

2000 - 1321-1
After recording
Return to: Francis H Martin, 1199 McWall, Bend, OR 97701

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
STONEHEDGE ON THE RIM ASSOCIATION, INC.**

THIS DECLARATION (hereinafter "CCRs") is made this 5TH day of January, 2000 by Thomas A. Fields and James R. Schmit (hereinafter "Declarant").

RECITALS

1. Declarant is the Owner of all the real property described on Exhibit "A" attached (the "Property") and desires to create a planned community known as Stonehedge On the Rim ("Stonehedge") with permanent roadways, utility installations and open spaces for the benefit of the community.

2. Declarant is reserving the right, but not undertaking the obligation, to annex additional property to the Association and subject it to the terms and provisions of these CCRs, the Articles and the Bylaws of the Association.

3. Declarant desires to provide for the preservation and enhancement of the property value, and amenities in Stonehedge and to provide for the maintenance of the Property and improvements, and to this end desires to subject the Property to the covenants, conditions restrictions, easements, charges and liens set forth in these CCRs. These CCRs are for the benefit of the Property and each Owner of any Lot.

4. Declarant deems it desirable for the efficient preservation of the values and amenities in such community to create a non-profit corporation, to which should be delegated and assigned the powers of owning, maintaining and administering the Common Property and facilities, administering and enforcing the CCRs, collecting and disbursing the assessments and charges, and promoting the recreation, health, safety and welfare of the residents.

5. Declarant declares that the Property shall be held, transferred, sold, conveyed and occupied subject to the provisions of the Oregon Planned Community Act, ORS 94.550 et seq., and to the CCRs, easements, charges and liens set forth in these CCRs.

ARTICLE 1. DEFINITIONS

1.1 "ARB" shall mean Architectural Review Board.

1.2 "Articles" shall mean the Articles of Incorporation for the non-profit corporation, Stonehedge On the Rim Association, Inc., as filed with the Oregon Corporation Division.

1.3 "Association" shall mean and refer to Stonehedge On the Rim Association, Inc., its successors and assigns.

1.4 "Bylaws" shall mean and refer to the Bylaws of the Association.

COVENANTS, CONDITIONS AND RESTRICTIONS - 1
(01/03/00)

1.5 "Common Property" shall mean and refer to that area of land shown on the recorded plat of the Property and described on attached Exhibit "B", including any improvements, which are intended to be devoted to the common use and enjoyment of the Members and which land has been conveyed to the Association.

1.6 "CCRs" shall mean the covenants, conditions, restrictions, and all other provisions set forth in these CCRs.

1.7 "Declaration" shall mean the covenants, restrictions, and all other provisions set forth in these CCRs.

1.8 "Declarant" shall mean and refer to Thomas A. Fields and James R. Schmit, their successors or assigns.

1.9 "General Plan of Development" shall mean Declarant's general plan of development of the Property as approved by appropriate governmental agencies and as set forth in these CCRs.

1.10 "Living Unit" or "Unit" shall mean and refer to any portion of a structure situated upon the Property designed and intended for use and occupancy as a residence by a single family.

1.11 "Lot" shall mean and refer to any Lot of Stonehedge; provided, however, that "Lot" shall not include any Lot depicted on any plat of the Property which is designated for use as Common Property on such plat or declaration of Stonehedge.

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

1.13 "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.

1.14 "Property" shall mean and refer to all real property, the Common Property and all improvements located on the real property subject to these CCRs, as more particularly set forth on Exhibit "A" attached, together with such additional Lots and Common Property as may, from time-to-time, be annexed to the Association.

1.15 "Rules and Regulations" shall mean and refer to the documents containing Rules and Regulations and policies adopted by the Board of Directors of the Association or the ARB as may be from time to time amended.

1.16 "Stonehedge" shall mean the Property and all Common Property included within the Plat of Stonehedge.

ARTICLE 2. PROPERTY SUBJECT TO THESE CCRs

The real property which is and shall be held, transferred, sold, conveyed and occupied subject to these CCRs is located in Redmond, Deschutes County, Oregon and is described on attached Exhibit "A."

