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CLEARSTONE SUBDIVISION

DECLARATION OF

COVENANTS, CONDITIONS & RESTRICTIONS

DECLARANT: ALTERRA INVESTMENTS LLC.

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Alterra Investments LLC
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**CLEARSTONE SUBDIVISION
COVENANTS, CONDITIONS, AND RESTRICTIONS
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**DECLARATION OF
CLEARSTONE SUBDIVISION
COVENANTS, CONDITIONS, AND RESTRICTIONS**

These Covenants, Conditions and Restrictions are made this 7th day of November, 2007 by Alterra Investments LLC, hereinafter referred to as "Declarant", as sole owner and developer of the real property in the City of Bend, Deschutes County, State of Oregon, described as follows:

**Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20 of Clearstone
Subdivision, Deschutes County, Oregon.**

The property described above is hereby subject to these Covenants, Conditions and Restrictions and will be known as CLEARSTONE Subdivision, hereinafter referred to as CLEARSTONE Subdivision.

CLEARSTONE Subdivision is being developed as a residential community. Except where this Declaration for CLEARSTONE Subdivision conflicts with any applicable government municipal regulations, this Declaration shall be binding upon all property subject to this Declaration and its Owners and their successors in interest as set forth herein. In the event any of the development standards or use restrictions of this Declaration conflict with a more restrictive standard or requirement set by an applicable zoning ordinance of the City of Bend, the more restrictive standard or requirement of the applicable City of Bend ordinance shall apply.

Section 1. DEFINITIONS

1.1 Architectural Review Committee (ARC).

The term ARC shall mean the group of individuals responsible for implementing, interpreting, and enforcing the Architectural Rules and Guidelines and the Conditions, Covenants, and Restrictions (see Section 9).

1.2 Association.

The term "Association" shall mean a private alley association that is responsible for the maintenance of the private alleys, private drywells, private catch basins, and for plowing the snow from the private alleys within CLEARSTONE Subdivision. The details of which are explained in Section 7.

1.3 CLEARSTONE Subdivision

The term "CLEARSTONE Subdivision" shall mean all of the real property now or hereinafter made subject to this Declaration.

1.4 Declarant.

The term "Declarant" shall mean Alterra Investments LLC, or his successors in interest.

1.5 Declaration.

The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for CLEARSTONE Subdivision.

1.6 Fence.

The term "Fence" shall mean a structural barrier which separates one space from another, is used to define property boundaries, or which is constructed for ornamental purposes.

1.7 Homesite.

The term "Homesite" shall mean a Lot as defined herein.

1.8 Improvements.

The term "Improvements" shall include, but not be limited to any buildings, outbuildings, private roads, driveways, parking areas, walkways, Fences and barriers, retaining walls, stairs, decks, hedges, windbreaks, planting, planted trees and shrubs, Park Strip (if any), signs, storage areas and all other Structures or exterior landscaping, vegetation or ground cover of every type and every kind above the land surface.

1.9 Lot.

The term "Lot" shall mean each lot described on a subdivision plat

or partition map or any alteration thereof as may be made by a valid lot line adjustment.

1.10 Owner.

The term "Owner" shall mean and refer to either all holders of fee title to any Lot or any person entitled to possession pursuant to a contract sale.

1.11 Park Strip.

The term "Park Strip" shall mean the area between the curb and the property line, excluding any sidewalk.

1.12 Streets.

The term "Streets" shall mean any Street, highway, alley or other thoroughfare within or adjacent to CLEARSTONE Subdivision and shown on any recorded subdivision or partition map, or survey map of record, whether designated thereon as Street, alley, boulevard, place, drive, road, terrace, way, lane, circle or otherwise.

1.13 Structure.

The term "Structure" shall mean anything constructed or built, any edifice or building of any kind, or any piece of work artificially built up or composed of parts joined together in some definite manner, which requires location on the ground or is attached to something having a location on the ground, including patio coverings, excepting outdoor areas such as areas covered with pavers, asphalt, concrete, open patios, driveways, sidewalks and alleys.

Section 2. PROPERTY SUBJECT TO THE COVENANTS, CONDITIONS, AND RESTRICTIONS FOR CLEARSTONE SUBDIVISION.

General Declaration Creating CLEARSTONE Subdivision.

