjusted according to the number of months then remaining in that fiscal year. The date any Tenancy in Common Interest with a Landholding become subject to assessment hereunder shall be the date on which the Landholding associated with a Tenancy in Common Interest is conveyed to the owner or purchaser of such Tenancy in Common Interest.

Section 10. ASSESSMENTS ON DECLARANT. After the commencement of assessment payments as to any Tenancy in Common Interest with a Landholding, Declarant covenants and agrees to pay the full amount of the annual assessment for each occupied Landholding, if any, granted to Declarant in connection with a Tenancy in Common Interest owned by Declarant until such time as the same is conveyed to a third party; provided, however,

the Association shall have discretion to grant a written waiver of such dues. Notwithstanding anything contained herein to the contrary, the Declarant shall not be required to pay the annual assessment for unoccupied Landholdings and the associated Tenancy in Common Interest that it owns.

Section 11. PREPAYMENT OF REGULAR ASSESSMENT. The Board may elect to grant discounts for the prepayment of assessments. Assessments shall be paid on or before the 10th day of the month with respect to which they are imposed. In the event that a person shall acquire a Tenancy in Common Interest with a Landholding or his Tenancy in Common Interest with a Landholding shall first become subject to assessment during the course of a calendar month, his or her first assessment shall come due on the 10th day of the following calendar month. New Owners shall be jointly and severally liable with the prior Owner for the payment of any assessments which remain unpaid at the time of their acceptance of legal title to a Tenancy in Common Interest with a Landholding in the Property.

ARTICLE X: DESIGN REVIEW COMMITTEE

Section 1. ARCHITECTURAL REVIEW. No Improvement(s) shall be commenced, erected, placed, altered or maintained until the design plans and specifications showing the nature, shape, height, materials, colors and proposed location of the Improvement(s) have been submitted to and approved in writing by the Design Review Committee. 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 of the Improvements with respect to topography and finished grade elevations.

Section 2. PROCEDURE. In all cases in which the Design Review Committee's approval or consent is required by this Declaration, the provisions of this Article shall apply. The procedure and specific requirements for application for Design Review Committee approval or consent may be set forth in Design Guidelines or other rules adopted from time to time by the Design Review Committee. The Design Review Committee may charge a reasonable fee to cover the cost of processing the application. No approval of the Design Review Committee is valid unless in writing.

Section 3. COMMITTEE DECISION. The Design Review Committee shall render its decision, or request additional information, on an application for approval of the design of an Improvement or any other proposal submitted to it for approval or consent within sixty (60) business 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 Committee requests additional information, its sixty-day review period shall not commence until the date on which the last of the requested information is received. If the Design Review Committee fails to render approval or disapproval of such application within sixty (60) business days after the Design Review Committee has received a complete application or if no suit to enforce 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.

Section 4. COMMITTEE DISCRETION. The Design Review Committee may, in its sole discretion, withhold or condition its approval of any proposed Improvement if the Design Review Committee finds the proposed Improvement would be inappropriate for the particular Landholding or incompatible with the design standards that the Committee intends for THE CANYONS RANCH. Consideration of siting, shape, size, color, design, height, solar access, impairment of the view from other Landholdings within THE CANYONS RANCH, or other effects on the enjoyment of other Landholdings or the Ranch Properties, disturbance of existing terrain and vegetation and any other factors which the Design Review Committee reasonably believes to be relevant, may be taken into account by the Design Review Committee in determining whether or not to approve or condition its approval of any proposed Improvement. The foregoing is not intended to and shall not be construed as granting any Owner a right of protection of his or her views.

Section 5. MEMBERSHIP; APPOINTMENT AND REMOVAL. The Design Review Committee shall consist of as many persons, but not less than three, as the Declarant may from time to time appoint. The Declarant may remove any member of the Design 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 Design Review Committee. Declarant may at any time delegate to the Board of Directors of the Association the right to appoint or remove members of the Design Review Committee. If Declarant delegates to the Board of Directors the right to appoint or remove members of the Design Review Committee or if Declarant fails to appoint a Design Review Committee, the Board of Directors shall assume responsibility for appointment and removal of members of the Design Review Committee. If the Board of Directors has assumed the responsibility for appointment of the members of the Design Review Committee and fails to make such appointments, the Board of Directors shall itself serve as the Design Review Committee. Declarant shall turn over responsibility for appointment and removal of members of the Committee not later than the first date on which Declarant no longer holds any Tenancy in Common Interest in the Property.

