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PLANNED COMMUNITY SUBDIVISION DECLARATION

(DECLARATION OF

COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR HUNTER'S HIGHLAND AT HIGH POINTE PHASES IV AND V)

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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR HUNTER'S HIGHLAND AT HIGH POINTE PHASES IV AND V**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF HUNTER'S HIGHLAND AT HIGH POINTE PHASES IV AND V ("Declaration") is made this 14 day of September, 2001 by Blue Skies Development, Inc., an Oregon corporation ("Declarant").

RECITALS

Declarant is the Owner of all the real property and improvements thereon located in the County of Deschutes, State of Oregon, described as follows:

Lots 71 through 106, inclusive as shown on the plat map of Hunter's Highland at High Pointe Phases IV and V filed for record on August 29, 2001, the plat records of the County of Deschutes, State of Oregon ("Property").

Declarant intends to develop the Property as a planned development. To establish the planned development project of Hunter's Highland at High Pointe Phases IV and V, Declarant desires to impose these mutually beneficial covenants, conditions, restrictions, easements, assessments and liens on the Property under a comprehensive general plan of improvement and development for the benefit of all of the Owners and the Lots within the Hunter's Highland at High Pointe Phases IV and V.

Declarant has deemed it desirable for the efficient preservation of the values and amenities in Hunter's Highland at High Pointe Phases IV and V to create a non-profit corporation, to which will be delegated and assigned the powers and authority to own, maintain and administer the Association and the Commonly Maintained Property and facilities, and administer and enforce the covenants, conditions, and restrictions of this Declaration, and collect and disburse the assessments and charges hereinafter created.

NOW THEREFORE, the Declarant declares that the Property shall be held, transferred, sold, conveyed and occupied subject to the following covenants, conditions, restrictions, easements, charges and liens which shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property or any part thereof and shall inure to the benefit of the Association and of each Lot Owner.

ARTICLE 1

DEFINITIONS

1.1 "Architectural Review Committee" or "ARC" shall refer to the Declarant until the Declarant no longer owns any Lot and then ARC shall refer to the Board of Directors acting in its capacity to carry out its architectural control duties.

1.2 "Articles" shall mean the Articles of Incorporation for the non-profit corporation, Hunter's Highland at High Pointe Phases IV and V Homeowners Association, as filed with the Oregon Corporation Commissioner.

1.3 "Association" shall mean and refer to Hunter's Highland at High Pointe Phases IV and V Homeowners Association, Inc., its successors and assigns.

1.4 "Hunter's Highland at High Pointe Phases IV and V" shall mean Lots 71 through 106 included within the Plat of Hunter's Highland at High Pointe Phases IV and V.

1.5 "Board" or "Board of Directors" shall mean the Board of Directors of Hunter's Highland at High Pointe Phases IV and V Homeowners Association.

1.6 "Bylaws" shall mean and refer to the Bylaws of the Association which shall be recorded in the Deschutes County deed records.

1.7 "Commonly Maintained Property" shall mean and refer to any entry monumentation, the sound suppression fence, landscaping, irrigation system and fountains on Lots 96-101.

1.8 "Declaration" shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration of Covenants, Conditions and Restrictions for Hunter's Highland at High Pointe Phases IV and V.

1.9 "Declarant" shall mean and refer to Blue Skies Development, Inc., its successors or assigns, or any successor or assign to all remainder of its interest in the development of the Property.

1.10 "General Plan of Development" shall mean the Declarant's general plan of development of the Property as approved by appropriate governmental agencies, as may be amended from time to time.

1.11 "Home" shall mean and refer to any portion of a structure situated on a Lot or designed and intended for use and occupancy as a residence by a single family or household.

1.12 "Lot" shall mean and refer to each and any of Lots 71 through 106 of Hunter's Highland at High Pointe Phases IV and V.

1.13 "Members" shall mean and refer to the Owners of Lots in Hunter's Highland at High Pointe Phases IV and V and who are members of the Hunter's Highland at High Pointe Phases IV and V Homeowners Association.

1.14 "Occupant" shall mean and refer to the occupant of a Home who shall be either the Owner, lessee or any other person authorized by the Owner to occupy the premises.

1.15 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession under a land sale contract. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation.

1.16 "Property" or "Project" shall mean and refer to all real property, including Lots 71 through 106, and all improvements located on the real property subject to this Declaration.

1.17. "Reserve Account(s)" shall mean and refer to an account set up by the Board to hold funds for construction, improvements or maintenance of a specified portion of the Commonly Maintained Property.

1.18 "Rules and Regulations" shall mean and refer to the documents containing rules and regulations and policies adopted by the Board of the Association or the Architectural Review Committee as may be from time to time amended.

ARTICLE 2

PROPERTY SUBJECT TO THIS DECLARATION

The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in Deschutes County, Oregon, and described in that certain plat map entitled "Hunter's Highland at High Pointe Phases IV and V" filed in the plat records of Deschutes County, Oregon. The Development consists of Lots 71 through 106. Declarant does not intend to build any improvements other than the improvements delineated on the plat for Hunter's Highland at High Pointe Phases IV and V.