Declarant hereby declares that all the real property located in Deschutes County, Oregon, known as CLEARSTONE Subdivision as recorded on November 7, 2007, shall be encumbered, leased, occupied, built upon or otherwise used, improved or transferred in whole or in part subject to this Declaration. All of said Restrictions are declared and agreed to be established with the purpose of protecting the desirability and attractiveness of said real property and every part thereof. All of the Covenants, Conditions, and Restrictions of CLEARSTONE Subdivision run with all of said real property, including any addition thereto, for all purposes and shall be binding upon and inure to the benefit of Declarant and all Owners and their successors in interest set forth in this Declaration.

Section 3. ARCHITECTURAL CONTROLS.

3.1 Approval Required.

No Improvements shall be erected, placed altered, maintained, or permitted to remain on any land subject to this Declaration until final plans and specifications have been submitted to and approved in writing by the ARC.

3.2 Procedure.

Any owner proposing to construct any initial improvements within the CLEARSTONE Subdivision shall follow the procedures and shall be subject to the approvals required by paragraphs 3.3 through 3.7 below. Failure to follow such procedures or obtain such approvals as required by paragraphs 3.3 through 3.7 below shall be deemed a breach of this Declaration. Any subsequent alteration, additions, destruction, or modification of any such improvements need to get ARC written approval unless the ARC no longer exists then the procedure to follow is described in paragraph 9.4 where the owner needs written approval from the majority of remaining owners (ten out of nineteen).

3.3 Required Documents

Any owner proposing to utilize, improve and/or develop real property within the CLEARSTONE Subdivision shall submit the following items for review:

- 3.3.1 A site plan showing the location, size, configuration, and layout of any building, structure, or improvement (or, where applicable, any alteration, addition, modification, or destruction thereto) including appurtenant facilities for parking, storage, and fences. The scale of plans shall be 1 inch = 10 feet.
- 3.3.2 Architectural plans and drawings showing the nature, style, and dimensions of any building, structure, fence, wall barrier or deck (or, where applicable, any alteration, addition, modification or destruction thereof), including the exterior material types, colors, and appearance. The scale of plans shall be ¼ inch = 1 foot.
- 3.3.3 An ARC fee shall be submitted with application for new construction, a portion of which will be refundable within 30 days after ARC final inspection of project completion. Review current ARC application for ARC fee amount. Fees are forfeited if project is not completed for occupancy (section 4.14) or no final ARC review is requested within 1 year of application approval date. Please refer to the Architectural Rules and Guidelines for additional documents that may be required.

3.4 Review.

All plans and drawings identified in paragraph 3.3 above shall be submitted to the ARC for review prior to the performance of any proposed work. Such plans and drawings shall be accompanied with a check

payable to "CLEARSTONE A.R.C." in an amount determined by ARC. No plans shall be reviewed until the architectural review fee is paid in full and ALL items noted on the Plan Review Checklist have been submitted and addressed by the applicant. The ARC shall review the plans and shall inform the owner in writing whether the plans conform to the development concept, the owner shall resubmit those non-conforming portions of the plans for review in accordance with the procedures outlined in paragraph 3.3 above, and this paragraph. No work may be performed relating to any improvement unless and until all aspects of all plans required under paragraph 3.3 above have been approved by the ARC.

3.5 Architectural Guidelines.

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

3.6 Inspection.

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

3.7 Waiver.

Any condition or provision of paragraph 3.2 through 3.6 above may be waived by the ARC in its exclusive discretion. Any waiver shall be in

general conformity with the development concept and development standards for the CLEARSTONE Subdivision. Any such waiver shall not be deemed a general waiver of any aspect of the development concept or the required procedures and approvals specified under paragraphs 3.2 through 3.6. The granting of a waiver as to one owner shall not automatically entitle any other owner the waiver of the same or similar conditions or provisions. No waiver shall be valid unless it is in writing, signed by an authorized representative or the ARC and delivered to the party claiming the benefit of such waiver.

Section 4. RESTRICTIONS.

4.1 Access to property

No other private properties may be used for access without that Owner's written permission with the exception of recorded access easements.

4.2 Antennas.

Television antenna, radio antenna, satellite antenna, satellite dishes or other receiving or transmission devices are subject to approval by the ARC.

4.3 Appearance.

All garbage, trash, cuttings, refuse, garbage and refuse containers, clothes drying apparatus, heat pumps, air conditioners, and other service facilities located on the Lot shall be screened from view of front streets and, are subject to approval by the Architectural Review Committee.