ARTICLE 3. GENERAL PLAN OF DEVELOPMENT

3.1 General. Declarant has developed the Property with residential Lots, including single family lots, duplex lots and Common Property (approximately 22 acres of the Dry Canyon). The Common Property is currently approved by the City of Redmond for production of crops and grazing of livestock, including horses. Declarant does not warrant that this use will continue to be allowed by governmental agencies.

3.2 Common Property. The legal description of real property, which is included in the planned community, which is or shall become Common Property is described on Exhibit "B" attached. Declarant shall convey the common property to the Association within thirty (30) days after lots representing fifty percent (50%) of the Lots of Stonehedge have been conveyed.

ARTICLE 4. USE RESTRICTIONS; ARCHITECTURAL CONTROLS AND MAINTENANCE RESPONSIBILITIES

4.1 General.

4.1.1 Governmental Restrictions. All uses, occupancy, construction and other activities conducted on any Lot shall conform with and be subject to applicable zoning, use restrictions, setback requirements, construction and building codes of all local, state and federal public authorities including the City of Redmond, Oregon.

4.1.2 Common Property. No Owner shall construct or place any structure, material, planting, equipment or any object of any kind on any portion of the Common Property, unless granted written permission by the Board of Directors.

4.2 Use. All Lots and Living Units shall be used for residential, recreation and vacation purposes only. No commercial, retail or industrial use shall be allowed on any Lot or in any Living Unit.

4.3 Architectural Standards.

4.3.1 Structures on Lots. Except as otherwise specifically provided in these CCRs, no fence, outbuilding, residential building, or other structure of any type shall be erected, altered, placed or permitted to remain on any Lot other than the original Living Units as originally constructed or replaced in a manner having a substantially similar appearance to the original Living Unit.

4.3.2 Number. Not more than one detached building incidental to residential use and not more than one three car garage shall be constructed on any Lot.

4.3.3 Height. All Living Units or structures shall be two stories or less in height. Basements which include daylight, split entry and split level type shall not be considered in determining the number of stories in the dwelling.

4.3.4 Size. All Living Units shall have a minimum of one thousand four hundred (1,400) square feet, excluding a garage, except any Living Units located on the Canyon Rim on the east side of Rimrock Drive shall have a minimum size of one thousand eight hundred (1,800) total square feet. Any duplex built on any Lot shall be a minimum of one thousand eight hundred (1800) square feet total.

4.3.5 Location. All structures shall be located on each parcel so as to be as compatible as possible with the natural surroundings, view, and other residences.

4.3.6 Fences. Except fences on the Common Property, fences shall be constructed only of wood, brick or stone and shall not exceed six feet (6') in height. Chain link and metal fences are prohibited. Fences extending from the front of the house to the street shall not exceed three (3) feet. Fencing for all Lots abutting 23rd Street shall be the responsibility of each abutting Lot. Fences in the Common Property are to be agricultural type fencing as determined by the Association from time-to-time.

4.3.7 Roofs. All structures shall have a roof not less than 5 and 12 pitch. Straight line three tab composition roofs are prohibited. Roof coverings shall be approved by the ARB.

4.3.8 Exterior Walls and Trim. All exterior walls and trim shall be wood. Manufactured wood products such as fiberboard, and masonite are acceptable. T-11 siding or similar material is prohibited. Paint or heavy body stain is acceptable. All exterior colors shall be approved by the ARB.

4.3.9 Garages. All Living Units shall have a two (2) car garage or a three (3) car garage, but shall no Living Unit shall exceed a three (3) car garage.

4.3.10 Driveways and Sidewalks. All driveways and sidewalks shall be concrete and shall be completed prior to occupancy.

4.4 Time of Construction. All buildings shall be completed within six (6) months from the date construction is commenced exclusive of the inside finish work.

4.5 Underground Utilities. No outdoor overhead wire or service drop for the distribution of electric energy or for telecommunication purposes nor any pole, tower or other

structure for independent reception, transmission or support of any of the above shall be erected, placed or maintained within the Property.

4.6 Landscaping. All front yards shall be landscaped within six (6) months following the completion of a Living Unit with no less than twenty percent (20%) of the front yard to be grass with the remainder to be landscaped in a neat and clean manner.

