

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR
88-11107
DESCHUTES RIVER WOODS SUBDIVISION BLOCK 22

THIS DECLARATION made this 26 day of May,
1988, by DESCHUTES DEVELOPMENT COMPANY, INC., an Oregon
corporation ("Declarant"), is as follows:

R E C I T A L S

A. Declarant is the owner of certain real property
("Subdivision") located in Deschutes County, State of Oregon,
more particularly described as:

All of the following described Lots as shown on the
Deschutes River Woods Subdivision Block 22 Replat
filed May 26, 1988, in the office of the County
Recorder in Deschutes County, Oregon:

Lots One (1) through Eight (8), Block 22,

which shall be the Subdivision encumbered pursuant to the
provisions of this Declaration. A portion ("Association
Property") of the Subdivision shall be conveyed by the
Declarant to the Association of Owners authorized by this
Declaration.

B. Declarant is obligated to construct a road upon a
portion of the Subdivision.

C. Declarant intends to and does hereby establish for
its own benefit and for the mutual benefit of all future
owners or occupants of the Subdivision, and each part
thereof, certain easements, and rights in, over, and upon the
Subdivision, and certain mutually beneficial covenants,
conditions, restrictions, and obligations with respect to the
proper use, conduct, and maintenance thereof.

D. Declarant intends that the owners, mortgagees,
occupants, and all other persons hereafter acquiring any
interest in the Subdivision, or any part thereof, shall at
all times enjoy the benefits of, and shall hold, sell, and
convey their interests, subject to the rights, easements,
covenants, conditions, restrictions, and obligations herein-
after set forth and contained in the final replat filed in
the office of the Deschutes County Clerk, all of which are
hereby declared to be in furtherance of a general plan to

promote and protect the cooperative aspect of such development and are established for the purpose of enhancing and perfecting the value, desirability, and attractiveness of the Subdivision.

E. The Subdivision is subject to the Conservation Easement granted Deschutes County, State of Oregon, and filed in the official records of the Deschutes County Clerk, attached hereto as Exhibit "A."

DECLARATIONS

NOW, THEREFORE, Declarant, as owner of the Subdivision, declares that the Subdivision shall be held, sold, and conveyed subject to the following easements, covenants, conditions, and restrictions, and as set forth in the final replat, which are for the purpose of protecting the value and desirability of, and which shall constitute equitable servitudes on the Subdivision, and which shall run with said Subdivision, and be binding on and inure to the benefit of all parties having any rights, title, or interest therein, or in any part thereof, their heirs, successors, and assigns.

ARTICLE I DEFINITIONS

As used herein, unless otherwise specified or unless the context otherwise requires:

1.1 "Articles" means the Articles of Incorporation of Deschutes River Woods Block 22 Homeowners Association, as such Articles may be amended from time to time.

1.2 "Assessment" means collectively, the annual assessments, special assessments, emergency assessments, remedial assessments, and property tax assessments, as each such term is defined in Article III of this Declaration.

1.3 "Association" means the Deschutes River Woods Block 22 Homeowners Association.

1.4 "Association Property" means the road as shown on the final replat and may include any lot, parcel, road, or easement conveyed to or reserved for the benefit of the Association and which is thereafter operated and/or maintained for the benefit of the Members and all improvements thereon and personal property related to the use and enjoyment thereof.

1.5 "Association Policies and Procedures" means those policies, procedures, rules and regulations adopted by the

Association pursuant to the authority of Section 2.7 herein, as such Policies and Procedures may be amended from time to time.

1.6 "Board" means the Board of Directors of the Association.

1.7 "Budget" means a proforma operating statement of the Association, which sets forth its estimated annual income and expenses.

1.8 "Building" means any structure having a roof supported by columns or walls for the housing or enclosure of persons, animals, or chattels, and located on a lot and forming a part of such lot.

1.9 "Bylaws" means the Bylaws of the Association as such Bylaws may be amended from time to time.

1.10 "Conversion Date" means the date on which Class B membership of the Association is converted to Class A membership, as provided in Article II herein.

1.11 "County" means the County of Deschutes, state of Oregon.

1.12 "Declarant" means Deschutes Development Company, Inc., an Oregon corporation, together with its successors and assigns, if any successors and assigns should acquire any portion of the Subdivision from the Declarant for the purpose of development and are designated by Declarant as an assignee for the purpose hereof by duly recorded instrument.

1.13 "Declaration" means this instrument by which the Subdivision is established, as amended from time to time.

1.14 "Director" means a member of the Board of Directors of the Association. A Director may or may not be an Owner.

1.15 "Dwelling" means any Building or portion thereof which is used as a private residence or sleeping place of one or more human beings.

1.16 "Final Replat" means the replat map filed in the office of the Deschutes County Clerk.

1.17 "First Mortgage" means with respect to each lot owned by non-Declarant owners, any first mortgage made in good faith and for value and created in connection with the acquisition of such lot, or with respect to any portion of

the Subdivision owned by Declarant, any mortgage encumbering the Subdivision or any portion thereof and securing an obligation of Declarant.

1.18 "Improvements" means buildings, garages, carports, streets, roads, driveways, walkways, parking areas, fences, wells, reservoirs, porches, elevated porches, hedges, plantings, planted trees and shrubs, recreational amenities and all other structures or landscaping of every kind, nature or description.

1.19 "Initial Commencement Date" means the first date of the first month following recordation of the deed for sale of the first lot to a non-Declarant owner.

1.20 "Lien" means either a voluntary or involuntary lien.

1.21 "Lot" means each lot or parcel of real property shown with a distinct number or letter on the map or plat of the Subdivision or any portion thereof which may be legally conveyed, including all parcels owned by the Association, whether designated as roadways, wells, restricted use areas, or otherwise.

1.22 "Majority of Owners" means: (a) prior to the Conversion Date, the vote or written assent of a majority of non-Declarant owners and the consent of the Declarant; and (b) from and after the Conversion Date, the vote or written assent of the owners entitled to vote or so assent, and who collectively are entitled to exercise more than fifty percent (50%) of all votes which may be exercised by such owners.

1.23 "Member" means every person or entity who holds membership in the Association.

1.24 "Mortgage" means a mortgage or deed of trust.

1.25 "Mortgages" means the beneficiary of a recorded deed of trust or the holder of a recorded Mortgage.

1.26 "Non-Declarant Owners" means all owners other than Declarant.

1.27 "Organization Meeting" means that organization meeting of the Association pursuant to Article V, Section 2, of the Bylaws.

1.28 "Owner" means the person or persons, including Declarant, whose estates or interests, individually or collectively, aggregate fee simple ownership of a Lot, but

excluding those having an interest merely as a security for the performance of an obligation. Owner includes contract purchaser and lessees of a term in excess of five (5) years, but excludes the holders of title subject to such contracts or leases.

1.29 "Public Report" means, unless more particularly specified, a public report issued by the Real Estate Commissioner of the state of Oregon, or some other state, with respect to all or any portion of the Subdivision or a comparable public disclosure document issued by any regulatory agency of a state in which real property interests in the Subdivision are intended to be offered.

1.30 "Reserve Expenses" means the specific capital expenditures required to be made at any time and from time to time to provide for the repair, replacement, or restoration of the Association Property and for such other purposes as prudent business practice requires.

1.31 "Restricted Use Area" means a portion of the Subdivision designated as such by the Board, the use and enjoyment of which is reserved to the Association for their purposes, and not generally available for use by Members.