ARTICLE 3

OWNERSHIP AND EASEMENTS

3.1 Ownership of Lots. Title to each Lot in Hunter's Highland at High Pointe Phases IV and V shall be conveyed in fee to an Owner. If more than one person and/or entity owns an undivided interest in the same Lot, such persons and/or entities shall constitute one Owner.

3.2 Easements. Individual deeds to Lots may, but shall not be required to, set forth the easements specified in this Article.

3.2.1 Easements on Plat. The Common Area and Lots are subject to the easements and rights of way shown on the plat of Hunter's Highland at High Pointe Phases IV and V.

3.2.2 Easements Reserved by Declarant. So long as Declarant owns any Lot, Declarant reserves an easement over, under and across the Property in order to carry out sales activities necessary or convenient for the sale of Lots. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress over, in, upon, under and across the Property and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the improvements on the Property or other real property owned by Declarant in such a way as to not unreasonably interfere with the occupancy, use, enjoyment or access to an Owner's Lot by that Owner or his family, tenants, employees, guests or invitees.

3.2.3 Additional Easements. Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of Hunter's Highland at High Pointe Phases IV and V. No structure, planting or other material shall be placed or permitted to remain within any easement area which may damage or interfere with the installation or maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Lot and all improvements shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

3.2.4 Association's Easements. There are hereby reserved to the Association and its duly authorized agents and representatives such easements as are necessary to perform the duties and obligations of the Association set forth in this Declaration, the Bylaws and Articles, as the same may be amended or supplemented.

3.3 Subdivision. No Lot may be subdivided into division of any nature.

ARTICLE 4

LOTS AND HOMES

4.1 Residential Use. Lots shall only be used for residential purposes. Except with the consent of the Board of Directors of the Association, no trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any Lot, nor shall any goods, equipment, vehicles, materials or supplies used in connection with any trade, service or business be kept or stored on any Lot. Nothing in this paragraph shall be deemed to prohibit (a) activities relating to the sale of residences, (b) the right of Declarant or any contractor or homebuilder to

construct residences on any Lot, to store construction materials and equipment on such Lots in the normal course of construction, and to use any residence as a sales office or model home for purposes of sales in Hunter's Highland at High Pointe Phases IV and V, and (c) the right of the Owner of a Lot to maintain his professional or personal library, keep his personal business or professional records or accounts, handle his personal business or professional telephone calls or confer with business or professional associates, clients or customers, in his residence. The Board of Directors shall not approve commercial activities otherwise prohibited by this paragraph unless the Board of Directors determines that only normal residential activities would be observable outside of the residence and that the activities would not be in violation of applicable local government ordinances.

4.2 Construction of Homes. No construction of a Home or any other structure shall occur on a Lot unless the approval of the ARC is first obtained pursuant to Article 6. Consideration such as siting, shape, size, color, design, height, solar access, or material may be taken into account by the ARC in determining whether or not to consent to any proposed work. The following restrictions are minimum standards applicable to all Lots.

4.2.1 Height. No Home shall exceed two (2) stories, excluding subsurface basements;

4.2.2 Floor Area. The square footage area of a Home shall not be less than one thousand five hundred (1,500) square feet, exclusive of basements, attics, patios, decks, porches, balconies and garages;

4.2.3 Garages. At least a two (2) car garage must be constructed on the Lot;

4.2.4 Roofs. The roof shall be constructed of architectural composition shingles, earth tone concrete or tile. The roof pitch shall be no flatter than 5 and 12;

4.2.5 Setbacks. Setbacks shall be pursuant to Deschutes County code at the time the Home is constructed;

4.2.6 Exterior Finishes. Exterior walls and trim shall be of standard wood product or wood by-product. No T1-11 or plywood siding is permitted. All colors must be approved by the ARC; and

4.2.7 Driveways. All driveways must be concrete or paved with asphalt.

4.3 Completion of Construction. The construction of any building on any Lot, including painting and all exterior finish, shall be completed within six (6) months from the beginning of the construction so as to present a finished appearance when viewed from any angle. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval from the ARC. The Lot and building area shall be kept reasonably clean and in workmanlike order, free of litter, during the construction period with a garbage disposal facility located on site during such construction period. If construction has not commenced within three (3) months after the project has been approved by

the ARC, the approval shall be deemed revoked unless the Owner has applied for and received an extension of time from the ARC.

4.4 Landscaping. Landscaping for the front yard of each Lot shall be completed within sixty (60) days after final building inspection by the local government jurisdiction. All landscaping for the entire Lot shall be completed within six (6) months after the final building inspection.