4.7 Trees. Tree preservation and planting of new trees is encouraged. Trees shall not be removed or planted without the written consent of the ARB.

4.8 Parking. Each Living Unit shall maintain at least one garage space available to park one vehicle. Outdoor storage of recreational vehicles, trailers or boats shall be allowed to the side or rear of any Lot, but shall be inside a fully enclosed fence. Parking of any vehicle of any nature, including motor vehicles, recreational vehicles, trailers, and/or boats on the streets of Stonehedge for greater than three (3) days per month is prohibited.

4.9 Antennas. Radio, television and similar type antennas are subject to the approval of the ARB.

4.10 Cleanliness. Each parcel and its improvements shall be maintained in a clean and attractive condition, in good repair and in such fashion as to not create a fire hazard or visual pollution.

4.11 Screening. All garbage, trash, cuttings, refuse, garbage containers, clothes lines, wood piles and other service facilities shall be screened from view of the streets.

4.12 Manufactured Homes. Campers, mobile homes, trailers or manufactured homes as described in ORS 446.003(20)a and as amended from time-to-time are prohibited for use as a residence. Only designed and site built homes are permitted.

4.13 ARB

4.13.1 Composition. The Board of Directors shall serve also as an ARB. A quorum for the ARB action shall be a Majority of its Members.

4.13.2 Duties. It shall be the duty of the ARB to regulate the external design, appearance, location and maintenance of all the Property and of improvements, whether on a Lot or Common Property, and to regulate use of such Property as described in these CCRs. Upon conveyance of the first Lot to an Owner, the ARB shall adopt general rules to implement the purposes and interpret the covenants of this Article, including, but not limited to, rules not less restrictive than those contained in these CCRs to regulate animals and tenants, storage and use of recreational vehicles, storage and use of machinery, use of outdoor drying lines, trash containers, planting, maintenance and care of vegetation, antennas, storage and use of automobiles, promulgation of rules for noise standards, and regulation of signs from the Property.

4.13.3 Approval Required. No Living Unit, outbuilding, fence, wall or other structure of any type shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to, change in, painting or staining of, or alteration to any Living Unit, outbuilding, fence, wall, or other structure on the Property of any type be made until the plans and specifications showing the nature, kind, shape, height, materials, color and location of the same have been submitted to and approved in writing by the ARB as to the harmony of external design, materials, color and location in relation to surrounding structures and topography.

4.13.4 Procedure. An Owner wishing to take any action requiring approval under this Article shall give written notice of such proposed action to the ARB, together with complete plans and specifications. The ARB shall meet to review the Owner's request within thirty (30) days of receipt and shall render a decision by the vote of a Majority of the Board Members present within forty-five (45) days of receipt. Interested Owners shall have an opportunity to comment on the request at all such meetings, which shall be open to all Owners. If the ARB fails to render a written decision within the time allowed, the request shall be deemed approved.

4.13.5 Appeal. The decision of the ARB under this Article, including any failure to approve or disapprove within the time allowed, shall not be subject to appeal.

4.13.6 Exemptions. The following actions by the following persons shall be exempt from the provisions of this Article:

4.13.6.1 The planting of any shrubs, flowers, or plants by any Owner on such Owner's Lot;

4.13.6.2 Any act of Declarant in implementing the General Plan of Development with respect to any Lot or any portion of the Common Property in the development shall be exempt from the provisions of this Article.

4.13.7 Delegation. The Board of Directors may delegate the duties of the ARB to a committee appointed by the Board composed of not less than three (3) Owners.

ARTICLE 5. ASSOCIATION MEMBERSHIP AND VOTING RIGHTS

5.1 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. Occupants and Owners shall be governed and controlled by these CCRs, the Articles, Bylaws, and Rules and Regulations of the Association.

5.2 Proxy. Unless the Bylaws provide otherwise, each Owner may cast his or her 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 undated or purports

to be revocable without notice. A proxy shall terminate one (1) year after its date, unless the proxy specifies a shorter term.

5.3 Voting Rights. The Association shall have two (2) classes of voting Members:

5.3.1 Class A. Class A Members shall be all Owners of Lots other than 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.