1.32 "Shall" is mandatory not merely directory.

1.33 "State" means the state of Oregon.

1.34 "Starting Date" means the date on which the first deed conveying any lot to a Non-Declarant Owner is recorded.

1.35 "Subdivision" means the Deschutes River Woods Block 22 Subdivision.

1.36 "Unit" means a residential Dwelling unit.

1.37 "Year" means a calendar year.

ARTICLE II

DESCHUTES RIVER WOODS BLOCK 22 HOMEOWNERS ASSOCIATION

2.1 ORGANIZATION. The Deschutes River Woods Block 22 Homeowners Association is an Oregon nonprofit corporation, which corporation shall be the governing body for all the Owners, for the maintenance, repair, replacement, administration, and operation of Association Property and all other property it is required or permitted to maintain pursuant to this Declaration, and shall have the duties and powers described by law and set forth in the Articles, Bylaws, and this Declaration. Neither the Articles nor Bylaws shall for

any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. In the event of any such inconsistency, the provision of this Declaration shall prevail.

2.2 MEMBERSHIP.

(a) Qualifications. Each Owner of a Lot, including Declarant, but excluding persons or entities who hold an interest merely as security for the performance of an obligation, shall automatically, upon becoming an Owner, shall become a Member of the Association and shall remain a Member until such Owner ceases to own such Lot.

(b) Membership Rights and Duties. Each Member shall have the rights, duties, and obligations set forth in this Declaration, the Articles, the Bylaws, and the Association Policies and Procedures, as said documents may be amended from time to time.

(c) Transfer of Membership. The Association membership of each Member (including Declarant) shall be appurtenant to the Lot giving rise to such membership, and shall not be assigned, transferred, pledged, conveyed, or alienated in any way, except upon the transfer of title to said Lot, and then only to the transferee of title. Any attempt to make a prohibited transfer shall be void. Any such transfer of title shall operate automatically to transfer the membership in the Association appurtenant thereto to the new Owner thereof.

2.3 VOTING.

(a) Number of Votes. The Association shall have two (2) classes of voting membership:

Class A: Until the conversion of the Class B membership to Class A, as provided herein, Class A Members shall be all Owners of Lots other than Declarant, and shall be entitled to one (1) vote for each Lot owned. Subsequent to the conversion of Class B membership, Class A Members shall be all Owners of Lots. When more than one person is the Owner of a Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote or a fraction of one vote be cast with respect to any one such Lot.

Class B: The Class B Members shall be Declarant, who shall be entitled to two (2) votes for each Lot

owned. Class B membership shall cease and be converted to Class A membership on the happening of the earlier of the following events:

(1) When the total votes outstanding in the Class A membership is greater than the total votes outstanding in the Class B membership; or

(2) Ten (10) years from the date of recording of this Declaration.

(b) Joint Owner Disputes. The vote for each Lot must be cast as a unit, and fractional votes shall not be allowed. In the event that the joint Owners are unable to agree among themselves as to their one (1) vote shall be cast, they lose the right to vote on the matter in question. If any Owner or Owners cast a vote representing a Lot, it will thereafter be conclusively presumed for all purposes that said Owner or Owners were acting within the authority and consent of all other Owners of the same Lot. In the event more than one (1) vote is cast with respect thereto, none of said votes shall be counted and said vote shall be deemed void.

(c) Approval of Actions of the Association. Unless specifically provided herein, any action by the Association which pursuant to this Declaration, requires the approval of the Association membership before being undertaken shall require the vote or written consent of the Members as set forth in the Bylaws.

(d) Special Procedure for Directors. Prior to the Organization Meeting as required pursuant to the Bylaws, and thereafter, until their successors are elected, the incorporator of the Association or the first Directors appointed by the incorporator shall serve as Directors of the Association. To assure Non-Declarant Owners representation on the Board, beginning at the Organization Meeting of the Association, at least one (1) of the Directors of the Board shall be elected solely by the vote of a simple majority of the voting Non-Declarant Members as provided in the Bylaws until the Conversion Date. Notwithstanding any other provisions of this Declaration, until the Conversion Date, a Director who has been elected to office solely by the vote of Non-Declarant Owners may be removed from office prior to the expiration of that Director's term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

(e) Commencement of Voting Rights. Except for Declarant, voting rights attributable to any Lot shall not

commence until Assessment pursuant to this Declaration have been levied with respect thereto.

2.4 DUTIES OF THE ASSOCIATION. In addition to the powers delegated to it by its Articles, and without limiting the generality thereof, the Association shall have the obligation to perform each of the following duties:

(a) Accept Conveyances. To accept conveyances from Declarant or its designated assignee, of real property designated by the grantor to be owned and maintained by the Association for the benefit of all Members. Association Property within the boundaries of the Subdivision shall be conveyed by Declarant to the Association no later than the time of recordation of the deed of the first Lot conveyed to a Non-Declarant grantee.

(b) Maintenance and Management of Association Property. To maintain, manage, operate, and preserve the Association Property and all improvements presently or hereinafter located thereon and thereunder, and any other property as the Members, by a vote of at least a Majority of Owners, elect to maintain.

(c) Road Maintenance. The Association shall maintain the private road within the Subdivision in good repair at all times. The Association shall contract for snow removal to have accumulations of four inches or more of snow removed from the Subdivision road by 7:30 a.m. each day.

(d) Insurance. To obtain and maintain and enforce the following policies of insurance:

(1) Property insurance on a coverage form commonly called "all risk" to a limit of liability equal to the full replacement costs of Association Property at the time and place of loss. Such coverage may, but is not required to, include the perils of earthquake and land movement.

(2) Broad form comprehensive legal liability coverage to an amount not less than \$1,000,000 per occurrence for all loss, including bodily injury, property damage, and personal injury. The named insured shall include the Association, the Board, and its representatives, Members and employees, and the Declarant. Such a policy must provide that any action or inaction by one named insured will neither destroy nor impinge the right of any other named insured.

(3) Such other insurance, including performance or fidelity bonds, as required by law.

(e) Rule Making. To make, establish, promulgate, amend, and repeal the Association Policies and Procedures.

(f) Taxes and Assessments. To pay all taxes and Assessments which are or could become a Lien on the Association Property.

(g) Enforcement by Association. To perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably necessary to comply with federal, state, or local law.

(h) Budget and Finance Statements. To cause financial statements for the Association to be regularly prepared, and to furnish copies to each Member as follows:

(1) A proforma operating statement (Budget) for each year shall be distributed not less than forty-five (45) days before the beginning of the year to which such Budget applied. The Budget shall contain at least that following information:

(A) Expenses on an accrual basis;

(B) The amount of total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingency;

(C) An itemized estimate of the remaining life of an and the methods of funding to defray the cost of repair, replacement, or additions to major components of Association Property and improvements thereon for which the Association is responsible; and

(D) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves for capital improvements to Association Property for which the Association is responsible.

(2) An annual report for the Association consisting of the following shall be distributed within ninety (90) days after the close of the year:

(A) A balance sheet as of the end of the year;

(B) An operating (income) statement for the year;

(C) A statement of the net changes in financial position for the year; and

(D) A list of the names, mailing addresses, and telephone numbers of the Members of the Board.

If an annual report is not prepared by an independent accountant, it shall be prepared by an authorized officer of the Association and shall be accompanied by a certificate of the person preparing the annual report that the annual report was prepared from the books and records of the Association, without audit or review.

