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AFTER RECORDING RETURN TO:

Ball Janik LLP
15 SW Colorado, Suite K
Bend, OR 97702
Attn: Laura Craska Cooper

**SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS FOR DESCHUTES RIVER RANCH**

THIS SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR DESCHUTES RIVER RANCH (this "Supplemental Declaration")
is made this 8th day of December 2004, by Deschutes River Ranch Group, LLC, an Oregon
limited liability company ("Declarant").

Recitals:

A. Declarant recorded that certain Declaration of Protective Covenants, Conditions,
and Restrictions for Deschutes River Ranch, on March 11, 2003, in the Official Records of
Deschutes County, State of Oregon, at Volume 2003, Page 16201, re-recorded on December 11,
2003 at Volume 2003, Page 84346, and re-recorded on October 27, 2004 at Volume 2004, Page
64463 (as amended or supplemented from time to time, the "Declaration").

B. Pursuant to Section 10.1 of the Declaration, Declarant desires to annex the parcel
of real property described in attached **Exhibit A** (the "Annexed Lot") to the real property that is
subject to the Declaration, upon the terms and conditions contained in this Supplemental
Declaration. The Annexed Lot will be conveyed by Declarant to a third party as a Subdivision
Lot (as defined in the Declaration).

NOW, THEREFORE, Declarant hereby declares that the Annexed Lot shall be
held, leased, sold and conveyed subject to the Declaration, this Supplemental Declaration and the
Bylaws of Deschutes River Ranch Community Association, Inc. and that the easements,
covenants, restrictions and charges contained in the Declaration, the Bylaws and herein shall run
with the land and shall be binding upon all parties having or acquiring any right, title or interest
in the Annexed Lot, or any part thereof, and shall inure to the benefit of each owner thereof.

ARTICLE 1 DEFINITIONS

Except to the extent otherwise defined herein, capitalized terms used in this
Supplemental Declaration shall have the meanings given to such terms in the Declaration.

ARTICLE 2 ANNEXATION OF PROPERTY

The Annexed Lot is hereby annexed to and made a part of the Property, and is
owned and shall be owned, leased, held, conveyed, hypothecated, encumbered, used, occupied
and improved in perpetuity, subject to the easements, covenants, restrictions and charges

contained in the Declaration, as modified or supplemented by the terms of this Supplemental Declaration. Commencing as of the date hereof, all of the covenants, conditions and restrictions of the Declaration as modified or supplemented by the terms of this Supplemental Declaration shall apply to the Annexed Lot in the same manner as if such Annexed Lot were originally covered by the Declaration. The Annexed Lot shall constitute a "Lot" under the Declaration. Effective as of the date hereof, the Annexed Lot shall no longer constitute a "Private Parcel" pursuant to Section 1.18 of the CC&Rs.

ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owner of the Annexed Lot shall become a member of the Association and shall be entitled to voting rights as set forth in the Declaration and the Bylaws for Deschutes River Ranch Community Association (as the same may be amended from time to time, the "Bylaws"). Ownership of the Annexed Lot shall be subject to the terms of the Bylaws.

ARTICLE 4 ASSESSMENTS AND VOTING RIGHTS

The Annexed Lot shall be subject to assessment in the manner and on the terms set forth in the Declaration. Assessments for the Annexed Lot shall commence on the day this Supplemental Declaration is recorded. The Annexed Lot shall be entitled to the voting rights as set forth in Section 2.2 of the Declaration, and assessments shall be reallocated and reapportioned in the manner set forth in Section 2.14 of the Declaration.

ARTICLE 5 AMENDMENTS

5.1 Term and Amendments. The covenants and restrictions of this Supplemental Declaration shall run with and bind the Annexed Lot for so long as the Declaration is valid. This Supplemental Declaration may be amended in the same manner as the Declaration may be amended, pursuant to the terms of the Declaration. Declarant reserves the right at any time to amend this Supplemental Declaration, or any amendment hereto, in order to correct scrivener's errors. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

5.2 Regulatory Amendments. Notwithstanding the provisions of Section 5.1 of this Supplemental Declaration, until the Turnover Meeting described in the Bylaws and Declaration, Declarant shall have the right to amend this Supplemental Declaration, the Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with the Oregon Planned Community Act.

5.3 FHA/VA Approval of Amendments. Amendments shall be subject to prior approval of FHA and/or VA in accordance with the procedure as described in Section 10.1 of the Declaration, for so long as there is Class B membership in the Association.

ARTICLE 6 MISCELLANEOUS PROVISIONS

6.1 Recitals. The Recitals are hereby incorporated as if set forth fully herein.

6.2 Non-Waiver. Failure by the Association or by any Owner of the Annexed Lot to enforce a covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

6.3 Construction; Severability. This Supplemental Declaration and the Declaration shall be liberally construed as one document to effect the annexation of the Annexed Lot to the Property. Nevertheless, each provision of this Supplemental Declaration and the Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision.

6.4 Run with Land. This Supplemental Declaration and the covenants, restrictions and changes described herein shall run with the land and shall be binding on the parties and any person acquiring any right, title, or interest in the Annexed Lot.

6.5 Termination. This Supplemental Declaration shall terminate upon the termination of the Declaration in accordance with the terms thereof.

IN WITNESS WHEREOF, Declarant has executed this Supplemental Declaration as of the date first set forth above.

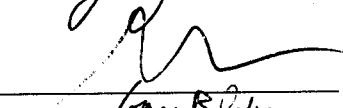
“Developer”:

DESCHUTES RIVER RANCH GROUP, LLC,
an Oregon limited liability company

By: 

Name: Craig Morton

Title: Managing member

By: 

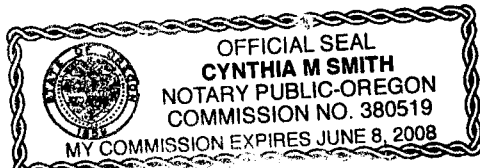
Name: Gary Blake

Title: Managing member

STATE OF OREGON }

COUNTY OF Deschutes }

The foregoing instrument was acknowledged before me the 6th day of December 2004, by Craig S. Morton, co-managing member of Deschutes River Ranch Group LLC, an Oregon limited liability company, on behalf of the company.

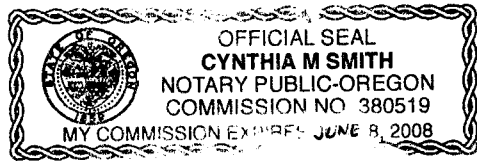


Cynthia M. Smith
Notary Public, State of Oregon
My Commission Expires: June 8, 2008

STATE OF OREGON }

COUNTY OF Deschutes }

The foregoing instrument was acknowledged before me the 9th day of December 2004, by Gary B. Blake, co-managing member of Deschutes River Ranch Group LLC, an Oregon limited liability company, on behalf of the company.



Cynthia M. Smith
Notary Public, State of Oregon
My Commission Expires: June 8, 2008

Exhibit A

Legal Description of Annexed Lot

Lot 1, Deschutes River Ranch, Deschutes County, Oregon