5.3.2 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; provided, however, that all Class B memberships cease upon thirty (30) days after Lots representing seventy-five percent (75%) of the votes have been conveyed ("Termination Date"). Thereafter, each Owner, including 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.

5.4 Voting by Lot. 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. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes as of such Termination Date and thereafter, shall be equal to the total number of Lots annexed to the Property and subject to these CCRs as of such Termination Date.

5.5 Procedure. All meetings of the Association, the Board of Directors, the ARB, and Association committees shall be conducted in accordance with such rules of order as may from time to time be adopted by the Board of Directors. A tie vote does not constitute a Majority or approval of any motion or resolution.

ARTICLE 6. DECLARANT CONTROL

6.1 Interim Board and Officers. Declarant reserves administrative control of the Association. Declarant, in his or her sole discretion, shall have the right to appoint and remove Members of a three-Member 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. Notwithstanding the provisions of this Section, at the Turnover Meeting at least one (1) Director shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all Directors.

6.2 Transitional Advisory Committee. Declarant shall form Transitional Advisory Committee to provide for the transition of administrative control of the Association from Declarant to the Class A Members. Not later than the sixtieth (60th) day after Declarant has conveyed Lots representing fifty percent (50%) or more of the Lots in the first phase of the planned community other than a successor to Declarant or the Declarant has conveyed ten (10) Lots in the planned community to Owners other than the successor to Declarant.

6.3 Turnover Meeting. Declarant shall call a meeting for the purpose of turning over administrative control of the Association from Declarant to the Class A Members within ninety (90) days of the conveyance of Lots representing seventy-five percent (75%) of the votes conveyed. Declarant shall give notice of the meeting to each Owner as provided in the Bylaws. If Declarant does not call the meeting required under this section, any Owner may do so.

ARTICLE 7. COMMON PROPERTY

7.1 Obligations of the Association. Subject to the rights of Owners set forth in these CCRs, the Association shall be responsible for the exclusive management and control of the Common Property and any improvements, and shall keep the property in good, clean, attractive and sanitary condition, order and repair.

7.2 Members' Easement of Enjoyment. Subject to the provisions of these CCRs, the Bylaws, and Rules and Regulations of the Association, every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Property, which shall be appurtenant to and shall pass with the title to every Lot.

7.3 Exclusivity of Use of Members' Easements. Declarant is concerned about future public development, and security of Owners and Common Property. Declarant has discussed with local governments the grounds upon which a transfer of Common Property may occur including, but not limited to, use as a bike path/trail, or park. Prior to any transfer of Common Property of any nature, excluding any interest dedicated or credited as provided in paragraph 7.10 of these CCRs, including, but not limited to, sale transfer, lease, or grant of easement, the acquiring entity shall:

7.3.1 Complete an environmental report examining (1) how asphalt will affect Dry Canyon and the water table, including any pond; and (2) how public use of the area will affect environment of Dry Canyon.

7.3.2 Any such sale, transfer, lease or easement, other than that provided in paragraph 7.10 of these CCRs, shall:

7.3.2.1 Not create a separation (split) of any Common Property or private property. Any trail/path shall be tunneled to allow for continued use of "one" parcel by private Owner or the Association.

7.3.2.2 Require the purchaser/tenant/grantee to create parking areas on Highland and Quartz for users of the path/trail. The number of spaces shall be determined by traffic study and potential user study by a professional transportation and trail experts.

7.3.3 Prove the need for transportation to be in Dry Canyon and not on 23rd Street or South Canyon Drive, which already connects Highland and Quartz Avenue.

7.3.4 Construct a six foot (6') chain link fence on the acquired Property line or easement boundary and construct a second fence five feet (5') from the first fence upon the Common Property for the purpose of providing a buffer, security, privacy and visual separation.

7.3.5 Provide twenty-four (24) hour security of the path/park.

7.3.6 Demonstrate the economic feasibility for a trail/path by placing a full page advertisement in the local paper or by direct mail to the taxpayers of the City of Redmond as to costs for acquisition, construction and maintenance of the path/trail and compare to the option of using South Canyon Drive or 23rd Street for a Highland Avenue to Quartz connector.