(i) Water and Other Utilities. To acquire and provide water, electrical, telephone, and other necessary utility services for the Association Property and the Lots, and to pay such utility services to the extent the same are not chargeable to individual Owners.

(j) Dissemination of Other Information. To distribute to all Owners the following additional information:

(1) Within sixty (60) days after the date of any meeting of the Board, the minutes of such meeting;

(2) Not less than thirty (30) days prior to the date of the annual meeting of the Members of the Association, a list of the orders of business to be considered at such a meeting, including the name, address, and a brief biographical sketch, if available, of each Member of the Association who has announced the intention to stand for election to the Board; and

(3) Within sixty (60) days prior to the beginning of each year, a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in payments of any amounts due to the Association, including with limitation, the recording and foreclosing of Liens against Members' interest in the property.

(k) Statements of Status. Within ten (10) days of the mailing or delivering of a request by any Owner, Mortgagee, prospective Mortgagee, purchaser or other prospective transferee of a Lot, to issue a statement of status, executed and acknowledged by an officer of the

Association, stating whether any indebtedness incurred by any Lien created hereby upon any such Lot has been paid. This statement of status shall be binding upon the Association in favor of any person who may rely thereon in good faith.

(1) Within ten (10) days of the mailing or delivering of a written request by an Owner, to provide such Owner with a copy of the Declaration, the Articles, and the Bylaws.

2.5 POWERS AND AUTHORITY OF THE ASSOCIATION. The Association shall have all the powers of a nonprofit corporation organized under the laws of the state of Oregon, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws, or this Declaration. The Association shall have the power to do any and all lawful things which may be authorized, required, or permitted to be done by the Association by this Declaration, the Articles, and the Bylaws, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association, including with limitation:

(a) Assessments. To levy Assessments against Lots and to enforce payment of such Assessments, all in accordance with the provisions of Article III hereof.

(b) Agents. To employ the services of any person or corporations to perform the business, obligations, and duties of the Association, and enter into contracts for such purposes. Such agents shall have the right to ingress and egress over such portions of the Subdivision as is necessary for the performance of such business, duties, and obligations.

(c) Employment of Professional Advisers. To employ professional counsel and obtain advice from such persons, firms, or corporations, such as, but not limited to, landscape architects, architects, planners, lawyers, and accountants.

(d) Borrowing of Money. To borrow and repay monies for the purpose of maintaining and improving Association Property and to encumber Association Property as security for the repayment of such borrowed money.

(e) Hold Title and Make Conveyances. To acquire, hold title to, and convey, with or without consideration, real and personal property and interest therein, including

but not limited to easements across all or any portion of the Association Property.

(f) Services. To contract for or otherwise provide for all services necessary or convenient to the management, maintenance, and operation of the Association Property.

(g) Easements and Right-of-Way. To grant and convey to any third party or public or quasi public agency or body easements and rights-of-way in, on, over, or under any Association Property for the purpose of constructing, erecting, operating, or maintaining thereon, therein, or thereunder, overhead or underground lines, cables, wires, conduits, or any other devices for the transmission of electricity for lighting or communication, heating, power, security system, telephone, cable television, and other purposes, public or private sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi public improvements or facilities.

2.6 LIMITATIONS ON POWERS OF THE BOARD. Notwithstanding the powers of the Association as set forth in Section 2.5, the Board shall not take any of the following actions without the prior vote or written consent of a Majority of Owners:

(a) Contracts for Goods and Services. Enter into any contract with a third person or entity wherein such person or entity were furnished goods or services to the Association or Association Property for a term longer than one (1) year, except prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the policy permits short rate cancellation by the insured.

(b) Expenditures for Improvements. Incur aggregate expenditures for capital improvements to the Association Property in any year in excess of five percent (5%) of the budgeted gross expenses of the Association for that year.

(c) Compensation to Directors or Officers. Pay compensation to Directors or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Director or an officer be reimbursed for expenses incurred in carrying on the business of the Association.

(d) Vacancy on the Board. Fill any vacancy on the Board created by the removal or resignation of a Director, except as provided by the Bylaws.

2.7 ASSOCIATION POLICIES AND PROCEDURES. By a majority vote of the Board, the Association may, from time to time, adopt, amend, and repeal such rules and regulations as it may deem reasonable. The Association Policies and Procedures shall govern the use of Association Property and Restricted Use Areas, by the Members or by any invitee, licensee, or lessee of a Member or the family of such Member; provided, however, that the Association Policies and Procedures may not discriminate among Members and shall not be inconsistent with this Declaration, the Articles or the Bylaws. A copy of the Association Policies and Procedures as they may from time to time be amended, adopted, or repealed shall be mailed or otherwise delivered to each Member. Upon such mailing or delivery, said Association Policies and Procedures shall have the same proportionate effect as if they were set forth in and were part of this Declaration. In the event of any conflict between any such Association Policies and Procedures and any other provisions of this Declaration, or the Articles or Bylaws, the provision of the Association Policies and Procedures shall be deemed to be superceded by the provisions of such conflicting instrument to the extent of such inconsistency.

2.8 PERSONAL LIABILITY. No Member of the Board, officer or agent of the Association, or Declarant, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of the Association, the Board, or any other representative or employee of the Association or of the Declarant, provided that such person has, upon the basis of such information as may be possessed by such person, acted in good faith and without willful or intentional misconduct.

ARTICLE III ASSESSMENT

3.1 CREATION OF THE LIEN AND PERSONAL OBLIGATION FOR ASSESSMENTS. Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree, for each such Lot owned, to pay to the Association annual assessments, special assessments, emergency assessments, remedial assessments, and property tax assessments, all of which shall be established and collected as hereinafter provided. Each such assessment, together with interest, costs, and reasonable attorney fees, shall also be a personal obligation of the Owner of such Lot

at the time when the assessment becomes due and payable. The personal obligation for delinquent assessments shall not pass to a successor in title unless expressly assumed by such person; however, all Liens perfected by a judgment shall be Liens on the interest of successive Owners of the Lot subject thereto. No Owner may waive or otherwise escape liability for the assessments provided in this Declaration by nonuse of the Lot, or any part thereof, or abandonment of the Lot.

(a) Covenant to Pay Association Assessments. Declarant, for each Lot owned, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, does and is deemed to covenant and agree to pay to the Association the assessments provided for in this Declaration. Such Association assessments shall be established and collected as provided in this Declaration and shall be a charge on the land and a continuing Lien upon the Lot as provided herein. The Board of Directors shall bill and collect from the Owners of the Lots the assessments made as provided herein.

3.2 PURPOSES OF ASSESSMENTS. Assessments levied shall be used exclusively to promote the health, safety, and welfare of the Owners, the improvement, operation, and maintenance of the Association Property and the performance of the duties of the Association as set forth in this Declaration.

3.3 OPERATING FUND. There shall be an operating fund into which the Association shall deposit all monies paid to it as annual assessment, special assessments, emergency assessment, remedial assessments, and income attributed to the operating fund. The Association shall make disbursements in performing the functions for which the foregoing assessments are levied.

3.4 ASSESSMENT ROLLS AND ASSESSMENT ALLOCATION.

(a) Record Keeping. Assessment rolls shall be accurately maintained and available in a location as directed by the Board, for inspection at all reasonable times by any Owner or a duly authorized representative. Said assessment rolls shall indicate for each Lot, the name and address of the Owner thereof, all assessments levied against each Owner and a Lot, and the amount of said assessments paid and unpaid.