4.5 Maintenance of Lots and Homes. Each Owner shall maintain his Lot, all improvements thereon and the landscaping in a clean and attractive condition, in good repair and in such fashion as not to create a fire hazard. Such maintenance shall include, without limitation, painting, repair, replacement and care for roofs, windows, doors, garage doors, gutters, downspouts, exterior building surfaces, walks and other exterior improvements and glass surfaces. All repainting or restaining and exterior remodeling shall be subject to prior review and approval by the ARC. In addition, each Owner shall keep all shrubs, trees, grass and plantings of every kind on his Lot or within the street right-of-way adjacent thereto neatly trimmed, properly cultivated and free of trash, weeds and other unsightly material. Damage caused by fire, flood, storm, earthquake, riot, vandalism, or other causes shall likewise be the responsibility of each Owner and shall be restored within a reasonable period of time.

4.6 Rental of Homes. An Owner shall be entitled to rent or lease his residence, if:

4.6.1 Written Rental Agreements Required. There is a written rental or lease agreement specifying that: (a) the tenant shall be subject to all provisions of the Declaration, Bylaws and Rules and Regulations, and (b) a failure to comply with any provision of the Declaration, Bylaws and Rules and Regulations shall constitute a default under the rental agreement;

4.6.2 Minimum Rental Period. The period of the rental or lease is not less than thirty (30) days;

4.6.3 Tenant Must Be Given Documents. The Owner gives each tenant a copy of the Declaration, Bylaws and Rules and Regulations.

4.7 Animals. No animals, livestock or poultry of any kind shall be raised, bred, kept or permitted within any Lot other than a reasonable number of household pets which are not kept, bred or raised for commercial purposes and which are reasonably controlled so as not to be a nuisance. Any inconvenience, damage or unpleasantness caused by such pets shall be the responsibility of the respective Owners thereof. No pets shall be permitted to roam the Property unattended, and all pets shall be kept on a leash while outside a Lot. An Owner may be required to remove a pet upon the receipt of the third notice in writing from the Board of Directors of violation of any rule, regulation or restriction governing pets within the Property.

4.8 Nuisance. No noxious, harmful or offensive activities shall be carried on upon any Lot, nor shall anything be done or placed on any Lot which interferes with or jeopardizes the enjoyment, or which is a source of annoyance to the Owner or other Occupants.

4.9 Parking. No vehicle shall be parked on the sidewalk or front yard of any Lot. Parking of boats, trailers, commercial vehicles, mobile homes, motor homes, campers, other recreational vehicles or equipment regardless of weight shall not be allowed on any part of the Lot, driveway or on public streets adjacent thereto for more than six hours or such other period as may be permitted by the Association Rules and Regulations unless they are enclosed within a garage or completely out of direct view from the street. Provided, no fence or enclosure shall be erected, placed or altered on any Lot until the plans and specifications have been submitted to and approved by the ARC. Provided, further, boats, trailers, campers and other recreational vehicles may be stored in the garage out of the visibility of other Owners without prior approval of the ARC.

4.10 Vehicles in Disrepair. No Owner shall permit any vehicle which is in an extreme state of disrepair or which is not currently licensed to be abandoned or to remain parked upon any Lot or on any street for a period in excess of forty-eight (48) hours. A vehicle shall be deemed in "extreme state of disrepair" when the Board of Directors reasonably determines that its presence offends the occupants of the neighborhood. Should any Owner fail to remove such vehicle within five (5) days following the date on which the notice is mailed to him by the Association, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner.

4.11 Signs. No signs shall be erected or maintained on any Lot except that not more than one "For Sale" or "For Rent" sign placed by the Owner, Declarant or by a licensed real estate agent, not exceeding twenty-four (24) inches high and thirty-six (36) inches long, may be temporarily displayed on any Lot. The restrictions contained in this paragraph shall not prohibit the temporary placement of "political" signs on any Lot by the Owner or Occupant.

4.12 Rubbish and Trash. No Lot shall be used as a dumping ground for trash or rubbish of any kind. All garbage and other waste shall be kept in appropriate containers for proper disposal and out of public view. Yard rakings, dirt and other material resulting from landscaping work shall not be dumped onto streets or any other Lots. Should any Owner fail to remove any trash, rubbish, garbage, yard rakings or any such materials from any Lot or any streets where deposited by him within ten (10) days following the date on which notice is mailed to him by the Board of Directors, the Association may have such materials removed and charge the expense of such removal to the Owner.

4.13 Fences and Hedges. No fences or boundary hedges shall be installed without prior written approval of the ARC. Owners must locate surveyor's pins marking boundary corners before construction of fences. All fences installed within Hunter's Highland at High Pointe Phases IV and V shall be not more than six (6) feet high and constructed with vertical cedar wood material (stained or natural), vinyl in natural wood tones or white or other material approved by the ARC.

4.14 Service Facilities. Service facilities (garbage containers, fuel tanks, clotheslines, etc.) shall be screened such that the elements screened are not visible at any time from the street or a neighboring property. All telephone, electrical, cable television and other utility

installations shall be placed underground in conformance with applicable law and subject to approval by the ARC.

