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AFTER RECORDING RETURN TO:

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

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**DECLARATION OF ANNEXATION OF REAL PROPERTY TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
OF THE ESTATES AT PRONGHORN**

This DECLARATION OF ANNEXATION OF REAL PROPERTY TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS OF THE
ESTATES AT PRONGHORN (this "Declaration") is made this 27th day of August 2003, by
High Desert Development Company LLC, an Oregon limited liability company ("Declarant").

Recitals:

A. Declarant recorded that certain Declaration of Covenants, Conditions, and
Restrictions of The Estates at Pronghorn, on December 6, 2002, in the Official Records of
Deschutes County, State of Oregon, at Volume 2002, Page 68439 (as amended from time to
time, the "CC&Rs").

B. On August 18, 2003, Declarant recorded the plat of the Estates at Pronghorn,
Phase 2 in the Official Records of Deschutes County, Oregon, at Volume 2003, Page 56597, Plat
Cabinet G, Pages 3-19, platting that certain real property described therein (the "Annexed
Property") as 144 individual residential lots (each, an "Annexed Lot" and collectively, the
"Annexed Lots").

C. Pursuant to Article III of the CC&Rs, Declarant desires to annex the Annexed
Property to the real property that is subject to the CC&Rs, upon the terms and conditions
contained in this Declaration.

NOW, THEREFORE, Declarant hereby declares that the Annexed Property shall
be held, sold and conveyed subject to the CC&Rs, the Bylaws and the terms of this Declaration
and that the easements, covenants, restrictions and charges contained in the CC&Rs, 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 Property, 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
Declaration shall have the meanings ascribed to such terms in the CC&Rs.

ARTICLE 2 ANNEXATION OF PROPERTY

The Annexed Property is hereby annexed to and made a part of the Property, and
is owned and shall be owned, held, conveyed, hypothecated, encumbered, used, occupied and

Recorded By:
Western Title & Escrow Co.
12-0086103

improved in perpetuity, subject to the easements, covenants, restrictions and charges contained in the CC&Rs, as modified or supplemented by the terms of this Declaration. Commencing as of the date hereof, all of the covenants, conditions and restrictions of the CC&Rs shall apply to the Annexed Property in the same manner as if it were originally covered by the CC&Rs. Each of the Annexed Lots shall constitute a "Lot" under the CC&Rs.

ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owner of each Annexed Lot shall become a member of the Association and shall be entitled to voting rights as set forth in the CC&Rs and the Bylaws. Ownership of each Annexed Lot shall be subject to the terms of the Bylaws.

ARTICLE 4 ASSESSMENTS

The Annexed Lots shall be subject to assessment in the manner and on the terms set forth in the CC&Rs. Assessments for the Annexed Lots shall commence on the first day of the first month following the month in which the first Annexed Lot is conveyed to an Owner unrelated to Declarant.

ARTICLE 5 COMMON AREAS

The Common Areas included in the Annexed Property, and which shall be conveyed to the Association not later than the Turnover Meeting, are identified on the Plat as Common Lots "C," "D," "E," "F" and "G" and all roads and include all Improvements located thereon now or in the future.

Until the Turnover Meeting, Declarant reserves the right, in its sole discretion, to (i) install, construct, repair, replace and/or maintain on any of the Common Areas such roads, other Improvements (which shall include, without limitation, landscaping and lighting) and utilities as it shall deem advisable in its sole discretion; and (ii) grant such easements and/or impose such use restrictions, in the name of the Association, related to such roads, other Improvements and/or utilities, as it shall deem advisable in its sole discretion. Accordingly, an easement is hereby reserved for the Declarant to enter upon the Common Areas, including all roads within the Property, for purposes of installing, constructing, repairing, replacing and/or maintaining roads, other Improvements and/or utilities on any of the Common Areas. Upon construction, any such roads, other Improvements and, subject to the terms of applicable Easements, such utilities, shall be Common Areas of the Association. The use of such roads, other Improvements and utilities shall be subject to any applicable recorded easements and use restrictions, any applicable governmental permits and laws and to such rules and regulations as may be established by the Association from time to time. The maintenance, repair and replacement of such roads and other Improvements shall be the responsibility of the Association. The Association shall be responsible for the maintenance, repair and replacement of those utilities that it owns or for which it has contractual or other obligations to maintain, repair and/or replace, including, without limitation, the Sewer System.

ARTICLE 6 AMENDMENTS

6.1 Term and Amendments. The covenants and restrictions of this Declaration shall run with and bind the Annexed Property for so long as the CC&Rs are valid. This Declaration

may be amended in the same manner as the CC&Rs may be amended, pursuant to Section 13.1 of the CC&Rs. Subject to the provisions of Sections 5.2 of this Declaration, and notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Annexed Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Official Records of Deschutes County, Oregon. Declarant further reserves the right at any time to amend this 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.

6.2 Regulatory Amendments. Notwithstanding the provisions of Section 5.1 of this Declaration, until the Turnover Meeting described in the Bylaws and CC&Rs, Declarant shall have the right to amend this Declaration, the CC&Rs 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.

ARTICLE 7 MISCELLANEOUS PROVISIONS

7.1 Non-Waiver. Failure by the Association or by any Owner of an 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.

7.2 Construction; Severability. This Declaration and the CC&Rs shall be liberally construed as one document to effect the annexation of the Annexed Property to the Property. Nevertheless, each provision of this Declaration and the CC&Rs 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.

7.3 Run with Land. This 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 Property.

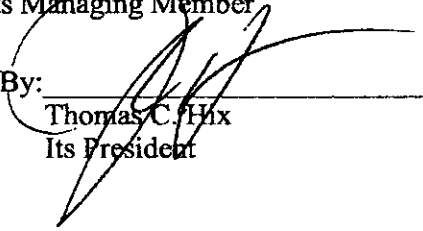
7.4 Termination. This Declaration shall terminate upon the termination of the CC&Rs in accordance with the terms thereof.

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

HIGH DESERT DEVELOPMENT COMPANY LLC,
an Oregon limited liability company

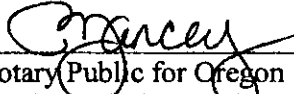
By High Desert Development Partners LLC,
a California limited liability company
Its Managing Member

By Northwest Resort Development, Inc.
a California corporation
Its Managing Member

By: 
Thomas C. Hix
Its President

STATE OF OREGON)
)ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on this 27 day of August 2003 by Thomas C. Hix, the president of Northwest Resort Development, Inc., the managing member of High Desert Development Partners LLC, the managing member of High Desert Development Company LLC, an Oregon limited liability company ("HDDC"), on behalf of HDDC.


Notary Public for Oregon
My Commission Expires: _____