(b) Apportionment of Assessments. The total annual assessment in any special or emergency assessment shall be proportioned equally against the Lots on a per Lot basis.

3.5 ANNUAL ASSESSMENTS.

(a) Levy and Enforcement of Annual Assessment.
Annual assessments shall be made and enforced by the Board in the manner provided in this Declaration against the Owners of all Lots, including Declarant.

(b) Amount of Assessments.

(1) Beginning with the year of the Association in which the Initial Commencement Date occurs, the amount of the total annual assessment for all the Lots shall be determined by the Board at least thirty (30) days prior to the commencement of each year and shall be in the amount of the total expenses minus any cash carryover, as shown on the Budget approved by the Board applicable to that year.

(2) The annual assessment for a year shall be levied based on the apportionment among the Lots as set forth in Section 3.4(b).

(3) Distribution of any net income from operations of the Association shall be equally apportioned among the Lots; provided, however, that any such net income not distributed shall be applied to Budget expenses so as to reduce the annual assessment during the next succeeding year.

(c) Commencement Date for Annual Assessment.
Subject to any assessment, maintenance, or subsidy program established by Declarant, the annual assessment hereunder shall commence to accrue on all Lots on the first day of the month following recordation of a deed to a Non-Declarant Owner for the sale of a Lot.

(d) Increase of Annual Assessments. The annual assessment for each succeeding year may be increased by the Board for the next year without a vote of the Members by an amount which shall not exceed fifteen percent (15%) of the annual assessments for the year in which such Budget is required to be prepared. Any increase in the annual assessments which exceeds fifteen percent (15%) of the preceding year's annual assessments shall be made only upon affirmative vote or written consent of the Majority of Owners. A provision for Reserve Expenses for the purposes of creating reserves to insure payment when due at a cost of capital expenditures relating to the repair and replacement of Association Property a portion of annual assessments shall constitute a capital contribution for such reserves to the Association. The specific items for which such capital

contributions shall be made and the amounts of such contribution in respect of each such item shall be determined by the Board, acting in its sole discretion at the time it adopts the Budget for the annual assessments. All such capital contributions shall be collected monthly in equal installments and shall be accounted for separately and shall be held in trust and used to pay for each specific capital expenditure in such manner and at such times as the Board, acting in its sole discretion, shall determine. Immediately upon receipt all capital contributions shall be deposited in separate interest bearing accounts or accounts denominated Trustee Capital Account in any savings and loan association, bank or trust company as may be determined by the Board by resolution, or the capital contributions may be invested in certificates of deposit issued by a bank or financial institution having assets in excess of five hundred million dollars (\$500,000,000).

3.6 SPECIAL ASSESSMENT. In addition to the annual assessment authorized above, the Board may levy during any year a special assessment applicable to that year only, for the purpose of defraying in whole or in part the cost of any construction, reconstruction or unexpected repair or replacement of a capital improvement upon Association Property, including the necessary fixtures and personal property related thereto. Special assessments which in the aggregate of any year exceed an amount equal to five percent (5%) of the budgeted gross expenses of the Association for the year may be levied only upon affirmative vote or written consent of a Majority of Owners.

(a) **Emergency Assessment.** If the assessments levied at any time are, or will become, inadequate to meet all expenses incurred hereunder for any reason, including nonpayment of any Owner's assessments on a concurrent basis, the Board shall immediately determine the approximate amount of such inadequacy and issue a supplemental Budget, noted as to the reason therefor, and levying an emergency assessment for the amount required to meet all such expenses on a current basis against the Owners of each Lot. Emergency assessments which in the aggregate in any year exceed an amount equal to five percent (5%) of the budgeted gross expenses of the Association for that year may be levied only upon affirmative vote or written consent of a Majority of Owners.

(b) **Remedial Assessments.** Pursuant to this Declaration, the Board may levy an assessment bringing any portion of the Subdivision to reimburse the Association for costs incurred in bringing such portion and its Owner into compliance with the provisions of this Declaration or the

Association Policies and Procedures. Remedial assessments shall be due 10 days after the Board gives written notice thereof to the Owner subject thereto.

(c) Due Dates of Assessments. The first annual assessment and all special assessments shall be adjusted according to the number of months remaining in the year. The Board shall fix the amount of the annual assessment against each Lot at least 30 days in advance of each annual assessment period. Written notice of all assessments shall be sent to each Owner subject thereto. The annual assessment and special assessments shall be collected monthly in advance on the first day of each month, ("assessment payment date"). The annual assessments and special assessments shall be due and payable on each assessment payment date commencing on the first assessment payment date following the initial commencement date. The emergency assessment shall be due and payable at the time and in the manner specified by the Board.

3.10 EFFECT OF NONPAYMENT OF ASSESSMENTS; REMEDIES OF THE ASSOCIATION. In the event of a default in payment of any assessment when due, such assessment shall be deemed to be delinquent. Each Owner vests in the Association or its assigns the right and power to bring all actions at law and in equity, to collect delinquent assessments as provided herein from the Owner. In the event an attorney or attorneys are employed for the collection of any assessment, whether by suit or otherwise, each Owner agrees to pay reasonable attorney fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. The Association may enforce the obligation of the Owners to pay the assessments provided herein, and each of them, in any manner provided by law or in equity and without any limitation of the foregoing, by any or all of the following procedures:

(a) Suspension of Rights. After hearing by the Board (whether or not the delinquent Owner appears) conducted in accordance with the procedures set forth in the Bylaws, the Board may suspend the voting rights of any Owner and/or such Owner's right to use Association Property for any period during which any assessment against such Owner's Lot remains unpaid; provided that this provision shall not operate or be construed to deny or restrict ingress or egress of any Owner to his Lot.

(b) Enforcement by Suit. By commencement and maintenance of a suit at law against an Owner or prior Owner to enforce said assessment obligation, such suit to be maintained in the name of the Association. Any judgment rendered in any such action shall include the amount of

delinquency, interest thereon, at the maximum legal rate per annum from the date of the delinquency, and court costs and reasonable attorney fees in such amount as the court may adjudge against the delinquent Owner. Such judgment may be docketed as to become a lien on any real or personal property of Owner as provided by law.

3.11 ASSOCIATION PROPERTY. Notwithstanding anything to the contrary contained or implied in this Declaration, Association Property shall not be charged with payment of any assessments hereunder, all costs and charges attributed thereto being the collective responsibility of all Owners other than the Association itself and payable by such Owners through their payment of assessments.

ARTICLE IV COVENANTS AND USE RESTRICTIONS

In addition to other covenants contained herein, the following covenants and restrictions shall govern the use and occupancy of the Subdivision.

4.1 RESIDENTIAL USE LIMITATIONS.

(a) Dwelling Purposes Only. No part of any Lot shall be used for other than private dwelling purposes and reasonably related uses. The foregoing restrictions as to use shall not, however, be construed in such manner as to prohibit an Owner from (1) maintaining a personal professional library, (2) keeping personal business or professional records or accounts, (3) handling personal business or professional calls or correspondence, or (4) undertaking any other activity thereon not otherwise prohibited by this Declaration when such activity has been expressly approved in advance by the Association.