Section 6. MAJORITY ACTION. Except as otherwise provided herein, a majority of the members of the Design Review Committee shall have the power to act on behalf of the Design Review Committee, without the necessity of a meeting and without the necessity of consulting or notifying the remaining members of the Design Review Committee. The Design Review Committee may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

Section 7. LIABILITY. The scope of the Design Review Committee's review is not intended to include any review or analysis of structural, geophysical, engineering or other similar considerations. Neither the Design 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 Design Review Committee or a member thereof, provided only that the Design Review Committee has, or the member has, in accordance with the actual knowledge possessed by the Design Review Committee or by such member, acted in good faith.

Section 8. NONWAIVER. Consent by the Design 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.

Section 9. APPEAL. After Declarant has delegated appointment of the members of the Design Review Committee to the Board of Directors of the Association, any Owner adversely affected by any action of the Design Review Committee may appeal such action to the Board of Directors of the Association. Appeals shall be made in writing within ten (10) days of the Design 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 thirty (30) business days after receipt of such appeal.

Section 10. EFFECTIVE PERIOD OF CONSENT. The Design Review Committee's consent to any proposed Improvement shall automatically be revoked one year after issuance unless construction of the Improvement has been commenced or the Owner has applied for and received an extension of time from the Committee.

Section 11. ESTOPPEL CERTIFICATE. Within fifteen (15) business days after written request therefor is delivered to the Design Review Committee by any Owner, and upon payment to the Design Review Committee of a reasonable fee, if any, fixed by the Design Review Committee to cover costs, the Design Review Committee shall provide such Owner with an estoppel certificate executed by a member of the Committee and acknowledged, certifying with respect to any Landholding owned by the Owner, that as of the date thereof, either: (a) all Improvements made or done upon or within such Landholding 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 Design Review Committee, the Association and all Owners, and such purchaser or mortgagee.

Section 12. CONSTRUCTION BY DECLARANT. Improvements constructed, maintained or replaced by Declarant are not subject to the requirements of this Article X or any other design requirements contained in this Declaration. Improvements constructed, maintained or replaced by the Association are not subject to the requirements of this Article X.

ARTICLE XI: GENERAL PROVISIONS

Section 1. DURATION. The covenants and restrictions of this Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any portion of the Property subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of

the then Owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate the same.

Section 2. AMENDMENT. This Declaration may be amended unilaterally at any time and from time to time by Declarant (a) if such amendment is necessary to bring any provision hereof into compliance with any applicable governmental statute, rule, or regulation or judicial determination which shall be in conflict therewith; (b) if such amendment is reasonably necessary to enable any reputable title insurance company to issue title insurance coverage with respect to the Tenancy in Common Interests/Landholdings subject to this Declaration; (c) if such amendment is required by an institutional or governmental lender or purchaser of mortgage loans, including, for example, the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation, to enable such lender or purchaser to make or purchase mortgage loans on Tenancy in Common Interests/Landholdings subject to this Declaration; or (d) if such amendment is necessary to enable any governmental agency or reputable private insurance company to insure mortgage loans on Tenancy in Common Interests/Landholdings subject to this Declaration; provided, however, any such amendment shall not adversely affect the title to any Owner's Tenancy in Common Interest/Landholding unless such Owner shall consent thereto in writing.

In addition to the above, this Declaration may be amended upon the affirmative vote or written consent, or any combination thereof, of at least two thirds (2/3) of the Eligible Votes and, so long as Declarant has an unexpired option to subject Additional Property to this Declaration, the consent of the Declarant. Amendments to this Declaration shall become effective upon recordation in the real property records of Deschutes County, Oregon, unless a later effective date is specified therein. An amendment itself need not be signed by all approving members. A duly approved amendment may be recorded if signed by the president and certified by the secretary as having been duly approved in accordance with this Declaration and the Association's Bylaws.