4.4 Driveways and Walkways.

Allowed materials for driveways include concrete, asphalt and masonry. All driveways shall be finished prior to occupancy. Exceptions may be allowed with ARC approval. Builders and builder/Owners are responsible for repair of all driveway cuts, concrete breakage of curbs, sidewalks or sidewalk aprons. The Developer and ARC representative will monitor and provide written documentation to offending Owner. All repairs must be completed within seven (7) working days from receipt of written notification from the Developer or ARC Representative.

4.5 Exterior Colors and Materials.

All exterior colors and materials including those for trim windows and doors are subject to approval by the ARC. Clearly indicate on submitted plans locations of all proposed exterior colors. Samples may be standard manufacture's paint chip samples. Use of muted, earth related tones such as brown, green, dark red, blue or yellow are encouraged.

4.6 Exterior Lighting.

All exterior lighting must be indirect and/or shielded. The lighting chosen must have no more than 60 watts per fixtures. Colored light sources may be prohibited. Indirect, low walkway and landscape lights less than 18" high are acceptable. Other decorative and landscape lighting is subject to ARC approval.

4.7 Fences and Wall.

All fences within the CLEARSTONE Subdivision shall be six (6) feet in height or less. Wood posts for fences may be higher than six (6) feet with ARC approval. Any fence extended in front of the house must not exceed three (3) feet in height. Height shall be measured from the natural grade. "Natural grade" is defined as the site topography which exists at the time a lot is sold to the first owner by the project developer; fill material subsequently brought to a site does not modify this original grade reference.

Painting of fences is allowed with ARC approval of colors. Any painted fences must be maintained so as to conform to the standards established for fences.

No cyclone, metal mesh, or chain link fences are allowed whatsoever except that fences posts may be metal or steel. Fences shall be constructed of grade #2, no-hole cedar or materials such as vinyl approved by the ARC. All side and rear fences constructed on the property line by the developer, or builder, are the property of the adjoining property owners. It is the adjoining property owner's responsibility to jointly maintain, repair or replace side fences when needed. Corner lots that anticipate constructing fences must have ARC approval prior to the start of construction.

4.8 Garages.

CLEARSTONE lots all garages to be accessed of the rear alley with no driveways or driveway cuts in the front of the lots. The intent is to build an environment suited to people by reducing the impact of the automobile on the street, not to build homes for cars. Carports or RV parking may be approved by ARC if the design elements are consistent with the house style, do not adversely impact adjoining lots, and is not visually noticeable from the street all designs shall be subject to ARC approval.

4.9 Improvements.

Each Lot within CLEARSTONE Subdivision shall be maintained in a clean and attractive condition, in good repair and in such a fashion as not to create a fire hazard. Home building must be completed within one year from the start of construction. ("Complete" means obtaining certificate of final inspection from the city.) Yards and park strip must be improved and landscaped not later than 90 days from occupancy including

the park strip area between the sidewalk and curb; in the event that the house is completed in winter, a 60-day extension may be granted.

Builders shall not disturb adjoining lots without permission. Each residence shall contain a minimum of 1500 square feet (not to include garage or storage). No T-1-11 or similar type of siding will be allowed on the exterior walls of any home, garage or any improvement. All exposed rafter tails will be a minimum of 2X6-inch material and barge boards a minimum of 2X8-inch material. All over hangs must be at least 18 inches. Window and corner trim must be at least 5/4 by 4-inch material. ARC may require these dimensions to be larger based on size, massing and style of home or may grant exceptions for smaller material. Installation of underground sprinkler systems for front yards and park strip of each home is mandatory. All lots shall provide a front walk a minimum of 3' in width, which accesses the front of the house from the sidewalk or street, exceptions approved by ARC.

4.10 Landscaping.

All disruption of the natural landscape must be repaired within 90 days of occupancy. During the winter, a 60-day extension may be granted. On unimproved lots, areas that have been disturbed and are highly visible or that constitute a dust problem may require corrective action as determined by the ARC.

While the park strip in front of each home is within the street right-of-way, it is each homeowner's responsibility to install and maintain sprinklers, trees and landscaping. The landscaped park strip have two trees per lot and five trees for corner lots with a minimum size of 2" diameter 6' above ground and type determined by ARC. Landscaping of park strips must include commercially-grown sod cover the entire park strip allocated to each property owner. No amateur-grown sod or seed only lawn will be allowed. Alternative planting such as ground cover needs ARC approval.