(b) Time-Sharing or Interest Ownership Prohibited. No purchaser of a Lot, or interest therein, or use thereof, shall receive a right in perpetuity, for life, or for a term of years, to the recurrent, exclusive use or occupancy of such property annually or on some other periodic basis, and any such attempted conveyance shall be void; provided, however, this restriction shall be not be interpreted to prevent joint ownership of a Lot not including such exclusive use periods.

4.2 ASSOCIATION PROPERTY.

(a) No Partition. The Association Property shall remain undivided and no Owner shall bring any action for partition, except as otherwise as hereinafter provided.

(b) Alterations. Any proposals for alterations, additions or other improvements of Association Property shall be submitted in writing by the Member proposing such alteration, addition or improvement to the Board which shall review such proposals to determine whether such proposals would be compatible to design, construction and standards of quality of the Subdivision and whether such proposed improvements would interfere with or disturb any other Owner's use or enjoyment of the Owner's property. Unless otherwise agreed at a meeting of the Members called for such purpose, the costs of alteration or addition to Association Property approved by the Board shall be paid by the Members in accordance with the formula established herein for special assessments.

(c) Prohibition. No Member shall remove, alter or injure in any way any portion of Association Property, including without limitation, the improvements thereon. The costs of correction of any Member who violates this section shall reimburse the Association for all expenses incurred by it in remedying the damage caused by said Member's violation. Such expense shall be assessed to the Member as a remedial assessment enforceable in the manner provided in Article III hereof.

4.3 MAINTENANCE BY OWNER. Each Owner shall be responsible for the maintenance of that Owner's Lot in a clean, sanitary and attractive condition and shall keep the same free from rubbish and litter and shall maintain in good condition and repair and adequately stain or otherwise finish all improvements located thereon.

4.4. SIGNS. Unless permitted by the Association, no sign or billboard of any kind shall be made visible to the public from any Lot or from the Association Property except that the Association may erect signs within the interior of Association Property as may be reasonably required by the Board in connection with operation thereof; any assignee of Declarant may display from the Lot owned by them and from the Association Property any lawful sign which advertises a sale of Lots and/or completed dwelling units.

4.5 NO OBNOXIOUS AND OFFENSIVE ACTIVITIES. No obnoxious or offensive activities shall be carried on, in or upon any Lot nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood or which may in any way interfere with the quiet enjoyment of each of the Owner's respective Lot or which shall in any way increase the premium rate of insurance.

4.6 LIMITATION ON ANIMALS. No animals of any kind shall be raised, bred or kept in or upon any lot, except dogs, cats or other such household pets as may be approved by the Association, and then only provided they are not kept, bred or maintained for any commercial purposes or in unreasonable numbers. Household pets shall be leashed, caged or under other positive control by the Owner at all times, and shall be confined within the boundaries of the Owner's Lot. Notwithstanding the foregoing, no pets or other animals may be kept in or upon any lot which results in any annoyance to the residents in the vicinity. Each Owner of an animal shall be liable to each and all other Owners, their families, guests, and invitees, and to the Association for any and all damage to person or property caused by such animal. Each Owner shall comply with such Association Policies and Procedures governing the keeping of pets which may be adopted by the Association from time to time.

4.7 TEMPORARY STRUCTURES PROHIBITED. Unless approved in writing by the Board, no structure of a temporary character, trailer, tent, shack, garage, barn or other outbuilding shall be used in any lot at any time as a residence either temporary or permanently.

4.8 VEHICLES AND PARKING. No mobile home, recreational vehicle including campers exceeding 1500 pounds in gross weight, trailer, truck with a rated load capacity greater than three-quarter ton or boat shall be kept, placed or maintained or parked for more than six hours or such other period as may be permitted pursuant to the Association policies or procedures on any portion of the subdivision except in enclosed garages, areas designated by the Board, or screened from view in a manner approved by the Board. No motor vehicle of any type may be constructed, reconstructed, or repaired in such a manner as will be visible from the neighboring property. No stripped down, partially wrecked, inoperative or junk motor vehicle or sizable part thereof shall be permitted to be parked on any portion of the subdivision.

(a) Parking and Street Obstructions. Parking of vehicles of any type whatsoever on any portion of the roads within the subdivision, shall be permitted only as set forth in the Association Policies and Procedures. No Owner shall do anything which will in any manner prevent the streets within the subdivision from at all times being free and clear of all obstructions and in a safe condition for vehicular use.

4.9 OUTSIDE STORAGE. Wood piles, storage areas, machinery and equipment shall be prohibited upon any lot,

unless obscured from the view of neighboring property and streets by a fence or appropriate screen approved by the committee; trash cans and other movable rubbish containers shall be allowed to be visible from any street or adjacent lot within the Subdivision only during the days on which rubbish is collected and after 9 p.m. of the preceding evening.

4.10 LIMITATION ON OPEN FIRES. No incinerators or other open fires (except outdoor cooking facilities such as propane grills or barbeque units) shall be kept or maintained on any lot.

4.11 PEST CONTROL. No Owner shall permit any thing or condition to exist upon any portion of the Subdivision which shall induce, breed or harbor infectious plant diseases or noxious insects or vermin.

4.12 ANTENNAE AND EXTERIOR APPLIANCES.

(a) **Radio and Television.** No towers, antenna, aerial, dishes, reflectors or other facilities for the reception or transmission of radio or television broadcasts or any other means of communication shall be erected and maintained or permitted to be erected and maintained in the Subdivision except as permitted by the Board.

(b) **Exterior Wiring.** No wiring for electrical or telephone installations, television antenna, security systems, machine or air conditioning units or appliances shall be permitted on the exterior of any building or that protrude through the walls or roof of any building except as permitted by the Board.

4.13 COMPLIANCE WITH LAWS. Each Owner shall promptly comply with all laws, statutes, ordinances, Association Policies and Procedures and regulations of federal, State or municipal governments or authorities applicable to the property.

4.14 USE OF IMPROVEMENTS DURING CONSTRUCTION; DILIGENCE IN CONSTRUCTION. No improvement upon any lot shall be occupied until the same is completed and made to comply with the restriction, covenants and conditions contained in this Declaration. Any improvement which is partially or totally destroyed or damaged by fire, earthquake, or otherwise shall be removed, repaired or replaced within a reasonable time after such destruction or damage occurs and subject to the requirements of this Declaration, by then Owner or Owners of that portion of the lot or lots upon which the destroyed or damaged improvement was or is located. All work of construction, removal or repair of any improvement upon any lot

shall be prosecuted diligently and continuously from the time of commencement thereof until the same shall be fully completed, which completion shall occur not later than nine months after the commencement of such work, except to the extent prevented by strikes, lockouts, boycotts, the elements, war, inability to obtain materials, acts of nature, or similar causes.

4.15 LANDSCAPING, APPROVAL AND INSTALLATION. Landscaping plans shall be submitted to the Board by the Owner of each Lot improved with the dwelling at the same time constructional improvement plans are submitted with respect to said Lot. All plans shall be in compliance with sod and planting limitations, tree preservation guidelines, as established by the Board or the Association from time to time. Landscaping pursuant to and conforming with such approved landscaping plans shall be installed on such Lot within one year after the issuance of the certificate of occupancy or other permission as may be required for use of such improvement for human habitation.

4.16 MINIMUM DWELLING SIZE. No dwelling intended or used as a primary dwelling on a Lot may be constructed or maintained unless the interior floor area of such dwelling (excluding garage) contains at least fifteen hundred square feet. The maximum permissible interior floor area shall be limited only by constraints of the building site area and other reasonable limitations as may be established by the Board.