7.3.7 Obtain, through public vote by the citizens of Redmond, Oregon, approval for such acquisition after results of all required studies are made public.

7.3.8 Any trail/path shall run only North and South using most direct route from Highland to Quartz.

7.3.9 Compensate private land Owners in cash.

7.3.10 Change the designation of the property in the preservation area between Highland and Quartz in the OSRR zone to redesignate enhancement.

7.3.11 Build driveway access off Rimrock intersection to the private Canyon property at Highland or build left turn lane and provide access on Highland to the Canyon.

7.3.12 Provide public road vehicle access from Quartz to Obsidian in the Canyon to the Association Dry Canyon southern boundary at Obsidian.

7.3.13 Build and maintain a public restroom for users of the trail/path at the obsidian crossing.

7.3.14 Grant approval to the Association for creation and erection of a private barn and private park without conditions.

7.3.15 These obligations solely belong to any acquiring entity and are intended to be enforceable by the Association against any such acquiring entity, except as provided in paragraph 7.10 of these CCRs. In no event shall Declarant be liable for resolution or completion of any tasks these CCRs assign to an acquiring entity.

7.4 Rules and Fees.

7.4.1 The Association shall establish reasonable rules and to charge reasonable assessments and fees for capital expenditures on the Common Property and the maintenance and upkeep of the Common Property and payment of all Association expenses and fees for the use of Common Property by individual Owner's animals.

7.4.2 The Association shall set rules for use of the Common Property and may charge fees for its use.

7.5 **Suspension of Member's Right.** The Association may suspend the right of an Owner or any Occupant of a Lot to use the Common Property and facilities for any period during which any assessment against such Owner or Occupant's Lot remains unpaid for more than thirty (30) days after notice of such nonpayment. The Association may suspend the right of a Member to use any Common Property for any other infraction of the CCRs, Bylaws or the Rules and Regulations of the Association; provided, however, that no such suspension pursuant to this subsection shall deprive an Owner of access to his or her Lot.

7.6 **Sale of Common Property.** As provided by ORS 94.665, the Association may sell, dedicate or transfer or create a security interest on any portion of the Common Property. approved by eighty percent (80%) of the votes of both Class A and Class B Members; provided further, if there is only one class of votes, such sale, dedication or transfer, must be approved by eighty percent (80%) of the votes held by Owners other than Declarant.

7.7 **CCRs of Use.** Any Owner may delegate his or her right of enjoyment to the Common Property and facilities to the Members of the Owner's family and to a reasonable number of guests subject to general regulations as may be established from time to time by the Association.

7.8 **Damage or Destruction of Common Property by Owner.** In the event any Common Property is damaged or destroyed by an Owner or any of his or her guests, tenants, licensees, agents or Members of his or her family, such Owner authorizes the Association to repair such damage in a good and workmanlike manner. The reasonable cost necessary for such repairs shall become a special assessment upon the Lot of the Owner who caused or is otherwise responsible for such damage.

7.9 **Description of Common Property Improvements.** The Common Property improvements to be constructed by Declarant shall include a caretakers home/clubhouse on Lot 28, fencing of the Common Property and irrigation systems, including a pond and waterfall for the Common Property. Declarant states the Common Property may be encumbered by indebtedness at the time of recordation of these CCRs. Declarant shall, prior to conveyance of greater than fifty-one percent (51%) of the Lots representing Stonehedge, pay the encumbrance in full.

7.10 **Easement.** Declarant owns property described on Exhibit "C." Declarant reserves unlimited rights of public or private access for utility and access purposes over any portion of the property described in Exhibit "B" attached, in any width appropriate to facilitate a public or private access or for utility purposes. This access and utility right shall commence on 19th Street and continue over the Common Property. This easement shall be perpetual and run with the land for the use and benefit of that property described on Exhibit "C" and, in the event the property is divided, is appurtenant to all parcels. Declarant is free to dedicate to the public or any governmental entity for unlimited access a public right of way for public access or for utility

purposes. If and when Declarant creates or dedicates a public road right of way, Declarant will quit claim these reserved rights of access to the Homeowners Association on all but the underlying road right of way. Declarant may construct a public or private road upon the easement parcel.