Those lots with electrical transformers located in the park strip shall not plant any trees in the front and 3' feet within the side and rear of the transformer.

The front and side yards shall be fully landscaped with a minimum of bark or other ground cover and must have shrub and bush plantings incorporated in front landscape plan. Excellent advice can be gained from the local nurseries and landscaping professionals. All landscape design is subject to review and approval by the ARC. Owners are responsible to provide and maintain two park strip trees per lot and are required to replace dead trees with type and size (min. 2-inch measured 6" above ground) originally planted.

4.11 Livestock, Poultry and Pets.

No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot except that dogs, cats or other common household pets

may be kept, provided that they are not kept, bred or maintained for any commercial purposes and do not constitute a nuisance. Doghouses shall be limited to two and only allowed in the backyard. Owners are responsible to clean up after walking dogs.

All CLEARSTONE homesites are within the City limits of Bend and resident animals are subject to the City of Bend leash laws. Animal nuisance ordinances are also in effect for barking and trash strewn dogs. If an animal is off the owner's homesite, it must be on a leash. Please contact the City of Bend Police Department to report violations. The City of Bend is best equipped to deal with these problems and can enforce stringent fines.

4.12 Lot Area Width, Setback Lines.

Lot area, width and setback lines shall be in accordance with the requirements of the applicable City of Bend Zoning and Use Regulations and as shown on the Plat. No residential lot shall be further partitioned or subdivided.

4.13 Nuisances.

Boundary fences, walls or hedges must be kept in good condition and repair. Lawns must be cut sufficiently and maintained year round so that they do not become eyesores and detrimental to the values of other properties. Trees and shrubs that encroach on any other lot shall be trimmed and pruned if it is a nuisance to neighbors.

4.14 Occupancy.

No occupancy will be allowed before: 1) Final inspection and approval and compliance with all governmental regulations, 2) Removal of all construction waste. Materials and portable toilet, and 3) Completion of exterior painting. (exception allowed during winter months)

No owner shall occupy, use or permit his Lot or any part thereof to be used for any purpose other than a private residence for the Owner, their family or their guests, except that each Owner shall be permitted to rent the unit when he is not in occupancy. The rental period shall not be less than one month. Home occupations will be allowed as under the current City of Bend Zoning Ordinance.

4.15 Required Setbacks.

All improvements shall be erected, placed, altered and maintained in accordance with all applicable City of Bend setbacks, building height limitations, solar setbacks, building codes and the ARC guidelines for CLEARSTONE Subdivision.

4.16 Roofs.

All roofs and roofing materials shall be limited to quality composition roofs (30-year or better), slate, tile, fiberglass or other

acceptable fire resistant materials approved by the ARC. No wood, shake-shingle or other highly combustible roof materials will be allowed. Colors shall not be bright and outstanding. Suggested colors include Weatherwood, Ebonywood (black), and Driftwood (gray).

4.17 Sidewalks.

Owners are responsible for clearing sidewalks of snow and debris.

4.18 Sight Distance at Intersection.

Sight distance at intersections shall conform to City of Bend.

4.19 Signs.

A maximum of two signs may be installed on a homesite during construction. Owner may display not more than one (1) "for sale" sign or one (1) "for rent" sign per Lot. Said signs shall be limited in size to not more than four (4) square feet. Temporary political signs are allowed before elections.

4.20 Structures and Out Buildings.

No house trailer, manufactured home, modular home, mobile home, tent, shack, barn or other similar outbuilding or structure, whether permanent or temporary, shall be erected or placed on any Lot. No portable storage units shall be allowed.

Only earth tone (brown, gray, etc.) colored tarps and covers shall be allowed.

4.21 Utilities.

No above ground utilities, pipes or wires shall be used to connect improvements with supplying facilities.

4.22 Vacant Lot.

The Owner of a vacant Lot shall maintain the Lot year round in a groomed and attractive manner so that the Lot does not become an eyesore or fire hazard and detrimental to the value of other properties.

4.23 Weather and Sewer Supply.

No individual water supply system or sewage disposal system shall be permitted on any Lot.

Section 5. DECLARANT'S IMMUNITY.