4.17 GRADE, SLOPES AND DRAINAGE. Each Owner of a Lot shall accept the burden of, and shall not in any manner alter, modify or interfere with, the establishment of a drainage pattern and grades, slopes and courses related thereto over any Lot or on Association Property without the express written permission of the Board and then only to the extent and in the manner specifically approved. No structure plantings or other materials shall be placed or permitted to remain on or within any grade, slopes or courses, nor shall any other activities be undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or may change the direction of flow, or obstruct or retard the flow of water through drainage channels.

4.18 EXTERIOR LIGHTING. All exterior lighting of a Lot shall be subject to approval of the Board.

4.19 NOTIFICATION OF OREGON DEPARTMENT OF TRANSPORTATION. At the time Owner or Owner's agent seeks a building permit for construction of a building on a Lot, Owner shall

notify the Oregon Department of Transportation, Parks and Recreation Division, at:
525 Trade St. S.E.
Salem, Oregon 97310

of the proposed construction or reconstruction. Before removing vegetation between the Deschutes River and Baker Road which is three inches in diameter or larger, Owner shall obtain permission of the Parks and Recreation Division.

4.20 ENFORCEMENT; RIGHT TO NOTICE; HEARING. In the event an Owner shall fail to comply with the provisions of this Article IV, the Association shall notify such Owner in writing of such specific lack of compliance, which notice shall state that such Owner has a right to a hearing before the Board with regard to the matters of noncompliance set forth in such notice. If the Owner timely requests a hearing before the Board, the Board shall schedule a hearing and shall provide the Owner with at least seven days (7) written notice as to the date, time and place thereof. At the hearing the Owner will have an opportunity to discuss with the Board the merits of the claim set forth in the Association's original notice of noncompliance, and the Board shall determine what action, if any, need be taken by the Owner and the time within which it must be accomplished. A decision of the majority of the Members of the Board present at the hearing will be binding upon the Association and the Owner. In the event it is determined the Owner has not complied, the Board shall establish a time period within which the Owner shall so comply. If the Owner fails so to comply within the designated time period, the Association or its authorized agent shall then take whatever action permitted by law to compel compliance.

ARTICLE V ARCHITECTURAL CONTROL AND APPROVAL OF PLANS

5.1 ARCHITECTURAL COMMITTEE. The Board shall serve as an architectural committee to perform the functions as set out in this article.

5.2 COMMITTEE APPROVAL. Before commencing any building, remodeling, or renovation operation or activities or installation of landscaping or trimming or removal of trees, or further subdivision of any lot, written approval must be obtained from the Board covering all aspects of such proposed activity, including building and plot plans for all structures erected, altered, renovated, remodeled, placed, assembled or permitted to remain on any lot, including garages and fences; except, however, that the approval of the Board shall not be required by building operations conducted by

Declarant or its designated successor or assigns. The approval of the Board shall include style, design, appearance, harmony or external design (including color scheme) with Declarant's general scheme, location of the proposed structure with respect to Declarant's designated building site location on said lot, topography and finished grade elevation, and as to corner lots, the street frontage thereof.

(a) Limitations of Authority. Approval by the Board shall not be construed as modifying, altering, or waiving any of the provisions herein set out or established by law. Any decision or approval by the Board shall be relieve an applicant or Owner from complying with any requirement of a public authority having jurisdiction, and shall not constitute any representation or guarantee by the Board or Member thereof of compliance of the submitted matter with any statute, ordinance or regulation pertaining thereto.

5.3 NO LIABILITY FOR THE BOARD. Neither Declarant, the Association, nor the Board, nor any Member thereof, shall be held responsible or liable in any manner whatsoever, to any Owner of a Lot for any loss or damage due to design concept, aesthetics, errors or defects, patent or latent, shown or omitted, on any plans or specifications upon which it may pass, or any structures erected therefrom.

5.4 COMMITTEE FINAL ACTION. The decision of a majority of the Board, or a representative appointed by a majority thereof acting in good faith and in its sole discretion upon any matters submitted or referred to it shall be final; provided, however, that such decision may not violate any of the provisions set out in this Declaration. It is further provided that if no rejection shall have been sent by the Board within thirty (30) days from the date of receipt of the submittal, such an action shall be deemed approval.

5.5 VARIANCE MAY BE ALLOWED. The Board may allow reasonable variances and adjustments of the provisions of this Declaration in order to overcome practical difficulties and prevent unnecessary hardships in the application and the regulations contained herein; provided, however, that this must be done in conformity with the intent and purposes hereof and also provided that such variance or adjustment may not be materially detrimental or injurious to other property or improvements in the neighborhood.

5.6 CONFLICTING GOVERNMENTAL ACTION. In the event there shall be any law or governmental action of any kind or nature which conflicts with or prevents works of construction or improvement in the manner described by these provisions,

such circumstances shall be deemed to constitute practical difficulties within the meaning of the preceding paragraph.

ARTICLE VI DESTRUCTION

6.1 RECONSTRUCTION REQUIRED; INSURANCE INSUFFICIENCY.

In the event of total or partial destruction of any portion of Association Property the same shall be promptly repaired and rebuilt by the Association; provided, however, if the damage is not covered by insurance proceeds or if the available insurance proceeds are insufficient, the Association shall, subject to the provision of Section 6.2 and the next succeeding sentence, levy against all Owners a special assessment apportioned using the method for calculating the annual assessment, and in the total amount required to meet the costs of such repair or restoration. In the event the damage or destruction was caused by the intentional or negligent act or omission of an Owner, the costs of such repair or the amounts of such deficiency shall be levied as a remedial assessment. If the reconstruction is to take place, the Board shall cause to be executed, acknowledged and recorded in the office of the recording officer of Deschutes County a certificate declaring the intention of the Owners to rebuild, such certificate to be executed by any officer or agent of the Association duly authorized to execute the same by the Board.

6.2 APPROVAL OF OWNERS WHEN REQUIRED. In the event the amount of the special assessment which is required to be levied pursuant to Section 6.1 shall exceed five percent (5%) of the budgeted gross expenses of the Association for such year, such special assessment shall be levied only if approved by affirmative vote or written consent of a Majority of Owners. If such special assessment is not so approved or if no action is taken within respect thereto within 180 days following the date of such damage or destruction, such disapproval or inaction shall be deemed to be an election to terminate the operation by the Association of the destroyed or damaged property.

6.3 OBLIGATION OF BOARD. It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of such reconstruction at the earliest possible date.

6.4 DAMAGE TO PRIVATE PROPERTY. Any restoration and repair of any damage to an Owner's Lot or the improvement thereon shall be made by and at the individual expense of the Owner of such Lot or improvement. If the Owner fails to make such restoration or repair of the Owner's property, the

Board, in accordance with this Declaration, may take appropriate remedial action.

6.5 DETERMINATION NOT TO REBUILD. If a certificate of intention to rebuild has not been executed, acknowledged and recorded within three months from the date of any partial or total destruction of Association Property, or if reconstruction rebuilding has not actually commenced within such three month period, or if excess insurance proceeds are available over the cost of repair or restoration, then any available insurance proceeds shall be distributed by the Association, as trustee, among the Owners, subject first to the right of the first Mortgagees and then to all unpaid assessments of each Owner together with any interest or fees attributable thereto. The proceeds shall be distributed equally on a per Lot basis.