4.15 Antennas and Satellite Dishes. Except as otherwise provided by law, no exterior antennas, satellite dishes, microwave, aerial, tower or other devices for the transmission or reception of television, radio or other forms of sound or electromagnetic radiation shall be erected, constructed or placed on any Lot. Provided, however, with prior written consent from the ARC, exterior satellite dishes or antennas with a surface diameter one meter or less and antennas designed to receive television broadcast signals only may be placed on any Lot if they are not visible from the street and are screened from neighboring Lots. If acceptable quality signals can be received by placing antennas inside a Home without unreasonable delay or unreasonable cost increase, then outdoor installation may be prohibited. The Board of Directors may adopt reasonable rules and regulations governing the installation, safety, placement, and screening of such antennas, satellite dishes, and other transmission devices so long as such rules and regulations do not unreasonably delay or increase the cost of installation, maintenance or use, or that preclude a signal of acceptable quality.

4.16 Exterior Lighting or Noisemaking Devices. Except with the consent of the ARC, no exterior lighting or noisemaking devices shall be installed or maintained on any Lot, other than security and fire alarms.

4.17 Grades, Slopes and Drainage. There shall be no interference with the established drainage patterns or systems over or through any Lot within Hunter's Highland at High Pointe Phases IV and V so as to affect any other Lot or any real property outside Hunter's Highland at High Pointe Phases IV and V unless adequate alternative provision is made for proper drainage and is approved by the ARC. The term "established drainage" shall mean the drainage swales, conduits, inlets and outlets designed and constructed for the Project.

4.18 Damage or Destruction to Home and/or Lot. If all or any portion of a Lot or Home is damaged by fire or other casualty, the Owner shall either (a) restore the damaged improvements or (b) remove all damaged improvements, including foundations, and leave the Lot in a clean and safe condition. Any restoration proceeding under (a) above must be performed so that the improvements are in substantially the same condition in which they existed prior to the damage, unless the provisions of Article 6 are complied with by the Owner. The Owner must commence such work within sixty (60) days after the damage occurs and must complete the work within six (6) months thereafter.

4.19 Right of Maintenance and Entry by Association. If an Owner fails to perform maintenance and/or repair which he is obligated to perform pursuant to this Declaration, and if the Board determines, after notice and a hearing (given pursuant to the provisions of the Bylaws), that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of Hunter's Highland at High Pointe Phases IV and V, the Board may cause such maintenance and/or repair in connection therewith to be performed and may enter any such Lot whenever entry is necessary in connection with the performance of any maintenance or construction which the Board is authorized to undertake. Entry shall be made with as little inconvenience to an Owner as practicable and only after advance written notice of not less than

forty-eight (48) hours, except in emergency situations. The costs of such maintenance and/or repair shall be chargeable to the Owner of the Lot as a reimbursement assessment and collected and enforced with any other assessments authorized hereunder.

4.20 Basketball Hoops. Without prior approval of the Board of Directors, no basketball hoops, backboards or stands, whether fixed, attached, freestanding, permanent or portable, shall be installed on any Lot, except in the backyard of a Lot.

4.21 Association Rules and Regulations. The Board of Directors from time to time may adopt, modify or revoke such Rules and Regulations governing the conduct of persons and the operation and use of Lots as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Property. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board of Directors promptly to each Owner and shall be binding upon all Owners and occupants of all Lots upon the date of delivery or actual notice thereof. The method of adoption of such rules shall be provided in the Bylaws of the Association.

4.22 Temporary Structures. No structure of a temporary character, trailer, tent, basement, shack, garage, barn or other outbuildings shall be used as a residence, either temporarily or permanently.

ARTICLE 5

COMMONLY MAINTAINED PROPERTY

5.1 Use of Common Area. Use of Commonly Maintained Property is subject to the provisions of the Declaration, Bylaws, Articles and the Rules and Regulations adopted by the Board of Directors. There shall be no obstruction of any part of the Commonly Maintained Property. Nothing shall be stored or kept in the Commonly Maintained Property. No alterations or additions to the Commonly Maintained Property shall be permitted without the prior written approval by the Board of Directors.

5.2 Maintenance of Commonly Maintained Property. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the Commonly Maintained Property. The Association shall keep the Commonly Maintained Property and improvements thereon in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Commonly Maintained Property in first class condition.

5.3 Funding. Expenditures for alterations, maintenance or repairs to an existing improvement for which a reserve has been collected shall be made from the Reserve Account. As provided in Section 10.5, the Board may levy a special assessment to fund any construction, alteration, repair or maintenance of an improvement for which no reserve has been collected or for which the Reserve Account is insufficient to cover the cost of the proposed improvement.

5.4 Landscaping. All landscaping on any Lot or portion of the Commonly Maintained Property shall be maintained and cared for in a manner consistent with the standards of design and quality as originally established by Declarant or the ARC. The Association shall be responsible for all landscaping located in the Commonly Maintained Property, including regular maintenance, irrigation, fertilization and weed abatement. Any weeds or diseased or dead lawn, tree, ground cover or shrubs shall be removed and replaced. All lawn areas shall be neatly mowed and trees and shrubs shall be neatly trimmed.