Section 3. INDEMNIFICATION. The Association shall indemnify every officer and director against any and all expenses, including counsel fees, reasonably incurred by or imposed upon any officer or director in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer or director. The officers and directors shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer or director, or former officer or directors, may be entitled. The Association may, in the Association's discretion, as a common expense, maintain general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

Section 4. CONSTRUCTION AND SALE. Notwithstanding any provisions contained in this Declaration to the contrary, so long as construction and initial sale of Tenancy in Common Interests with Landholdings shall continue, it shall be expressly permissible for Declarant to maintain and carry on upon portions of the Ranch Properties such facilities, activities and events as, in the sole opinion of Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such interests, including, but not limited to, business offices, signs, model units, sale offices, sales events and shows, and the Declarant shall have an easement for access to such facilities, activities and events. The right to maintain and carry on such facilities, activities and events shall include specifically the right to use as models and/or sales offices any residences owned by Declarant or in which Declarant has a legal or beneficial interest. This Section may not be amended without the express written consent of the Declarant; provided, however, the rights contained in this Article XI, Section 4 shall terminate upon the earlier of (a) twenty five (25) years from January 1, 2003 or (b) upon the Declarant's recording a written statement that all sales activity has ceased.

Section 5. SEVERABILITY. Whenever possible, each provision of this Declaration shall be interpreted in such manner as to be effective and valid, but if the application of any provision of this Declaration to any person or to any property shall be prohibited or held invalid, such prohibition or invalidity shall not affect any other provision or the application of any provision which can be given effect without the invalid provision or application, and, to this end, the provisions of this Declaration are declared to be severable.

Section 6. COMPLIANCE. Each Owner shall be responsible for informing each of his or her family members, guests, tenants, employees, visitors, invitees, licensees and agents (collectively, "Guests") of the restrictions, limitations of liability and other terms hereof, as well as any rules and regulations of the Association. Each Owner shall further be responsible for assuring that his or her Landholding and Guests comply with all of the terms contained herein as well as the rules and regulations of the Association. Each Owner shall be liable for any violations of this Declaration and/or the rules and regulations of the Association by his or her Landholding and/or Guests.

Section 7. CAPTIONS. The captions of each Article and Section hereof, as to the contents of each Article and Section are inserted only for convenience and are in no way to be construed as defining, limiting, extending, or otherwise modifying or adding to the particular Article or Section to which they refer.

ARTICLE XII: ENFORCEMENT PROCEDURES

Section 1. GENERAL LIEN ENFORCEMENT.

(a) Lien in Favor of Association. To secure payment and satisfaction of all of each Owner's obligations hereunder, there is hereby reserved a lien on such Owner's Tenancy in Common Interest and Landholding in favor of the Association. In addition, each Owner, by acceptance of a deed or as a party to any other type of a conveyance, vests in the Association or its agents the right and power to bring all actions against him or her, personally, for the collection of any delinquent charges as a debt or satisfaction of any other obligations hereunder

or to foreclose the aforesaid lien in the same manner as other liens for the improvement of real property. 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. The Association or its agents shall have the right and power to bring all actions against the defaulting Owner personally for the collection of such charges and/or satisfaction of such obligations (together with all costs, including attorneys' fees, incurred by the Association as a result of such Owner's failure to pay or otherwise comply) as a debt and to enforce the Association's lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage or deed of trust lien on real property. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Owners. The Association shall have the right to file notices of liens in favor of such Association in the real property records of Deschutes County, Oregon.

(b) Foreclosure of Lien. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.709 shall apply to the Association lien. To the extent consistent with ORS 94.709, the lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Association acting on behalf of the Owners shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding non-payment of such defaulting Owner's portion of the premium. An election by the Association to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein 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.

(c) Mortgagee Protection.

(i) Each lien under this Article XII, Section 1 shall be specifically made secondary, subordinate and inferior to the lien of any first mortgage upon any Tenancy in Common Interest and Landholding; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Tenancy in Common Interest and Landholding upon which there is an outstanding valid and subsisting first mortgage lien, the Association shall give the holder of such first mortgage lien sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of such first mortgage lien holder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lien holder, the Association shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such first mortgage lien to the holder thereof.

(ii) Sale or transfer of a Tenancy in Common Interest and Landholding shall not affect the assessment lien. However, the sale or transfer of any Tenancy in Common Interest and Landholding pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessment as to payments that became due before such sale or transfer. No sale, foreclosure or transfer shall relieve such Tenancy in Common Interest and Landholding from liability for any assessments thereafter becoming due or from the lien thereof.