ARTICLE VII CONDEMNATION

7.1 In the event of total or partial taking of Association Property, the Association shall use all amounts awarded to it on account of such taking to acquire and improve other real or personal property to replace the property which was taken; provided, however, if the available condemnation proceeds are insufficient the Association shall subject to the provisions herein contained, levy against all Owners a special assessment apportioned using the method for calculating the annual assessment, in the total amount of such shortfall.

7.2 DETERMINATION NOT TO REPLACE. If in the judgment of the Board the property taken by eminent domain cannot or should not be replaced, or in the event such replacement has not actually commenced within three months after the date proceeds resulting from the condemnation have been paid to the Association, or if any excess condemnation proceeds are available after such replacement has been accomplished, then any available proceeds of condemnation shall be distributed by the Association, as trustee, among the Owners subject first to the right of first Mortgagees and then to all unpaid assessments of each Owner together with any interest or fees attributable thereto. The proceeds shall be distributed equally on a per Lot basis.

ARTICLE VIII EASEMENTS

8.1 COVENANTS RUNNING WITH THE LAND. Each of the easements provided for in this Declaration shall be determined to be established upon the recordation of this

Declaration and shall thenceforth be deemed to be covenants running with the land for the use and benefit of all the property encumbered thereby and superior to all encumbrances applied against or in favor of any portion of the Subdivision. In furtherance of the easements provided for in this Declaration the individual grant deeds to the Lots may, but shall be not required to, set forth said easements.

8.2 ENCROACHMENTS. If any portion of improvements constructed upon the Association Property encroaches upon any Lot, an easement for the encroachments and for the maintenance of same, so long as such stand, shall exist in favor of the Association. In the event any such improvement is partially or totally destroyed, and then rebuilt, the Owner of the Lots agree that encroachments due to such construction are no more burdensome than the original such encroachments shall be permitted and that valid easement for said encroachment and maintenance thereof shall continue to exist.

8.3 EASEMENT FOR PERFORMANCE OF OBLIGATIONS. There is hereby reserved by the Declarant in favor of the Association such easements over all or any portion of the Subdivision as are necessary to perform the duties and obligations of the Association as set forth in this Declaration, the Bylaws, the Articles, or the Association Policies of Procedures, including but not limited to, the right of access at all reasonable hours to any part of the Subdivision (excluding the interior of any dwelling) and to any improvements being built thereon.

8.4 UTILITY EASEMENTS. The Association and any public utility company providing utility services to the Subdivision including, without limitation, water, electricity, telephone, and cable television shall be governed by the following:

(a) In favor of the utility company. Whenever electricity, water, telephone, cable television or other utility lines are installed within the Subdivision, which connections or any portion thereof lie in or upon Lots owned by others, then the Owners of the Lots served by the connections described in the preceding subsection the utility company shall have the right and is hereby granted an easement to the full extent necessary therefor, to enter upon Lots which said connections or any portion thereof lie, to repair or replace or generally maintain said connections as and when the same may be necessary.

(b) In favor of the Owner wherever electricity water, telephone, cable television or other utility lines are installed within the Subdivision, which connections serve one Lot, the Owner of each Lot served by said connection shall be

entitled to full use and enjoyment of such portions of said connections as serve said Owner's Lot.

(c) Repair of Common Connections; Expenses. In the event of a dispute between Owners with respect to the repair or rebuilding of connection described in the preceding subsection, or with respect to the sharing of the cost thereof, then upon written request of one such Owner's address to the Association, the matter shall be submitted to the Board who shall decide the dispute and make a remedial assessment or, in the appropriate circumstances, a special assessment against any or all of the Owners involved.

8.5 USE BY DECLARANT. Declarant may undertake the work of construction of residential dwellings, and incidental improvements upon portions of the Subdivision, the Association Property as well as upon neighboring lands of the Subdivision. The completion of that work, and the sale and rental and other disposal of said property and improvements are essential to the establishment and welfare of the Subdivision as a residential community. In order that said work may be completed and the Subdivision be established as a fully occupied residential community as rapidly as possible, Declarant reserves non-exclusive easements in gross as may be necessary to complete said work and offer for sale and to sell the Lots and any improvements constructed thereon and/or any Lot parcel or improvement included or to be included in the planning community. In amplification to the foregoing, nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its contractors or subcontractors from doing on the Subdivision, including the Association Property or any Lot whatever is reasonably necessary or advisable in connection with the foregoing; or

(b) Prevent Declarant or its representatives from erecting, constructing and maintaining on any parts of the Subdivision, such structures as may be reasonable and necessary for the conduct of its business of completing the residential community and disposing of all or a portion of the Subdivision in Lots, parcels, or complete (or partially complete) residential or commercial structures by sale, lease or otherwise; or

(c) Prevent Declarant from maintaining such sign or signs on any of the Subdivision as may be necessary for the sale, lease or disposition of all or a portion of the Subdivision; provided, however, that the maintenance of such signs shall not unreasonably interfere with the use of any Owner of his Lot or the Association Property;

(d) Subject to concomitant obligation to restore, Declarant and its sales agents shall, until completion of original sales of the Subdivision, shall have non-exclusive easements over the Association Property and the Lots for construction and common driveway purposes including access, ingress and egress as well as for drainage encroachment and reasonable use related to the construction activities on any portion of the Subdivision and for construction and/or repairs of the Association Property or the improvements constructed thereon; the right to the non-exclusive use of Association Property for the purpose of maintaining model homes, sales offices, and signs reasonable necessary to market the Lots; provided, however, the use of the Association Property by Declarant and its agents shall not unreasonably interfere with the use thereof by the Owners; and easements over the property together with the right to grant and transfer the same for installation and maintenance of electric, telephone, water and other utilities as may hereafter be required or needed to serve the Subdivision and for construction of all improvements to the Subdivision. This section may not be modified, terminated or otherwise amended or altered without written approval by the Declarant. Any act attempting or purporting to effect such change, or to adversely affect the rights granted or reserved by Declarant hereunder shall be void and of no force or effect.

ARTICLE IX ENFORCEMENT

In the event of any default by any Owner under the provisions of this Declaration, the Articles, Bylaws or the Association Policies and Procedures and upon any failure of any Owner to comply with any provision set forth in this Declaration, the Association and its successors and assigns and the Board and its agents or any of them shall have all the rights and remedies which may be provided for in this Declaration, the Bylaws, the Articles, the Association Policies and Procedures or which may be available at law or in equity, and may prosecute any action or other proceeding against such defaulting Owner and/or other person for enforcement of any Lien and the appointment of a receiver for the Lot and the ownership interest of such Owner, or for damages or injunction or specific performance, or for the judgment of payment of money and collection thereof, or the right to take possession of the Lot and to sell same as herein provided, or for any combination of remedies, or for any other relief. All expenses of the Association in connection with such actions or proceedings, including court costs and attorney fees, and all damages, together with interest thereon at the maximum legal rate until paid, shall be charged to such defaulting or non-complying Owner, and

shall be a Lien on such Owner's Lot, and upon all of such Owner's additions and improvements to the Lot, which the Lien shall be enforceable in the manner set forth in Article 3 hereof. Any and all such remedies shall be exercised at any time and from time to time, cumulatively or otherwise, by the Association. Should any Member institute suit against the Association, and should the Association be successful or sustained in its position in such suit, then such Member shall be required to reimburse the Association for its legal expenses incurred, including but not limited to attorney fees, fees of experts, court costs and other expenses reasonably incurred by the Association and to the amount to which the Association is entitled shall be a Lien against said Owner's Lot and enforceable pursuant to the provisions of Article III hereof.