The Declarant has a non-exclusive right and power to enforce these Covenants, Conditions, and Restrictions, but the Declarant does not have the legal obligation to enforce or attempt to enforce the provisions hereof. In the event the Declarant refuses, neglects, fails or is negligent in enforcing or attempting to enforce these Covenants, Conditions and

Restrictions there shall not exist or be created any cause of action or claim against Declarant, and each Owner or any person or entity claiming by, through or from said Owner hereby releases Declarant and holds Declarant harmless from and against any claim arising in connection with the development of CLEARSTONE or related to Declarant's acts or omissions in preparing, filing or enforcing these Covenants, Conditions and Restrictions and shall be prohibited from making or enforcing any such claim.

Section 6. DURATION AND AMENDMENT OF THIS DECLARATION.

6.1 Duration.

The Covenants, Conditions and Restrictions of CLEARSTONE Subdivision shall remain in full force and effect at all times with respect to all property, and each part thereof, now or hereafter made subject thereto (subject however, to the right to amend and repeal as provided for herein) for a period of thirty (30) years from the date this Declaration is recorded. However, unless within the year prior to the date of said termination, there shall be recorded in the Deschutes County Recorder's office an instrument directing the termination of this Declaration, signed by the Owners of not less than seventy-five percent (75%) of the Lots subject to this Declaration, the Declaration, as in effect immediately prior to the expiration date, shall be continued automatically without further notice for an additional period of ten (10) years. The term of this Declaration shall thereafter be extended for successive (10) year periods unless a notice of termination is executed and recorded in the year prior to the termination as provided in the previous sentence.

6.2 Amendment.

This Declaration or any provision thereof, or any Covenant, Condition or Restriction contained herein, may be terminated, extended, modified or amended, as to the whole of said property or any part thereof with written consent of the Owners of seventy-five (75%) of the Lots subject to these Restrictions.

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

Section 7. ENFORCEMENT.

7.1 Enforcement

The Declarant or any Owner shall have the right, but not the obligation, to enforce all the provisions of these covenants, conditions and restrictions and/or any that may hereafter be enacted. Failure to enforce the restrictions shall not be deemed a waiver of a continuing violation or any similar violation.

7.2 Small Claims Court Claims.

In lieu of mediation, arbitration or litigation in any other court of law, all claims arising directly or indirectly from the rights and obligations conferred by this Declaration, alleging money damages only, and within the jurisdiction of the Small Claims Division of the Deschutes County Circuit Court, shall be brought and decided there, but only if an active Small Claims Court is established and active.

7.3 Mediation.

All claims arising directly or indirectly from the rights and obligations conferred by this Declaration not subject to resolution in the Small Claims Division of the Deschutes County Circuit Court shall be mediated prior to arbitration or litigation. The parties to such a dispute shall agree upon a mediator within ten (10) days of a written request by one of the parties delivered to the other party(ies). If they cannot agree, each party may identify a Bend, Oregon attorney who shall consult with the other party's designated attorney for the purpose of choosing a mediator. The attorneys shall identify a mediator and provide each party notice of the date and time mediation is to be conducted. The cost of mediation shall be shared equally by the parties to the dispute, unless otherwise agreed to at mediation.

7.4 Arbitration.

All disputes, whether legal or equitable, arising directly or indirectly from the rights and obligations conferred by this not subject to resolution in the Small Claims Division of the Deschutes County Circuit and not resolved by Mediation shall be resolved by binding arbitration. The parties to such a dispute shall agree upon an arbitration procedure and an arbitrator with ten (10) days of a request by one of the parties. In the event the parties cannot agree, then each party shall select an arbitrator and those arbitrators shall select a person to arbitrate the dispute. All arbitrators shall be Bend attorneys, experienced in real property law.

The costs of arbitration proceedings including the arbitrator's fees shall be shared equally by the parties to the dispute. If the person bringing the claim is the Declarant or the Road Maintenance Association, the prevailing party shall recover from the other parties its reasonable attorney fees, including those incurred on appeal. The amount of attorney fees shall be decided by the arbitrator(s) and the arbitrator's decision in this regard shall also be binding upon the parties.

The arbitrators shall have all the authority vested in the Circuit Court for the State of Oregon, including the authority to issue injunctions, both permanent and temporary, to award damages and to decide procedural, evidentiary and substantive matters that come before the arbitrators during the dispute resolution process.

In the event the parties or the arbitrators cannot agree on the selection of the arbitrators or the procedure to be used in the arbitration proceeding, the terms and provisions of ORS.36.600 through 36.740, or its successor, shall apply.

If a necessary party to a dispute cannot be compelled to arbitrate, the dispute shall be tried in the Deschutes County Circuit Court.

Section 8. EFFECT OF DECLARATION.

