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AFTER RECORDING RETURN TO:

Mountain Crest Homes, LLC  
c/o Hayden Enterprises, Inc.  
2464 SW Glacier Place, Suite 110  
Redmond, OR 97756  
Attention: Colleen Buckendorf

DECLARATION OF ANNEXATION OF REAL PROPERTY  
TO

AMENDED AND RESTATED DECLARATION OF  
PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR THE PARKS (PLAT OF PARKS AT BROKEN TOP, PARKS AT BROKEN TOP,  
PHASE 2, AND PARKS AT BROKEN TOP, PHASE 3)

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This DECLARATION OF ANNEXATION OF REAL PROPERTY TO AMENDED  
AND RESTATED DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND  
RESTRICTIONS FOR THE PARKS (Plat of Parks at Broken Top, Parks at Broken Top,  
Phase 2, and Parks at Broken Top, Phase 3) (this "Declaration") is made as of this 21 day of  
February, 2006 by MOUNTAIN CREST HOMES, LLC, an Oregon limited liability  
company ("Declarant").

Recitals

A. Declarant's predecessor-in-interest recorded that certain Declaration of  
Covenants, Conditions and Restrictions for The Parks on March 16, 2000 in the deed records of  
Deschutes County, Oregon in Volume 2000 at Page 10318, as supplemented by that certain  
Declaration of Annexation of The Parks (Parks at Broken Top, Phase 2) recorded on September  
10, 2003 in the deed records of Deschutes County, Oregon as Document No. 2003-62697 and  
that certain Declaration of Annexation of The Parks (Parks at Broken Top, Phase 3) recorded on  
March 16, 2004 in the deed records of Deschutes County, Oregon as Document No. 2004-14153  
(collectively, the "Original CC&Rs").

B. The Original CC&Rs contemplated that The Parks would be annexed to  
and become part of the Broken Top Community. By Amendment to Declaration of Broken Top  
Community Association, Inc. recorded on January 19, 2005 in the deed records of Deschutes  
County, Oregon as Document No. 2005-03197, The Parks was removed from the Amended and  
Restated Declaration of Covenants, Conditions, and Restrictions for Broken Top Community and  
from Broken Top Community Association, Inc.

C. The Parks Homeowners' Association, Inc., an Oregon nonprofit  
corporation (the "Association"), and Declarant, as successor to the original declarant under the  
Original CC&Rs, recorded that certain Amended and Restated Declaration of Protective  
Covenants, Conditions and Restrictions for The Parks (Plat of Parks at Broken Top, Parks at  
Broken Top, Phase 2, and Parks at Broken Top, Phase 3) on February 10, 2005 in the deed  
records of Deschutes County, Oregon as Document No. 2005-08060 (the "Amended & Restated

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CC&Rs"). The Amended & Restated CC&Rs confirm the removal of The Parks from the Broken Top Community and supersede and replace the Original CC&Rs in their entirety.

D. Declarant also recorded that certain Declaration of Annexation to The Parks (Parks at Broken Top, Phase 4) on March 15, 2005 in the deed records of Deschutes County, Oregon as Document No. 2005-14994 and that certain Amended and Restated Declaration of Annexation to The Parks (Parks at Broken Top, Phase 4) on June 23, 2005 in the deed records of Deschutes County, Oregon as Document No. 2005-39535 (collectively, the "Phase 4 Declaration") annexing Additional Property to The Parks. The Amended & Restated CC&Rs, as supplemented by the Phase 4 Declaration and as otherwise supplemented and/or amended from time to time, are hereinafter referred to as the "CC&Rs."

E. Declarant owns the property legally described on Exhibit A, attached hereto ("Declarant's Property"). Stonehedge LLC, an Oregon limited liability company (the "Company") owns the real property legally described on Exhibit B attached hereto (the "Company Property"). Declarant's Property and the Company Property together comprise the real property ("Parks at Broken Top, Phase 5") located in Deschutes County, Oregon, legally described on the Plat of Parks at Broken Top, Phase 5, which has been duly recorded in the plat records of Deschutes County, Oregon as Document No. 2006-11877 (the "Phase 5 Plat") concurrently with the recordation of this Declaration.