ARTICLE X GENERAL PROVISION

10.1 AMENDMENTS.

(a) Voting Powers. This Declaration may be amended from time to time by a vote or written approval of a Majority of Owners; provided, however, that no amendment which would defeat the obligations to maintain the Association Property in a safe and attractive condition and in good state of repair, or which would defeat the assessment procedures which assure the collection of funds for such maintenance, shall be made unless approved by the Declarant, by six of the Non-Declarant Owners, and by six of the Mortgagees of record.

(b) Declarant's Right to Amend. Notwithstanding any other provision herein, Declarant reserves the right for a period of three years after initial recordation of this Declaration, and without the vote or approval of Members of the Association, to amend this Declaration in any manner required to conform with the requirements with the Oregon Real Estate Commissioner, or any similar government or quasi-governmental, state or federal body or agency having jurisdiction so as to meet the requirements of such body or agency for their approval of this Declaration and the Subdivision whether or not the Subdivision or any portion thereof has been conveyed by Declarant to a Non-Declarant grantee.

(c) Provisions of Law Shall Control. Notwithstanding the provisions of this section, if, by law, any different consent or agreement is required in order to effect the amendment of this Declaration, then any instrument changing, modifying or rescinding any provision of this

Declaration shall be effective only if authorized or executed as required by law. No provision in this Declaration may be changed, modified or rescinded so as to conflict with the provision of any law.

(d) Recordation. The recordation of a certificate of the secretary of the Association setting forth in full the amendment so approved and certifying that said amendment has been approved by the Members as required by this section shall be conclusive as to the validity thereof.

10.2 NOTICES. Notices provided for in this Declaration shall be in writing and shall be addressed to the person intending to receive the same as the following address:

Association: Deschutes River Woods Block 22
Homeowners Association
P.O. Box 1251
Bend, Oregon

Declarant: Deschutes Development Company, Inc.
P.O. Box 1251
Bend, Oregon 97702

Owner: At the address of the Lot owned

Notice so mailed shall be deemed to have been given 48 hours after the deposit of same in any United States Mailbox in the state the notice is addressed, or 72 hours after deposit in any such mailbox other than in the state which the notice is addressed, postage prepaid, addressed as set forth above. Declarant and the Association may designate a different address or addresses for notices by giving written notice of such change of address to all Members of the Association. Any Owner may designate a different address or addresses for notices to him by giving written notice of such change of address to the Association. Upon written request, any Mortgagee shall be given a copy of all notices permitted or required by this Declaration to be given to the Owner or Owners whose property is subject to such recorded Mortgage or deed of trust.

10.3 SEVERABILITY. If any provision of this Declaration, the Articles, the Bylaws or any section, sentence, clause, phrase, word or the application thereof in any circumstance is held invalid, the validity of the remainder of the Declaration, the Articles and the Bylaws and of the application of such sentence, clause, phrase or word in any other circumstance shall not be affected thereby.

10.4 SUCCESSORS OF DECLARANT. Each and every right and obligation of Declarant under this Declaration shall inure to the benefit of and be binding on the successors of Declarant which are designated as a successor Declarant by an instrument duly recorded in the office of the recording officer of Deschutes County.

10.5 VIOLATION AND NUISANCE. Every act of omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by Declarant, the Association, or any Owner or Owners.

10.6 VIOLATION OF LAW. Any violation of any state, municipal or local law, ordinance, or regulations pertaining to the ownership, occupancy, or use of any of the Subdivision is hereby declared to be a violation of this Declaration and subject to any and all enforcement procedures as set forth herein.

10.7 NOTIFICATION OF SALE OF PROPERTY. Concurrently with the execution of any escrow instruction, deposit, receipt, or any other agreement for the sale or transfer of a lot, under circumstances whereby the transferee will become an Owner thereof, the transferor shall notify the Association in writing of such sale. The notification shall set forth the names of the transferee and transferor, the lot number of the lot purchased, the transferee's mailing address, the name and address of the escrow hold, if any, for such sale, and the escrow number; and the scheduled date of the sale or transfer. Concurrently with the confirmation of such sale of any lot, or within five business days thereafter, the transferor shall notify in writing, the Association of the consummation of such sale. Such notification shall set forth the information called for as listed above.

Unless and until such notice is given and any unpaid assessments have been paid on behalf of the transferor, the Association shall not be required to recognize the transferee for any purpose. Prior to the receipt of any notification, any and all communications required or permitted to be given by the Association or the Board shall be deemed to be duly given and made to the transferee if duly and timely made and given to said transferee's transferor.

10.7 BREACH. No breach of the Covenants, Conditions, or Restrictions herein contained, nor the enforcement of any Lien provisions herein shall defeat or render invalid the Lien of any Mortgage or deed of trust made in good faith and for value, but all said Covenants, Conditions, and

Restrictions shall be binding upon and effective against any Owner whose title is derived through the foreclosure or trustee sale, or otherwise.

10.8 APPLICABLE LAW. This Declaration shall be construed in accordance with the laws of the state of Oregon.

10.9 TERMS. This Declaration, the Covenants, Conditions, and Restrictions contained herein, as amended from time to time, shall remain in full force and effect for a term of 50 years from the date of this Declaration as recorded, after which time said Declaration shall automatically be extended for successive periods of 10 years, unless a certificate of the Secretary of the Association has been recorded in the office of the recording officer of Deschutes County, certifying that six of the eight Owners have, by vote or written consent, agreed to terminate said Declaration.

10.10 PLURAL. Whatever the context that requires the use of singular shall include and be construed as including the plural.

10.11 LEASES OF UNITS. Any Owner who shall lease or rent a Lot to any person or entity shall be responsible for assuring compliance by any such person or entity with all the Covenants, Conditions, Restrictions, Easements, reservations, Liens, and charges of this Declaration, as amended and supplemented. Any lease between an Owner and lessee shall provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration, the Articles, the Bylaws, and the Association Policies and Procedures, and that any failure by the lessee to comply with the terms of such document shall be a default under the lease. All such leases shall be in writing.

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IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first hereinabove written.

"Declarant"

DESCHUTES DEVELOPMENT COMPANY,
INC.

By R.C. Cooper
R.C. COOPER, President

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me this
26th day of May, 1988, by R.C. COOPER, INC.,
President of DESCHUTES DEVELOPMENT COMPANY, INC.

Laurel K. Pennington
Notary Public for Oregon
My Commission Expires: 2/8/92

STATE OF OREGON)
COUNTY OF DESCHUTES) ss.

I, MARY SUE PENNINGTON, COUNTY CLERK AND
RECORDS OF COVENANCES, IN AND FOR SAID
COUNTY, DO HEREBY CERTIFY THAT THE FOREGOING
INSTRUMENT WAS RECORDED THIS DAY:

88 MAY 26 PM 12:50

MARY SUE PENNINGTON
COUNTY CLERK

BY P. Lee DEPUTY
NO. 88-11107 REC. 170-
DESCHUTES COUNTY OFFICIAL RECORDS

Page 34. DECLARATION OF COVENANTS, CONDITIONS, AND
RESTRICTIONS