Where the Mortgagee of a first Mortgage of record or other purchaser of a Tenancy in Common Interest/Landholding obtains title, his or her successors and assigns shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Tenancy in Common Interest/Landholding which became due prior to the acquisition of title to such Tenancy in Common Interest/Landholding by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all the Tenancy in Common Interests/Landholdings, including such acquirer, his or her successors and assigns.

Section 2. CONSTRUCTION VIOLATIONS. In the event that any Owner constructs or permits to be constructed on said Owner's property an Improvement contrary to the provisions of this Declaration or of the Design Review Committee Rules and Guidelines, or in the event that an Owner maintains or permits any Improvement, condition or other thing on his or her Landholding contrary to the provisions of this Declaration or the Design Review Committee Rules and Guidelines, The Canyons Ranch Association, Inc. and/or the Design Review Committee may, no sooner than sixty (60) days after delivery to such Owner of written notice of the violation, order the Owner to cease and desist all work, construction, repair, alteration, landscaping and excavation of any kind, until such breach is remedied, and certified in writing by the Design Review Committee. The stop work order shall continue until the violation has been corrected as authorized by the Committee, as certified in writing by the Committee. If the Owner/contractor/subcontractor refuses to stop work, a certified letter shall be sent to the Owner who is in violation. The letter shall describe what the violation is and require that all work be discontinued until the problem is rectified to the satisfaction of the Committee, which satisfaction shall be evidenced, if at all, in writing. A limit shall be placed on the amount of time allowed to correct the problem, which time limit shall be within the sole discretion of the Committee. In the event the written notice is ineffective or is breached, the Association may seek an injunction to force compliance or may undertake the corrective work itself. A fine may also be levied in conjunction with the stop work order, in conjunction with a schedule of fines reviewed and approved on an annual basis by the Design Review Committee, and subject to the oversight and approval of the Association. Any fine levied or costs incurred by the Association under this Article XII, Section 2 shall be an assessment against the applicable Tenancy in Common Interest and Landholding and may be collected by lien and foreclosure as provided in Article XII, Section 1.

Section 3. NON-CONSTRUCTION VIOLATIONS. In the event that any Owner or his or her Landholding is in material violation of any term hereof (other than a violation for which a specific remedy is provided under a separate section of this Declaration), then the Association, after providing ten (10) days' written notice of such violation to the Owner, shall have the right to remedy such violation at the Owner's expense; provided, however, if such violation is of a nature that it cannot reasonably be remedied in ten days, then the Association shall give the Owner such longer period of time as is reasonably necessary to remedy such violation, provided the Owner promptly commences and thereafter diligently prosecutes such remedy. The costs incurred by the Association in connection with the violation and/or remediation of such violation shall be an assessment against the applicable Tenancy in Common Interest and Landholding and may be collected by lien and foreclosure as provided in Article XII, Section 1.

Section 4. ATTORNEY FEES. Should the Association or any Owner bring any suit against the Association or any Owner to enforce any provision of this Declaration, the losing party shall pay to the prevailing party, in addition to the costs and disbursements allowed by statute, such sum as the court may adjudge reasonable as attorney fees in such suit or action, in both trial court and appellate courts.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Amended and Restated Declaration of Covenants, Conditions and Restrictions for the Canyons Ranch on this 22nd day of May 2003.

CANYONS LAND AND CATTLE COMPANY, LLC

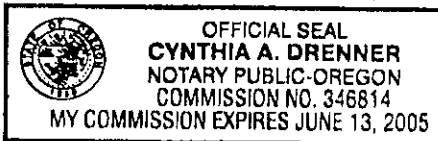
By: [Signature]
Its: member

By: [Signature]
Its: member

STATE OF OREGON }

COUNTY OF Deschutes }

The foregoing instrument was acknowledged before me the 22nd day of May 2003, by James A. Cardache member of Canyons Land and Cattle Company LLC, an Oregon limited liability company, on behalf of the company.

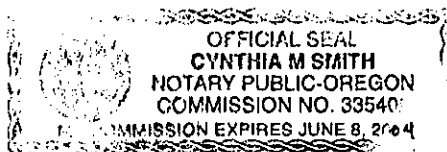


[Signature]
Notary Public, State of Oregon
My Commission Expires: 6/13/05

STATE OF OREGON }

COUNTY OF Deschutes }

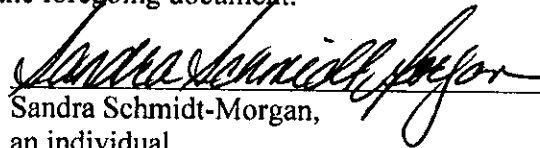
The foregoing instrument was acknowledged before me the 27th day of May 2003, by DeL Humphrey, the Partner/member of Canyons Land and Cattle Company LLC, an Oregon limited liability company, on behalf of the company.