F. Pursuant to Section 2.2 of the CC&Rs, Declarant desires to annex Parks at Broken Top, Phase 5 to the real property that is subject to the CC&Rs, upon the terms and conditions contained in this Declaration. The Company desires to consent to the recording of this Declaration against the Company Property by Declarant.

NOW, THEREFORE, Declarant hereby declares that Parks at Broken Top, Phase 5 shall be held, sold and conveyed subject to the following covenants, restrictions and charges that, subject to the terms of this Declaration, shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in Parks at Broken Top, Phase 5, or any part thereof, and shall inure to the benefit of each owner thereof.

#### ARTICLE 1 DEFINITIONS

Except to the extent otherwise defined herein, capitalized terms used in this Declaration shall have the meanings ascribed to such terms in the CC&Rs.

1.1 Annexed Common Area shall mean all private streets, as shown on the Phase 5 Plat.

1.2 Annexed Common Easement Area shall mean the twenty (20) foot wide public access encumbering portions of Lots 181 and 182 as shown on the Phase 5 Plat.

1.3 Annexed Common Maintenance Area shall mean those areas and Improvements described in Section 2.2 below.

1.4 Annexed Lots shall mean Lots 173-204, inclusive, as shown on the Phase 5 Plat.

## ARTICLE 2 ANNEXATION OF PROPERTY

2.1 Annexation. Parks at Broken Top, Phase 5 is hereby annexed to and made a part of The Parks subdivision, and is owned and shall be owned, held, conveyed, hypothecated, encumbered, used, occupied and improved in perpetuity, subject to the easements, covenants, restrictions and charges contained in the CC&Rs, as may be modified or supplemented by the terms of this Declaration.

2.2 Annexed Common Maintenance Area. The Association will permanently maintain and repair as necessary (i) the Annexed Common Area, including, all roadway Improvements within the private streets, (ii) the Annexed Common Easement Area, including all Improvements located thereon, and (iii) any other areas within Parks at Broken Top, Phase 5, which the Board of Directors of the Association determines that the Association should maintain. Such maintenance and repair shall be in accordance with the standards and schedules adopted in the Bylaws of the Association or as otherwise approved by the Board of Directors of the Association from time to time.

2.3 Annexed Lots. The Annexed Lots shall be included among the Lots and shall be subject to all of the covenants, restrictions and charges regarding the Lots set forth in the CC&Rs, as may be supplemented or modified by this Declaration, and as stated on the Phase 5 Plat.

## ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owners of Annexed Lots shall become members of the Association and shall be entitled to voting rights therein as set forth in Sections 8.3 of the CC&Rs and Section 6.1 of this Declaration.

## ARTICLE 4 ASSESSMENTS

The Annexed Lots shall be subject to assessment in the manner and on the terms set forth in Section 10.8 of the CC&Rs, as supplemented by the terms of this Declaration.

## ARTICLE 5 PROPERTY RIGHTS AND EASEMENTS

5.1 Owners' Use and Occupancy. Except as otherwise expressly provided in this Declaration, the CC&Rs, or on the Plat, the Owner of an Annexed Lot shall be entitled to the exclusive use and benefit of such Annexed Lot. Declarant, the Architectural Review Committee and any representative of the Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any Annexed Lot for the purpose of determining whether or not the use of and/or Improvements on such Lot are then in compliance with this Declaration and the CC&Rs and for maintenance, repair and restoration of the Annexed Common Maintenance Area. No such entry shall be deemed to constitute a

trespass, conversion, or otherwise create any right of action in the Owner of such Lot. Declarant or the Association may grant or assign easements over or with respect to any Annexed Lot to municipalities or other utilities performing utility services and to communications companies.

5.2 Easement for Unintentional Encroachment. Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon Parks at Broken Top, Stage 5 caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of Parks at Broken Top, Stage 5, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

5.3 Maintenance Easement. An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across, upon, and under the Annexed Common Maintenance Area, and any other areas of Parks at Broken Top Stage 5 necessary or appropriate for purposes of accomplishing the maintenance, repair, and replacement by the Association of Improvements or the other obligations of the Association hereunder.