ARTICLE 8. COVENANTS FOR MAINTENANCE ASSESSMENTS/SPECIAL ASSESSMENTS; AND COMMON PROFITS

8.1 Creation of the Lien and Personal Obligation of Assessments. Declarant and each Owner of any Lot by acceptance of a deed shall pay the Association (1) regular assessments or charges for common expenses, and (2) special assessments as provided in these CCRs. All such assessments, together with interest at a rate established from time-to-time by the Board of Directors and together with all other costs, fees, charges and fines allowed by law, shall be a lien and charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made.

8.2 General Assessments.

8.2.1 Purpose of Assessments. The assessments levied under this Article shall be used for the purpose of promoting the recreation, health, safety and welfare of the Owners, and for the improvement and maintenance of the Property, including payment of premiums for insurance required under these CCRs, to fund a replacement reserve for those items the Association has maintenance responsibility, and for payment of any common operating expenses such as landscaping, maintenance, Association water, sewer and garbage collection, management services, legal and accounting services and the like.

8.2.2 Basis for Assessment. There shall be two levels of assessments against Lots dependent upon whether such Lots have been improved with a substantially completed Living Unit.

8.2.2.1 Unimproved Lots. Lots that have not been improved with a substantially completed Living Unit shall be assessed equally with other such Lots. The assessment against such unimproved Lots shall include only amounts attributable to the Common Property Reserve Account, together with amounts attributable to the liability insurance premium covering the Common Property. Declarant, at Declarant's option, may accrue the Common Property Reserve Account portion of the assessment for an unimproved Lot until such Lot is conveyed to an Owner other than Declarant at which time the accrued amount is due to the Association, but may not accrue the liability insurance portion. Unimproved Lots in phases of Stonehedge which are not yet developed will not be assessed until that phase is completed and recorded.

8.2.2.2 Improved Lots. Lots that have been improved with a substantially completed Living Unit shall be assessed equally with other such Lots. The assessment of Lots improved with substantially complete Living Units shall include the following items:

8.2.2.2.1 Expenses of administration.

8.2.2.2.2 Expenses of maintenance, repair or replacement of all improvements and buildings on the Common Property.

8.2.2.2.3 Any deficit in common expenses for any prior period.

8.2.2.2.4 Utilities for the Common Property and other utilities with a common meter or that are commonly billed, such as water and sewer.

8.2.2.2.5 The cost of any professional management desired by the Board of Directors.

8.2.2.2.6 Any other items properly chargeable as an expense of the Association.

8.2.2.2.7 Reserve items.

All initial, general and special assessments shall be equally allocated among the Lots, except that improved and unimproved Lots shall be assessed in different manners as described herein.

8.2.3 Method of Assessment. The Board of Directors shall determine the annual assessment. The budget shall be presented to the Association and may be amended by a Majority of the votes of each class of Members. Both annual and special assessments shall be fixed at a uniform rate for all Lots. The Board shall set the date(s) such assessments shall become due. The Board may provide for collection of assessments annually or in monthly, quarterly or semi-annual installments; provided, however, upon the default in the payment of any one or more installments, the entire balance of such assessment may be accelerated at the option of the Board and be declared due and payable in full, together with interest, attorneys fees and costs as provided.

8.3 Date of Commencement of Annual Assessments. The general assessments with respect to the Lots shall commence at the time the Directors declare, but in no event later than the first day of the month following the conveyance of a Lot to an Owner other than Declarant. The pro rata annual assessment shall commence, with respect to an improved Lot, upon the substantial completion of a Living Unit on such Lot.

8.4 Common Property Reserve Account. The assessment against each Lot, regardless of whether it has been improved with a substantially complete Living Unit, shall include an amount allocated to a reserve account established for the purpose of funding replacements of those common elements of the Common Property that will normally require replacement, in whole or in part, in more than three (3) and less than thirty (30) years for exterior painting if the Common Property includes exterior painted surfaces, and for such other items as may be required by these CCRs or the Bylaws. The reserve account need not include those items that could reasonably be funded from operating assessments. Amounts assessed with respect to reserves shall take into account the estimated remaining life of the items for which the reserve is

created and the current replacement cost of such items. The assessments pursuant to this Section shall accrue from the date of conveyance of the first Lot in the Property. Declarant, at Declarant's option, may defer payment of the accrued assessments for a Lot pursuant to this Section until the date the Lot is conveyed to an Owner other than Declarant, at which time such accrued assessments shall be paid to the Association.