[Signature]
Notary Public, State of Oregon
My Commission Expires: June 8, '04


Consent

The undersigned, Sandra Schmidt-Morgan, as owner of an undivided 1/60th interest in and to the Property, does hereby consent to the foregoing document.


Sandra Schmidt-Morgan,
an individual

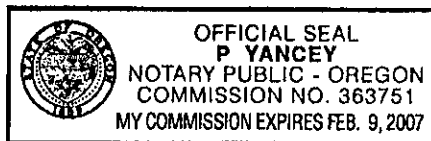
As the beneficiary of a trust deed encumbering Sandra Schmidt-Morgan's tenancy in common interest in the Property, the undersigned hereby consents to the foregoing document.

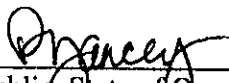
U.S. BANK NATIONAL ASSOCIATION

By: 
Name: Wes Wright
Title: Vice President

STATE OF OREGON }
COUNTY OF Deschutes }

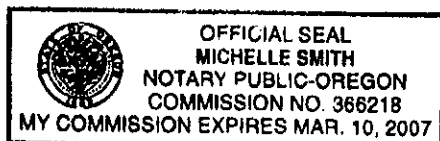
The foregoing instrument was acknowledged before me the 3rd day of June 2003, by Sandra Schmidt-Morgan.




Notary Public, State of Oregon
My Commission Expires: _____

STATE OF OREGON }
COUNTY OF Deschutes }

The foregoing instrument was acknowledged before me the 28th day of May 2003, by Wes Wright, the Vice President of U.S. Bank National Association, on behalf of the bank.



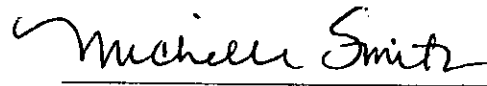

Notary Public, State of Oregon
My Commission Expires: 3-10-07

EXHIBIT "A"

PARCEL I:

The South Half of the Southwest Quarter (S $\frac{1}{2}$ SW $\frac{1}{4}$) and the Northwest Quarter of the Southwest Quarter (NW $\frac{1}{4}$ SW $\frac{1}{4}$) of Section 2, EXCEPTING THEREFROM that portion conveyed to the United States of America by Donation Deed recorded May 10, 1941 in Volume 60, Page 54, Deed Records, and that part of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 11 lying North and East of the rimrock on the North and East side of the Crooked River Canyon, all in Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

PARCEL II:

The Northwest Quarter (NW $\frac{1}{4}$) of Section 1, and the Southeast Quarter of the Northeast Quarter (SE $\frac{1}{4}$ NE $\frac{1}{4}$), and the North Half of the Southeast Quarter (N $\frac{1}{2}$ SE $\frac{1}{4}$) of Section 2, all in Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

PARCEL III:

The Southwest Quarter of the Southeast Quarter (SW $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 2, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

PARCEL IV:

The East Half (E $\frac{1}{2}$) of Section 3, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon. EXCEPTING THEREFROM that portion conveyed to the United States of America by Donation Deed recorded May 10, 1941 in Book 60, Page 56, Deed Records

PARCEL V:

The West Half (W $\frac{1}{2}$) of Section 3, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon. EXCEPTING THEREFROM that portion conveyed to Everett Thornburgh and Eva Thornburgh by Warranty Deed recorded January 25, 1983 in Book 3, Page 41, Official Records.

PARCEL VI:

The South Half of the Southeast Quarter (S $\frac{1}{2}$ SE $\frac{1}{4}$) of Section 4, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon. EXCEPTING THEREFROM that portion lying within the right of way of U.S. Highway 97 and the Oregon Trunk Railway as located July 1, 1966.

PARCEL VII:

That portion of the Northeast Quarter (NE $\frac{1}{4}$) of Section 9, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, lying and being East of the Burlington Northern Railroad Tracks.