## ARTICLE 6 AMENDMENTS

6.1 Amendments. This Declaration may be amended at any time by the vote or written consent of Owners representing not less seventy-five percent (75%) of the Lots, based upon one (1) vote for each such Lot, together with the written consent of the Class B member, if such Class B membership has not been terminated as provided in the CC&Rs. Any such amendment or repeal shall become effective only upon recordation in the deed records of Deschutes County, Oregon of a certificate of the president and secretary of the Association setting forth in full the amendment, amendments or repeal so approved and certifying that such amendment, amendments or repeal have been approved in the manner required by this Declaration and ORS 94.590, and acknowledged in the manner provided for acknowledgement of deeds. Subject to the provisions of Sections 6.2, notwithstanding any provisions hereof to the contrary, Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Annexed Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the deed records of Deschutes County, Oregon. Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

6.2 Regulatory Amendments. Notwithstanding the provisions of Section 6.1, until the Turnover Meeting has occurred, Declarant shall have the right to amend this Declaration in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any

department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with the Oregon Planned Community Act. After the Turnover Meeting, any such amendment shall require the approval of a majority of the voting rights of the Association voting in person, by proxy or by ballot at a meeting of the Association at which a quorum is represented.

#### ARTICLE 7    ADDITIONAL ANNEXATION

Declarant reserves the right to annex additional properties pursuant to the CC&Rs, but bears no obligation to do so.

#### ARTICLE 8    MISCELLANEOUS PROVISIONS

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

8.2    Construction; Severability. This Declaration and the CC&Rs shall be liberally construed as one document to effect the annexation of The Parks at Broken Top, Phase 5 to The Parks subdivision. Nevertheless, each provision of this Declaration and the CC&Rs shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision.

8.3    Run with Land. This Declaration and the covenants, restrictions and changes described herein shall run with the land and shall be binding on the parties and any person acquiring any right, title, or interest in The Parks Phase 5.

8.4    Termination. This Declaration shall terminate upon the termination of the CC&Rs.

*[Remainder of the Page Intentionally Left Blank]*

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

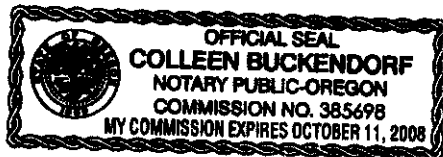
DECLARANT:

MOUNTAIN CREST HOMES, LLC, an Oregon limited liability company

By: [Signature]  
Hayden H. Watson, Member

STATE OF OREGON       )  
                                  )ss.  
County of Deschutes    )

The foregoing instrument was acknowledged before me this 10th day of January 2006, by Hayden H. Watson, Member of Mountain Crest Homes, LLC, an Oregon limited liability company, on its behalf.



Colleen Buckendorf  
Notary Public for Oregon  
My commission expires: October 11, 2008

The undersigned owner of the Company Property described in the attached Exhibit B hereby consents to the foregoing Declaration of Annexation to Amended and Restated Declaration of Covenants, Conditions and Restrictions for The Parks (Plat of Parks at Broken Top, Parks at Broken Top, Phase 2, and Parks at Broken Top, Phase 3).

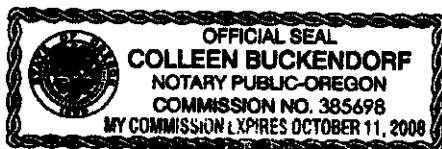
COMPANY:

STONEHEDGE, LLC, an Oregon limited liability company

By: [Signature]  
Its: manager

STATE OF OREGON       )  
                                  )ss.  
County of Deschutes    )

The foregoing instrument was acknowledged before me this 10th day of January 2006, by Hayden H. Watson, manager of Stonehedge, LLC, an Oregon limited liability company, on behalf of said limited liability company.



Colleen Buckendorf  
Notary Public for Oregon  
My commission expires: October 11, 2008

**EXHIBIT A**

Legal Description of Declarant's Property

EXHIBIT "A"  
LEGAL DESCRIPTION OF DECLARANT'S PROPERTY

PARCEL 1:

A parcel of land located in the Southeast Quarter of the Northeast Quarter of Section 12, Township 18 South, Range 11 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, being more particularly described as follows:

Beginning at the southeast corner of Lot 99, Parks at Broken Top, Phase 3, also being on the east line of said Section 12; thence along said east line, South 00°37'36" West, 714.29 feet to the south line of Parcel 2, Partition Plat No. 1999-04; thence leaving said line and along said south line, South 76°13'32", 1366.90 feet to the west line of said Parcel 2; thence along said west line, North 00°39'59" East, 479.97 feet to the south line of Parks at Broken Top, Phase 4; thence along said south line the following four courses, North 90°00'00" East, 51.29 feet; thence North 71°29'17" East, 290.37 feet; thence North 78°08'33" East, 60.41 feet; thence North 71°29'17" East, 430.00 feet to the south line of Parks at Broken Top, Phase 3; thence along said south line the following six courses, North 71°28'56" East, 26.12 feet to a point of curvature; thence along the arc of a 280.00 foot radius curve to the left, through a central angle of 72°47'20", an arc length of 355.71 feet (the chord of which bears North 35°05'16" East, 332.27 feet) to a point of non-tangency; thence South 86°53'25" East, 110.26 feet; thence South 89°22'24" East, 60.00 feet; thence North 00°37'36" East, 48.52 feet; thence South 88°43'24" East, 150.01 feet to the point of beginning.

Excepting therefrom:

A parcel of land located in the Southeast Quarter of the Northeast Quarter of Section 12, Township 18 South, Range 11 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, being more particularly described as follows:

Beginning from the Southwest corner of the plat of Parks At Broken Top, Phase 4, recorded in Deschutes County Survey Records as CS16329, being a 5/8" iron rod with yellow plastic cap marked "DEA INC."; thence along said South boundary East, 51.29 feet; thence leaving said South boundary South 18°40'14" East, 88.98 feet; thence South 79°06'23" East, 67.74 feet to a point of non-tangent curvature; thence along the arc of a 55.00 foot radius curve to the left an arc distance of 166.74 feet (the chord of which bears South 78°36'15" East, 109.83 feet); thence North 71°29'17" East, 651.93 feet to a point of curvature; thence along the arc of a 450.00 foot radius curve to the left an arc distance of 561.30 feet (the chord of which bears North 35°45'16" East, 525.62 feet); thence North 0°40'08" East, 48.52 feet; thence South 88°44'01" East, 150.06 feet to a point on the West boundary of the plat of WEST RIDGE, recorded in Deschutes County Survey Records as CS10536; thence along said West boundary South 0°37'24" West, 715.02 feet to the Westerly interior ell of said plat of WEST RIDGE; thence along the Northerly boundary of said plat of WEST RIDGE and the Northerly boundary of the plat of FIRST ON THE HILL SITES, recorded in Deschutes County Survey Records as CS07198 South 76°14'58" West, 1366.86 feet; thence leaving said Northerly boundary North 0°39'59" East, 479.97 feet to the point of beginning.



## **EXHIBIT B**

### **Legal Description of the Company Property**

EXHIBIT "B"  
LEGAL DESCRIPTION OF COMPANY PROPERTY

PARCEL 2:

A parcel of land located in the Southeast Quarter of the Northeast Quarter of Section 12, Township 18 South, Range 11 East, Willamette Meridian, City of Bend, Deschutes County, Oregon, being more particularly described as follows:

Beginning from the Southwest corner of the plat of PARKS AT BROKEN TOP, PHASE 4, recorded in Deschutes County Survey Records as CS16329, being a 5/8" iron rod with yellow plastic cap marked "DEA INC."; thence along said South boundary East, 51.29 feet; thence leaving said South boundary South 18°40'14" East, 88.98 feet; thence South 79°06'23" East, 67.74 feet to a point of non-tangent curvature; thence along the arc of a 55.00 foot radius curve to the left an arc distance of 166.74 feet (the chord of which bears south 78°36'15" East, 109.83 feet); thence North 71°29'17" East, 651.93 feet to a point of curvature; thence along the arc of a 450.00 foot radius curve to the left an arc distance of 561.30 feet (the chord of which bears North 35°45'16" East, 525.62 feet); thence North 0°40'08" East, 48.52 feet; thence South 88°44'01" East, 150.06 feet to a point on the West boundary of the plat of WEST RIDGE, recorded in Deschutes County Survey Records as CS10536; thence along said West boundary South 0°37'24" West, 715.02 feet to the Westerly interior ell of said plat of WEST RIDGE; thence along the Northerly boundary of said plat of WEST RIDGE and the Northerly boundary of the plat of FIRST ON THE HILL SITES, recorded in Deschutes County Survey Records as CS07198 South 76°14'58" West, 1366.86 feet; thence leaving said Northerly boundary North 0°39'59" East, 479.97 feet to the point of beginning.