5.5 Damage or Destruction of Commonly Maintained Property. In the event any Commonly Maintained Property is damaged or destroyed by an Owner or any of his guests, Occupants, tenants, licensees, agents or members of his family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner does hereby authorize the Association to repair such damage. The Association shall repair the damage and restore the area in workmanlike manner as originally constituted or as may be modified or altered subsequently by the Association in the discretion of the Board of Directors. The reasonable cost necessary for such repairs shall become a special assessment upon the Lot and against the Owner who caused or is responsible for such damage.

ARTICLE 6

ARCHITECTURAL REVIEW COMMITTEE

6.1 Architectural Review. No improvement shall be commenced, erected, placed or altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the improvement have been submitted to and approved in writing by the ARC. It is the intent and purpose of this Declaration to assure quality of workmanship and materials, to assure harmony of exterior design with the existing improvements and landscaping and as to location with respect to topography and finished grade elevations, and to avoid plan repetition. The ARC is not responsible for determining compliance with structural and building codes, solar ordinances, zoning codes or other governmental regulations, all of which are the responsibility of the applicant. The procedure and specific requirements for review and approval of construction may be set forth in design guidelines adopted from time to time by the ARC. In all cases which the ARC consent is required by this Declaration, the provision of this Article shall apply.

6.2 Architectural Review Committee, Appointment and Removal. Until the Declarant no longer owns any Lot, the Declarant shall constitute the ARC or shall appoint one or more individuals to act as the ARC.

6.3 Majority Action. Except as otherwise provided in this Declaration, a majority of the members of the ARC shall have the power to act on behalf of the ARC, without the necessity of a meeting and without the necessity of consulting the remaining member of the ARC. The ARC may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

6.4 Duties. The ARC shall consider and act upon the proposals and/or plans submitted pursuant to this Article. The ARC, from time to time and at its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards"). The Architectural Standards shall interpret and implement the provisions of this Declaration for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features which may be used in Hunter's Highland at High Pointe Phases IV and V; provided, however that the Architectural Standards shall not be in derogation of the minimum standards established by this Declaration.

6.5 ARC Decision. The ARC shall render its approval or denial decision with respect to the construction proposal within ten (10) working days after it has received all material required by it with respect to the application. All decisions shall be in writing. In the event the ARC fails to render its decision of approval or denial in writing within thirty (30) days of receiving all material required by it with respect to the proposal, the application shall be deemed approved.

6.6 ARC Discretion. The ARC may, at its sole discretion, withhold consent to any proposed work if the ARC finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for Hunter's Highland at High Pointe Phases IV and V. Consideration such as siting, shape, size, color, design, height, solar access, or other effect on the enjoyment of other Lots, and any other factors which the ARC reasonably believe to be relevant, may be taken into consideration by the ARC in determining whether or not to consent to any proposed work.

6.7 Nonwaiver. Consent by the ARC to any matter proposed to it or within its jurisdiction shall not be deemed to constitute precedent or waiver impairing its right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

6.8 Effective Period of Consent. The ARC's consent to any proposed work shall automatically be revoked three (3) months after issuance unless construction of the work has been commenced or the Owner has applied for and received an extension of time from the ARC.

6.9 Determination of Compliance. The ARC may inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of noncompliance and shall require the Owner to remedy the noncompliance.

6.10 Noncompliance. If the ARC determines that an Owner has not constructed an improvement consistent with the specifications of an ARC approval, and if the Owner fails to diligently commence to remedy such noncompliance in accordance with the provisions of the notice of noncompliance, then at the expiration of the third (3rd) day from the date of such notification, the ARC shall provide notice of a hearing to consider the Owner's continuing noncompliance. The hearing shall be set not more than thirty (30) days from the date of notice of noncompliance. At the hearing, if the ARC finds that there is no valid reason for the

continuing noncompliance, the ARC shall determine the estimated costs of correcting it. The ARC shall then require the Owner to remedy or remove the same within a period of not more than ten (10) days from the date of the ARC's determination. If the Owner does not comply with the ARC's ruling within such period or within any extension of such period as the ARC, at its discretion, may grant, the ARC may remove the noncomplying improvement, remedy the noncompliance or fine the owner for the noncompliance. The costs of such action or fine shall be assessed against the Owner as a special assessment either before or after any remedied action is taken.

6.11 Liability. Neither the ARC nor any member thereof shall be liable to any Owner, Occupant, or builder for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the ARC or a member thereof, provided only that the member has, in accordance with the actual knowledge possessed by him, acted in good faith.

6.12 Estoppel Certificate. Within fifteen (15) working days after written request is delivered to the ARC by an Owner, and upon payment to the ARC of a reasonable fee fixed by the ARC to cover costs, the ARC shall provide such Owner with a certificate executed by the Chairman or other authorized member of the ARC certifying with respect to any Lot owned by the Owner, that as of the date thereof either: (a) all improvements made or done upon or within such Lot by the Owner comply with this Declaration, or (b) such improvements do not so comply, in which event, the certificate shall also identify the noncomplying improvements and set forth with particularity the nature of such noncompliance. The Owner, his heirs, devisees, successors and assigns shall be entitled to rely on the certificate with respect to the matters set forth therein. The certificate shall be conclusive as between the Declarant, the ARC, the Association and all Owners, and such persons deriving any interest through any of them.