PARCEL VIII:

A parcel of land situated in a portion of the East Half of the Northeast Quarter (E ½ NE ¼) of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, more particularly described as follows:

Commencing at a 3-1/4 inch aluminum cap monumenting the East Quarter corner of Section 10, the initial as well as the TRUE POINT OF BEGINNING, a point from which a 5/8 inch rebar monumenting the Center Quarter corner of said Section 10 bears South 89°37'23" West, 2628.07 feet; thence South 89°37'23" West along the South line of said East Half of Northeast Quarter (E ½ NE ¼), 1084.04 feet to the boundary of a parcel of land described in Volume 150, Page 530, Deed Records; thence North 00°04'01" East along said boundary, 515.00 feet; thence North 89°37'23" East along said boundary, 307.00 feet; thence North 00°04'01" East along said boundary, 185.00 feet; thence South 89°37'23" West along said boundary, 537.00 feet to the West line of said East Half of Northeast Quarter (E ½ NE ¼); thence North 00°04'01" East along said West line, 339.17 feet to the prolongation of an existing fence; thence North 89°15'55" East along said fence and its prolongation, 214.92 feet; thence North 02°25'34" West along said existing fence, 271.32 feet; thence North 01°33'41" West along said existing fence, 165.78 feet; thence North 85°06'20" East along said existing fence, 366.98 feet; thence North 07°10'37" West along said existing fence, 181.98 feet; thence Easterly along said existing fence approximately 10 feet to the brink of the West canyon rim of the Crooked River; thence Northeasterly along said brink approximately 970 feet to the North line of said East Half of the Northeast Quarter (E ½ NE ¼); thence Easterly along said North line approximately 534 feet to the Northeast corner of said Section 10; thence Southerly along the East line of said Section 10 approximately 2632 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM that portion lying North and East of the centerline of the Crooked River.

PARCEL IX:

A portion of the East Half of the Northeast Quarter (E ½ NE ¼) of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, described as follows:

Beginning at the Southwest corner of said East Half of the Northeast Quarter (E ½ NE ¼); thence Northerly long the West edge of said tract, a distance of 700 feet; thence Easterly and parallel to the South line of said tract, a distance of 537 feet; thence Southerly and parallel to the West line of said tract, a distance of 185 feet; thence Westerly and parallel to the Southerly edge of said tract a distance of 307 feet; thence Southerly and parallel to the West edge of said tract, a distance of 515 feet to the South line of said tract; thence Westerly along the South edge of said tract, a distance of 230 feet to the point of beginning.

PARCEL X:

Commencing at a 3-1/4 inch aluminum cap monumenting the East Quarter corner of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, the initial point, a point from which a 5/8 inch re-bar monumenting the Center Quarter corner of said Section 10 bears South 89°37'23" West, 2628.07 feet; thence South 89°37'23" West along the South line of the East Half of the Northeast Quarter (E ½ NE ¼) of said Section 10, 1314.04 feet to the West line of said East Half of Northeast Quarter (E ½ NE ¼); thence North 00°04'01" East along said West line, 1305.64 feet to an existing fence and the TRUE POINT OF BEGINNING; thence North 87°55'28" East along said existing fence, 203.24 feet; thence South 02°25'34" West along said existing fence, 271.32 feet; thence South 89°15'55" West along said existing fence and its prolongation, 214.92 feet to the West line of said East Half of the Northeast Quarter (E ½ NE ¼); thence North 00°04'01" East along said West line, 266.47 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM any portion lying with roadways.

PARCEL XI:

Commencing at a 3-1/4 inch aluminum cap monumenting the East Quarter corner of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, the initial point, a point from which a 5/8 inch re-bar monumenting the Center Quarter corner of said Section 10 bears South 89°37'23" West, 2628.07 feet; thence South 89°37'23" West along the South line of the East Half of the Northeast Quarter (E ½ NE ¼) of said Section 10, 1314.04 feet to the West line of said East Half of the Northeast Quarter (E ½ NE ¼); thence North 00°04'01" East along said West line, 1305.64 feet to an existing fence and the TRUE POINT OF BEGINNING; thence North 87°55'28" East along said existing fence, 203.24 feet; thence North 01°33'41" West along said existing fence, 165.78 feet; thence North 85°06'20" East along said existing fence, 366.98 feet; thence North 07°10'37" West along said existing fence, 181.98 feet; thence Easterly along said existing fence approximately 10 feet to the brink of the West canyon rim of the Crooked River; thence Northeasterly along said brink approximately 970 feet to the North line of said East Half of Northeast Quarter (E ½ NE ¼); thence Westerly along said North line approximately 780 feet to the West line of said East Half of Northeast Quarter (E ½ NE ¼); thence South 00°04'01" West along said West line, 1312.09 feet to the POINT OF BEGINNING.