8.5 Reserve Study. The Board of Directors shall annually conduct a reserve study or review and update an existing study of the Common Property components to determine the reserve account requirements. The reserve study shall include:

8.5.1 Identification of all items for which reserves are required to be established;

8.5.2 The estimated remaining useful life of each item as of the date of the reserved study;

8.5.3 The estimated cost of maintenance, repair or replacement of each item at the end of its useful life; and

8.5.4 A thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule.

8.6 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:

8.6.1 To correct a deficit in the operating budget;

8.6.2 To collect amounts due to the Association from an Owner for breach of the Owner's obligations under the CCRs, these Bylaws, or the Association's Rules and Regulations, by vote of a Majority of the Board;

8.6.3 To make repairs or renovations to the Common Property; or

8.6.4 To make capital acquisitions, additions or improvements; provided, however, that Declarant reserves a special Declarant right to approve any such assessment until thirty (30) days after Lots representing seventy-five percent (75%) of the votes have been conveyed.

8.7 Effect of Non-Payment of Assessments: Remedies of the Association. In addition to any other remedies provided by law, the Association may bring an action at law against the Owner personally obligated to pay an assessment or foreclose a lien upon the Property. No such action or judgment shall be a waiver of the lien of the Association. No Owner may waive or otherwise escape liability for the assessments by non-use of the Common Property or abandonment of his or her Lot.

ARTICLE 9. DECLARANT'S SPECIAL RIGHTS

Until the Living Units on all Lots on the Property have been constructed, fully completed and sold, with respect to the Common Property and each Lot on the Property, Declarant shall have the following special rights:

9.1 Sales Office and Model. Declarant shall have the right to maintain a sales office and model residence on one or more of the Lots which Declarant owns. Declarant, prospective purchasers, and their agents shall have the right to use and occupy the sales office and model residences during reasonable hours any day of the week.

9.2 "For Sale" Signs. Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, the Common Property.

ARTICLE 10. CONDEMNATION OF COMMON PROPERTY

In the event that all or any portion of the Common Property is appropriated as the result of condemnation, the threat or imminence of condemnation, the following rules and guidelines shall apply:

10.1 Representation by Association. The Board of Directors of the Association shall have the sole authority, right and duty to represent each of the Owners for the purpose of negotiating and contesting, if it deems necessary or appropriate, any condemnation award offered by the condemning authority in question and may authorize expenditures and assessments to retain adequate counsel or other experts for such purposes.

10.2 Allocation of Condemnation Award. The Board of Directors of the Association shall allocate and distribute any condemnation award received by it with respect to the Common Property to the Owners in equal proportion as to 101 Lots.

10.3 Retention of Rights. No provision of this Section shall be construed as negating the right of the individual Owners to such incidental relief as the law may provide as a result of the condemnation of the Common Property.

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, 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 or she 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 attorney 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 or she acted in good faith and in a manner he or she 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 or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of no contest 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 or she 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 or her 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, should it be proven at a later time that said 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. 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 later imposed by any of the provisions of these CCRs 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 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 these CCRs, 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 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 and restrictions of these CCRs shall run with and bind the land for a term of thirty-five (35) years from the date of these CCRs 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 these CCRs; provided, however, that if any of the provisions of these CCRs 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.

11.6 Amendment. These CCRs 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 these CCRs shall effect an amendment of the Bylaws, the Articles of Incorporation 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 Declarant herein contained may be effected without the express written consent of Declarant or its successors and assigns.

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

11.8 Unilateral Amendment by Declarant. Declarant may amend these CCRs 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 Stonehedge, such conflict shall be resolved by looking to the following documents in the order shown below:

11.9.1 Declaration of Covenants, Conditions and Restrictions ("CCRs");

11.9.2 Articles of Incorporation;

11.9.3 Bylaws; and

11.9.4 Rules and Regulations.