ARTICLE 7

MEMBERSHIP IN THE ASSOCIATION

7.1 Members. Each Owner shall be a mandatory member of the Association. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of any Lot. Transfer of ownership of a Lot automatically transfers membership in the Association. Without any other act or acknowledgement, Occupants and Owners shall be governed and controlled by this Declaration the Articles, Bylaws, and the Rules and Regulations of the Association and any amendments thereof.

7.2 Proxy. Each Owner may cast his vote by absentee ballot or pursuant to a proxy executed by the Owner. An Owner may not revoke a proxy given pursuant to this section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is not dated or purports to be revocable without notice. A proxy shall terminate one (1) year after its date, unless the proxy specifies a shorter term.

7.3 Voting Rights. The Association shall have two (2) classes of voting members:

7.3.1 Class A. Class A members shall be all Owners of Lots other than the Declarant, and each Class A member shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote.

7.3.2 Class B. The Class B member shall be Declarant, its successors and assigns. The Class B member shall have three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the earlier of:

(a) When all of the Lots in Hunter's Highland at High Pointe Phases IV and V have been sold and conveyed to Owners other than Declarant ("Termination Date"); or

(b) At such earlier time as Declarant may elect in writing to terminate Class B membership.

(c) Two (2) years after the date this Declaration is recorded.

Thereafter, each Owner, including the Declarant, shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots.

When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event will fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes as of the Termination Date and thereafter shall be equal to the total number of Lots annexed to the Property and subjected to this Declaration as of the Termination Date.

7.4 Procedure. All meetings of the Association, the Board of Directors, the ARC, and Association committees shall be conducted with such rules of order as may from time to time be adopted by the Board of Directors. Notwithstanding which rule of order is adopted, the chairman shall be entitled to vote on all matters, not merely to break a tie vote. A tie vote does not constitute a majority or approval of any motion or resolution.

ARTICLE 8

DECLARANT CONTROL

8.1 Interim Board and Officers. The Declarant hereby reserves administrative control of the Association. The Declarant, in its sole discretion, shall have the right to appoint and remove members of the Interim Board of Directors, which shall manage the affairs of the Association and which shall be invested with all powers and rights of the Board of Directors. The Interim Board shall consist of from one to three members.

8.2 Turnover Meeting. The Declarant shall call a meeting for the purpose of turning over administrative control of the Association from the Declarant to the Class A members within ninety (90) days of the earlier of:

8.2.1 Sale of All Lots. The date that all Lots have been conveyed to persons other than the Declarant;

8.2.2 Optional Turnover. At such earlier time as Declarant elected in writing to terminate Class B membership; or

8.2.3 Two Years. Two (2) years after this Declaration is recorded.

The Declarant shall give notice of the meeting to each Owner as provided in the Bylaws. If the Declarant does not call the meeting required under this Section, any Owner may do so.

ARTICLE 9

DECLARANT'S SPECIAL RIGHTS

9.1 General. Declarant is undertaking the work of developing Lots and other improvements within Hunter's Highland at High Pointe Phases IV and V. The completion of the development work and the marketing and sale of the Lots is essential to the establishment and welfare of the Property as a residential community. Until the Homes on all Lots on the Property have been constructed, fully completed and sold, with respect to each Lot on the Property, the Declarant shall have the special rights set forth in this Article 9.

9.2 Marketing Rights. Declarant shall have the right to maintain a sales office and model on one or more of the Lots which the Declarant owns. The Declarant and prospective purchasers and their agents shall have the right to use and occupy the sales office and models during reasonable hours any day of the week. The Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, the Common Area.

9.3 Declarant Easements. The Declarant has reserved easements over the Property as more fully described in Section 3.2 hereof.

9.4 Appearance of Hunter's Highland at High Pointe Phases IV and V. Declarant shall not be prevented from changing the exterior appearance of the Commonly Maintained Property, including the landscaping or any other matter directly or indirectly connected with Hunter's Highland at High Pointe Phases IV and V in any manner deemed desirable by Declarant, provided that the Declarant obtains governmental consents required by law.

ARTICLE 10

FUNDS AND ASSESSMENTS

10.1 Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Owner and Occupants of Hunter's Highland at High Pointe Phases IV and V and for the improvement, operation and maintenance of the Commonly Maintained Property.

10.2 Covenants to Pay. Declarant and each Owner covenants and agrees to pay the Association the assessments and any additional charges levied pursuant to this Article 10.

10.2.1 Funds Held in Trust. The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of Hunter's Highland at High Pointe Phases IV and V as provided in this Declaration. Upon the sale or transfer of any Lot, the Owner's interest in the funds shall be deemed automatically transferred to the successor in interest of such Owner.