EXCEPTING THEREFROM any portion lying within roadways.

PARCEL XII:

The Northwest Quarter (NW ¼); the Northwest Quarter of the Northeast Quarter (NW ¼ NE ¼); the West Half of the Southeast Quarter (W ½ SE ¼); and the Northeast Quarter of the Southeast Quarter (NE ¼ SE ¼) of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

EXCEPTING THEREFROM the East Half of the Northeast Quarter of the Northeast Quarter of the Southeast Quarter (E ½ NE ¼ NE ¼ SE ¼) of Section 10; and ALSO

EXCEPTING THEREFROM the East 20 feet of the Northwest Quarter of the Northeast Quarter (NW $\frac{1}{4}$ NE $\frac{1}{4}$) of Section 10 heretofore conveyed to Deschutes County for road purposes.

PARCEL XIII:

The Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) and the Northeast Quarter of the Southwest Quarter (NE $\frac{1}{4}$ SW $\frac{1}{4}$) of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

EXCEPTING THEREFROM the East 20 feet of the Southwest Quarter of the Northeast Quarter (SW $\frac{1}{4}$ NE $\frac{1}{4}$) heretofore conveyed to Deschutes County for road purposes.

PARCEL XIV:

That portion of the Northwest Quarter of the Northwest Quarter (NW $\frac{1}{4}$ NW $\frac{1}{4}$) of Section 11, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, lying South and West of the Crooked River.

PARCEL XV:

The Southwest Quarter of the Northwest Quarter (SW $\frac{1}{4}$ NW $\frac{1}{4}$) and the North Half of the Northwest Quarter of the Southwest Quarter (N $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$) of Section 11, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

EXCEPTING THEREFROM those portions lying East of the centerline of Crooked River.

AND the East Half of the Northeast Quarter of the Northeast Quarter of the Southeast Quarter (E $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 10, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon.

PARCEL XVI:

Lots 5 and 6, Block 1, ARROWDALE, Deschutes County, Oregon.

PARCEL XVII:

That portion of the Northeast Quarter of the Southeast Quarter (NE $\frac{1}{4}$ SE $\frac{1}{4}$) of Section 9, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, described as follows:

Commencing at the East Quarter corner of said Section 9; thence North 89° 20' West, a distance of 512.0 feet to a point in the centerline of the Austin Road (now known as NW Eby Avenue); thence South a distance of 20.0 feet to a point in the South right of way line of said Austin Road (now known as NW Eby Avenue), marked by a one inch steel bar, THE POINT OF BEGINNING; thence North 88° 20' West along said South right of way line, a distance of 582.4 feet to a corner fence post at the intersection of said South

right of way line of said Austin Road (now known as NW Eby Avenue) and the Easterly right of way line of the Oregon Trunk Railway; thence South 22° 20' East along said Easterly right of way line of said Railroad, a distance of 629.3 feet to a point in said Easterly right of way line of said Railroad marked by a one inch steel bar; thence North 75° 48' East, a distance of 374.8 feet to a point marked by a one inch steel bar; thence North 02° 40' West, a distance of 474.1 feet to the point of beginning.

PARCEL XVIII:

That portion of the Northeast Quarter (NE1/4) of Section 9, Township 14 South, Range 13 East of the Willamette Meridian, Deschutes County, Oregon, lying and being Westerly of the right of way of the Oregon Trunk Railway.

EXCEPTING THEREFROM that portion conveyed to the State of Oregon, by and through its State of Oregon Highway Commission, by Warranty Deed recorded November 14, 1953 in Book 105 at Page 461, Deed Records.

ALSO EXCEPTING THEREFROM beginning at a point 1055.24 feet South and 100 feet East of the Quarter corner between Section 4 and 9; thence South along the East side of the now existing highway, 1122 feet; thence South 89° 45' East, 396 feet; thence North, 1122 feet; thence North 89° 45' West, 396 feet to the point of beginning.