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

Section 9. ARCHITECTURAL REVIEW COMMITTEE.

9.1 Responsibility.

There shall be an Architectural Review Committee (ARC). The committee shall be responsible for implementation, interpretation and enforcement of the Architectural Rules and Guidelines. The committee or any of its members have the right to enforce the CLEARSTONE Conditions, Covenants, and Restrictions. Each decision of the ARC made in conjunction with its responsibilities shall be conclusive, determinative and binding upon the owners and their agents.

The ARC may enforce the Architectural Rules and Guidelines in the same manner and are subject to the same requirements, restrictions and effects as set forth in Section 7 hereof.

9.2 Liability.

In consideration for each committee member's consent to serve on the committee, the owners, their successors and assigns, hereby release and forever acquit each member of the committee from all acts and omissions performed in their capacity as committee members. This release includes both ministerial and discretionary acts, omissions, and decisions. No member of the committee shall be liable at law or in equity

for their individual acts or omissions or the acts, omissions or decisions of the committee as a whole.

9.3 Non-waiver.

The guidelines shall generally set forth the procedures owners are to follow for the approval, construction and maintenance of any improvement, landscaping and the like on any Lot within CLEARSTONE Subdivision.

9.4 Membership.

The ARC shall initially consist of three members appointed by the Declarant. Those members shall Alterra Investments LLC, Tozer Design Studios and Priscilla Martin. A majority of the ARC may designate a representative to act for it. In case of death or resignation of any member, the Declarant may appoint a successor. In the event of the deaths or resignations of all members of the ARC occurs without successors having been appointed, the Declarant shall appoint the successors. In the event that no ARC exists, property owners need the majority of neighbors (ten out of nineteen) to give written approval for all alterations, remodels, additions or modifications that require ARC approval as describe in these CC&R's.

9.5 Decisions.

Except as otherwise provided herein, a majority of the Architectural Review Committee shall have the power to act on behalf of the committee without the necessity of a meeting and without the necessity of consulting the remaining members of the committee. In the event of being unable to attend an ARC meeting or vote, the ARC member shall give a proxy to the other ARC members. The committee shall render its decisions in writing, copies of which shall be sent or delivered to the owner involved.

9.6 Approvals.

The ARC shall approve or disapprove plans within a reasonable time after the same has been submitted to it in writing. The ARC will not commence reviews of an applicant's submittal until all items noted on the Plan Review Checklist have been submitted and addressed by the applicant. There shall be no construction or disturbance of any vegetation on any lot before approval is obtained by an owner.

Approval by the ARC of any matter proposed to it shall not be deemed a waiver or a precedent impairing the ARC's right to withhold approval as to any similar matter thereafter submitted to it.

Section 10. SEVERANCE.

The provisions of this agreement are declared to be severable. If a court or arbitrator of competent jurisdiction finds or holds that any provision or

clause in this Agreement is invalid or unenforceable, the remainder of this Agreement shall be valid and enforceable and the parties shall use good faith to negotiate a substitute, valid and enforceable provision which most nearly effects the parties' intent. If the parties fail to negotiate a substitute, the arbitrator or the court shall reform the agreement with a provision which most nearly effects the parties' intent.

Section 11. PRIVATE ALLEY MAINTENANCE.

11.1 Association.

There shall be a Private Alley Maintenance Association (Association) for the maintenance of the private alleys, private drywells, private catch basins, and for plowing the snow from the private alleys within CLEARSTONE Subdivision. The Association members shall initially be the Declarant. After ninety (90) percent of the Lots have been sold, the Declarant shall call a turnover meeting by delivering to the Lot Owners a notice of a turnover meeting. The date of the turnover meeting shall be not less than 20 nor more than 45 days after the date notice is mailed to the Lot Owners. At the time of the turnover meeting the Lot Owners shall become the Association Members and the Declarant shall turn over control of all Association funds and all maintenance contracts. Declarant's responsibility for management of the Association shall terminate at the time of the turnover meeting. The members may, but shall not be required to, incorporate as an Oregon non-profit corporation. The Declarant may, but is not required to, adopt initial bylaws for governance of the Association. The Association shall adopt by majority vote of the Lot Owners final bylaws for the governance of the Association.

11.2 Assessments.

The Association shall collect periodic assessments from all Lot Owners. Assessments shall initially be set by the Declarant. By accepting title, Lot Owners agree and covenant to pay assessments as initially set by Declarant, and thereafter as set by the Association. Assessments shall be used to form two funds.