10.2.2 Offsets. No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

10.3 Basis of Assessment/Commencement of Assessments. Assessments are to be levied against all Lots whether or not such Lots have been improved with a substantially completed Home. Assessments for all Lots shall begin ninety (90) days after the plat is recorded as set forth in Section 10.4.

10.4 Initial Assessment/Annual Assessments. The initial assessment in respect to each Lot shall be \$_____ per month or \$_____ per quarter per Lot. The initial assessment shall commence ninety (90) days after the recording of the subdivision plat. Thereafter, annual assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. Annual assessments shall be levied on a fiscal year basis. The fiscal year shall be the calendar year unless another year is adopted by vote of the Association members. Unless otherwise specified by the Board, annual assessments shall be due and payable in quarterly installments on the first day of each quarter during the term of this Declaration.

10.4.1 Budgeting. Regardless of the number of Members or the amount of assets of the Association, each year the Board shall prepare, approve and make available to each Member a pro forma operating statement (budget) containing: (a) estimated revenue and expenses on an accrual basis; (b) the amount of the total cash reserves of the Association currently available for replacement or major repair of the Commonly Maintained Property and for contingencies; (c) an itemized estimate for the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Commonly Maintained Property; and (d) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Commonly Maintained Property. For the first fiscal year, the budget

shall be approved by the Board no later than the date on which annual assessments are scheduled to commence. Thereafter, the Board shall annually prepare and approve the budget. Within thirty (30) days after adopting the budget, the Board shall provide a summary of the budget to all Owners. The board shall deliver written notice of the amount of the annual assessments to be levied against the Owner's Lot, not less than thirty (30) days and not more than ninety (90) days prior to the beginning of the fiscal year.

10.4.2. Allocation of Assessments. The total amount in the budget shall be charged equally against all Lots as Annual Assessments.

10.4.3. Nonwaiver of Assessments. If before the expiration of any fiscal year the Association fails to fix annual assessments for the next fiscal year, the annual assessments established for the preceding year shall continue until a new annual assessment is fixed.

10.4.4 Common Profits. All common profits derived from the Property shall be income of the Association.

10.5 Special Assessments. The Board of Directors shall have the power to levy special assessments against an Owner or all Owners in the following manner for the following purposes:

10.5.1 Correct Deficit. To correct a deficit in the operating budget, by vote of a majority of the Board;

10.5.2 Special Obligations of an Owner. To collect amounts due to the Association from an Owner for breach of the Owner's obligations under the Declaration, these Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

10.5.3 Repairs. To make repairs or renovations to the Commonly Maintained Property if sufficient funds are not available from the operating budget or replacement reserve accounts, by vote of a majority of the Board; or

10.5.4 Capital Improvements. To make capital acquisitions, additions or improvements, by vote of a majority of all Owners of Lots.

10.5.5 Reimbursement Assessments. The Association shall levy a reimbursement assessment against any Owner and his Lot if a failure to comply with the Declaration, Bylaws or any Rules and Regulations has (a) necessitated an expenditure of monies by the Association to bring the Owner into compliance or (b) resulted in the imposition of a fine or penalty. A reimbursement assessment shall be due and payable to the Association when levied. A reimbursement assessment shall not be levied by the Association until opportunity for a hearing has been given.

10.6 Accounts.

10.6.1 Types of Accounts. Assessments collected by the Association shall be deposited into at least two (2) separate accounts with a bank, which accounts shall be clearly designated as (a) the Current Operating Account and (b) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operating Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of Commonly Maintained Property into the Reserve Account. Withdrawal of funds for the Association's Reserve Account shall require the signatures of either two (2) Directors or one (1) Director and an officer of the Association who is not a Director.

10.6.2 Reserve Account. The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair or replacement of Commonly Maintained Property for which reserves have been collected and held. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes.

10.6.3 Current Operating Account. All other costs may be paid from the Current Operating Account.

10.7 Default in Payment of Assessments, Enforcement of Liens.

10.7.1 Personal Obligation. All assessments properly imposed under this Declaration or the Bylaws shall be the joint and several personal obligation of all Owners of the Lot to which such assessment pertains. In a voluntary conveyance (that is, one other than through foreclosure or a deed in lieu of foreclosure) the grantees shall be jointly and severally liable with the grantor(s) for all Association assessments imposed through the recording date of the instrument effecting the conveyance. A suit for a money judgment may be initiated by the Association to recover such assessments without either waiving or foreclosing the Association's lien.

10.7.2 Association Lien. At any time any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof is delinquent, the Association, by and through its Board or any management agent, may file a notice of lien in the deed records of Deschutes County, Oregon, against the Lot in respect to which the delinquency pertains. Once filed, such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorneys' fees (whether or not suit or action is instituted) and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Said lien may be foreclosed at any time, but not later than six (6) years after the latest lienable charge has been imposed. The lien of the Association shall be superior to all other liens and encumbrances except property taxes and assessments, any first mortgage, deed of trust or land sale contract recorded previously to the Association's notice of lien and any mortgage or deed of trust granted to an institutional lender which is recorded previously to the Association's notice of lien.

10.7.3 Interest; Fines; Late Fees; Penalties. The Board in its reasonable discretion may from time to time adopt resolutions to set the rate of interest, and to impose late fees, fines and penalties on delinquent assessments or for violations of the provisions of this Declaration, the Bylaws and the Rules and Regulations adopted by the Board or the ARC. The adoption of such impositions shall be communicated to all Owners in writing not less than thirty (30) days before the effective date by a notice mailed to the assessment billing addresses of such Owners. Such impositions shall be considered assessments which are lienable and collectible in the same manner as any other assessments. Provided, however, fines or penalties for violation of this Declaration, the Bylaws or any rule and regulation, other than late fees, fines or interest arising from an Owner's failure to pay regular, special or reimbursement assessments, may not be imposed against an Owner or his Lot until such Owner is given an opportunity for a hearing as elsewhere provided herein.

10.7.4 Acceleration of Assessments. In the event an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, upon not less than ten (10) days' written notice to the Owner, may accelerate the due date of the full annual assessment for that fiscal year and all future installments of any special assessments.

10.7.5 Association's Right to Rents/Receiver. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his Lot or shall be entitled to the appointment of a Receiver. Any default by the Owner in any provisions of the Declaration or Bylaws shall be deemed to be a default by the Owner of any mortgage to which the Owner is a party or to which the Lot is subject.

ARTICLE 11

GENERAL PROVISIONS

11.1 Records. The Board of Directors shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board of Directors shall also keep detailed and accurate financial records including individual assessment accounts of Owners, the balance sheet, and income and expense statements. Individual assessment accounts shall designate the name and address of the Owner or Owners of the Lot, the amount of each assessment as it becomes due, the amounts paid upon the account, and the balance due on the assessments. The minutes of the Association, the Board and committees, and the Association's financial records shall be reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

11.2 Indemnification of Directors, Officers, Employees and Agents. The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of

another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

11.3 Enforcement/Attorneys' Fees. The Association and the Owners within the Property or any mortgagee on any Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens and charges now or hereinafter imposed by any of the provisions of this Declaration as may appertain specifically to such parties or owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter. In the event suit or action is commenced to enforce the terms and provisions of this Declaration, the prevailing party shall be entitled to its attorney fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal, the cost of the appeal, together with reasonable attorney fees, to be set by the appellate court. In addition thereto, the Association shall be entitled to its reasonable attorney fees incurred in any enforcement activity taken to collect delinquent assessments, whether or not suit or action is filed.

11.4 Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall not affect the other provisions hereof and the same shall remain in full force and effect.

11.5 Duration. The covenants, conditions and restrictions of this Declaration shall run with and bind the land for a term of thirty-five (35) years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless rescinded by a vote of at least ninety percent (90%) of the Owners and ninety percent (90%) of the first mortgagees. Provided however, amendments which do not constitute rescission of the planned community may be adopted as provided in Section 11.6. Additionally, any such rescission which affects the Common Area shall require the prior written consent of Deschutes County. Provided, however, that if any of the provisions of this Declaration would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then such provision shall be deemed to remain in effect only

for the maximum period permitted by law or, in the event the rule against perpetuities applies, until twenty-one (21) years after the death of the last survivor of the now living descendants of former President George Bush.

11.6 Amendment. Except as otherwise provided in 11.5 and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than seventy-five percent (75%) of the total votes of each class of members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law. Provided, however, that no amendment of this Declaration shall effect an amendment of the Bylaws or Articles without compliance with the provisions of such documents, and the Oregon Non-Profit Corporation Act. Provided further, no amendment affecting the general plan of development or any other right of the Declarant herein contained may be effected without the express written consent of the Declarant or its successors and assigns.

11.7 Release of Right of Control. The Declarant may give up its right of control in writing at any time by notice to the Association.

11.8 Unilateral Amendment by Declarant. In addition to all other special rights of the Declarant provided in this Declaration, the Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee or provide financing in connection with development of the Property and sale of Lots. Prior to the Turnover Meeting, no such amendment shall require notice to or approval by any Class A member.

11.9 Resolution of Document Conflicts. In the event of a conflict among any of the provisions in the documents governing Hunter's Highland at High Pointe Phases IV and V, such conflict shall be resolved by looking to the following documents in the order shown below:

1. Declaration;
2. Articles;
3. Bylaws;
4. Rules and Regulations.

IN WITNESS WHEREOF, the undersigned being Developer herein, has executed this instrument this 14th day of September, 2001.

BLUE SKIES DEVELOPMENT, INC.

By: James F. Cozzetto, Jr.
James F. Cozzetto, Jr., President

STATE OF OREGON)

County Deschutes)

) ss.

September 14, 2001

James F. Cozzetto, Jr.

Personally appeared before me the above-named ~~XXXXXX~~, who, being duly sworn, did say that he is a President of Blue Skies Development, Inc., and that said instrument was signed in behalf of said limited liability company by authority of its members; and he acknowledged said instrument to be its voluntary act and deed.

Melissa Riverman
Notary Public for Oregon