The first fund shall be for normal maintenance activities to initially include maintenance of the private alleys, private drywells, private catch basins and for plowing the snow from the private alleys within CLEARSTONE subdivision. The Association can adjust the scope as desired. This first fund shall be known as the maintenance fund. This fund shall be used to pay expenses which can be reasonably forecasted for maintenance, repair, and upkeep of CLEARSTONE Subdivision private alleys, drywells and catch basins a three year forecast period. These amounts shall include costs of drywell maintenance and catch basin maintenance.

The second fund shall be for long term capital improvements and replacement and shall be known as the reserve fund. Reserve fund

assessments may be collected for long term costs such as (without limitation) capital improvements or replacement of the private alley, long term drywell maintenance or replacement, and irrigation system replacement within CLEARSTONE which may be anticipated over a forecast period of thirty (30) years.

11.3 Payment.

Assessments for the maintenance and reserve funds will be paid by the Lot Owner or Owners in advance in monthly, quarterly or annual installments, as determined by the Association, commencing on the initial sale of each Lot. Assessments shall be uniform for all lots. The rate at which Lots will be assessed will be determined by the Association at least thirty (30) days in advance of each assessment period. Notice of assessments shall be delivered to each Lot Owner and shall identify the portion of the assessment used to fund the maintenance account and the portion of the assessment used to fund the reserve account.

11.4 Ownership of Assessment Account.

All assessments and accounts are the property of the Association and no portion of the assessments shall be returned to any Lot Owner.

11.5 Emergency Assessments.

The Association may call for an emergency assessment in the event of emergency circumstances. As used in the foregoing sentence, "emergency" shall mean a situation or occurrence that is likely to result in a material negative impact on services to Lot Owners and/or pose a health or safety risk.

11.6 Subordination of Lien to Secure Payment.

To secure payment of the maintenance and reserve fund assessments and all other assessments (including fines) established hereby and to be levied on individual Lots as provided in this Section 9 and all other obligations of a Lot Owner under these CCRs, there is hereby reserved a lien in favor of the Association for the benefit of all other Lot Owners, on each Lot, said lien to be enforceable through appropriate proceedings at law or in equity by the Association, provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the instance and request of the Lot Owner to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Lot 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.

certified mail, to contain the statement of the delinquent 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. The provisions regarding the attachment, notice, recordation, and duration of liens established on real property under ORS 94.709 (and its successor provisions) shall apply to the Association's lien. Sale or transfer of a Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure 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 Lot from liability for any assessments thereafter becoming due or from the lien thereof, nor shall it relieve the Lot Owner from the personal obligation for payment of the assessments. The Association shall have the right to file notices of liens in favor of the Association in the real property records of Deschutes County, Oregon.

11.7 Additional Assessments.

In addition to the periodic assessments described in this Section 9, the Association shall have the authority to assess on a Lot Owner's Lot(s) costs and expenses incurred by the Association for corrective action, including without limitation court proceedings, that is required as a result of the willful or negligent actions or omissions of such Lot Owner or such Lot Owner's family members, tenants, guests, contractors or invitees. Each such additional assessment, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land, a continuing lien upon the Lot, and the personal obligation of the Lot Owner in the manner described in this Section 9.

11.8 Delinquent Assessments.

Any unpaid or overdue assessment shall be collectable upon ten day's written notice to the Owner. If the overdue assessment is not paid, then the Association may sue the Owner in the appropriate court of law. All costs of collection, including but not limited to attorney fees at trial and on appeal, shall be added to the assessment. As an alternative to the procedure set forth herein, the Association may lien the property as provided by ORS chapter 94. The Owner shall remain personally liable for all assessments, though a judgment or lien may attach to the Lot or any other real or personal property of the Owner. Delinquent assessments shall incur interest at the rate of 9% per annum.

IN WITNESS WHEREOF, the Declarant has executed this Declaration this 7th day of November, 2007

By Jason S. Adams, m.m.
Jason S. Adams, Member of Alterra Investments LLC

STATE OF OREGON, County of Deschutes, ss.

The above named JASON S. ADAMS personally appeared before me as member of ALTERRA INVESTMENTS LLC and acknowledged the forgoing instrument as his voluntary act.

Before me: Lindsay N. Thompson
NOTARY PUBLIC FOR OREGON
My commission expires: MAY 25, 2009

