

AFTER RECORDING RETURN TO:

Peter Hall, 3 Sisters Partners, LLC
1195 NW Redfield Circle
Bend, Oregon 97703

**DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS
FOR
CLEARPINE**

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**DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS
FOR
CLEARPINE**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR CLEARPINE (“Declaration”) is made by 3 Sisters Partners, LLC, an Oregon limited liability company (“Declarant”).

RECITALS

Declarant is the owner of all the real property and improvements thereon located in Deschutes County, Oregon, as described on Exhibit A attached hereto and made part hereof (the “Property”).

Declarant intends to develop ClearPine as a planned community. To establish ClearPine as a planned community, 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 Lots and Common Areas in ClearPine.

Declarant has deemed it desirable for the efficient preservation of the values and amenities in ClearPine to create a nonprofit corporation, to which will be delegated and assigned the powers and authority to own, maintain, and administer the Common Area and facilities, to maintain, repair, and replace certain portions of the Lots and exterior of the Homes, to administer and enforce the covenants, conditions, and restrictions of this Declaration, and to collect and disburse the assessments and charges hereinafter created.

The Declarant has filed a plat map for Phase 1 of ClearPine, Recording #2015-42811 in Book 1, Pages 133-135 of the plat records of Deschutes County, Oregon (the “Plat”). The Plat shows the location of Lots and Common Areas (if any) within ClearPine. The Declarant shall convey the common area tracts depicted on the Plat (if any) to the ClearPine Homeowners’ Association, Inc. (“Association”). The Association shall assume the maintenance obligation of the common area tracts for the benefit of the current and future Owners and assess the Owners of Lots within ClearPine equally for the expenses.

NOW THEREFORE, Declarant declares that the Property shall be held, transferred, sold, conveyed, and occupied subject to the Oregon Planned Community Act as may be amended from time to time (ORS 94.550–94.783) and subject to the following covenants, conditions, restrictions, easements, charges, and liens, which shall run with the land, which shall be binding on all parties having or acquiring any right, title, or interest in the Property or any part thereof, and which shall inure to the benefit of the Association and of each Owner.

ARTICLE 1

DEFINITIONS

- 1.1** *Design Review Board* or “DRB” shall refer to that committee constituted and acting pursuant to Article 6 of this Declaration.
- 1.2** *Articles* shall mean the Articles of Incorporation for the nonprofit corporation, ClearPine Homeowners’ Association, as filed with the Oregon Secretary of State.
- 1.3** *Association* shall mean and refer to ClearPine Homeowners’ Association, Inc., its successors and assigns.
- 1.4** *Board* shall mean the Board of Directors of the Association.
- 1.5** *Bylaws* shall mean and refer to the Bylaws of the Association, which shall be recorded in the Deschutes County, Oregon, deed records.
- 1.6** *Common Area* shall mean and refer to the common area tracts (if any) shown on the recorded Plat for the Property (ClearPine, Phase 1), including any improvements located thereon, which areas and improvements are intended to be devoted to the common use and enjoyment of the members and which land has been conveyed to the Association. The term *Common Area* shall also include any future common area tracts, open space tracts or private park areas as may hereafter be designated on recorded plats for ClearPine Phases 2-5 and annexed into this Declaration as Additional Property pursuant to Article 2.2.
- 1.7** *Declaration* shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration.
- 1.8** *Declarant* shall mean and refer to 3 Sisters Partners, LLC, an Oregon limited liability company, and its successors or assigns, or any successor or assign to all or the remainder of its interest in the Property.
- 1.9** *General Plan of Development* shall mean Declarant’s plan to develop a five phase residential development project that may include seventy-seven (77) single family residential lots, together with an undefined number of additional residential units on areas zoned for multi-family residential uses. Declarant received Master Plan and Tentative Subdivision approval from the City of Sisters for the General Plan of Development in City Files MP 15-01 and SUB 15-01. The Property initially subjected to this Declaration consists of the initial phase of development (ClearPine Phase 1) and shall contain fourteen (14) single family Lots as depicted on the Plat. Declarant reserves the right (in its sole discretion) to expand, contract, modify and/or nullify the General Plan of Development as provided in this Declaration;
- 1.10** *Home* shall mean and refer to any portion of a structure situated on a Lot and designed and intended for use and occupancy as a residence by a single family or household.
- 1.11** *Lot* shall mean and refer to each and any of Lots 1- 14 of ClearPine Phase1 as depicted on the Plat, together with any individual lots designated on Additional Property annexed into this Declaration, including but not limited to any future plats for ClearPine Phases 2-5, to the

extent such future phases of the General Plan of Development are annexed into this Declaration. The term *Lot* shall not include any common area tracts referenced on a plat.

1.12 *Members* shall mean and refer to the Owners of Lots in ClearPine.

1.13 *Occupant* shall mean and refer to the occupant of a Home, whether such person is an Owner, a lessee, or any other person authorized by the Owner to occupy the Home.

1.14 *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 of a Lot 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.

1.15 *Plat* shall mean and refer to the Plat of ClearPine, Phase 1 of ClearPine, Recording #2015-42811. The term Plat shall also include recorded plats for ClearPine Phases 2-5 to the extent such land is annexed into this Declaration as Additional Property pursuant to Article 2.2.

1.16 *Property* shall have the meaning attributed to such term in the Recitals of 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 the Common Area and 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 or the Design Review Board, as may be from time to time amended.

ARTICLE 2 PROPERTY SUBJECT TO THIS DECLARATION

2.1 Development. The development of ClearPine shall consist of the Property, which shall be held, transferred, sold, conveyed, and occupied subject to this Declaration, together with such additional properties as may be later annexed into this Declaration pursuant to Section 2.2 below.

2.2 Annexation of Additional Property. Declarant may from time to time and in its sole discretion annex to the Property as Additional Property any real property now or hereafter acquired by it (including, but not limited to, the real property described on **Exhibit A-1** and designated as ClearPine Phase 2-5 in the General Plan of Development), and may also from time to time in its sole discretion permit other holders of real property to annex the real property owned by them to the Property. The rights reserved unto Declarant to subject additional real property to the Declaration shall not be implied or construed so as to impose any obligation upon Declarant to subject any of such additional real property to this Declaration or to the jurisdiction

of the Association nor any obligation, if subjected, to build improvements of any kind. The annexation of such real property shall be accomplished as follows:

(a) The owner or owners of such real property shall record a Supplemental Declaration which shall be executed by or bear the approval of Declarant and shall, among other things, describe the real property to be annexed, establish land classifications for the Additional Property, establish any additional limitations, uses, restrictions, covenants and conditions which are intended to be applicable to such property, and declare that such property is held and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to this Declaration. Any such annexation shall be effective upon the filing for record of such supplemental declaration unless otherwise provided therein.

(b) The property included in any such annexation shall thereby become a part of the Property and this Declaration, and Declarant and the Association shall have and shall accept and exercise administration of this Declaration with respect to such Additional Property.

(c) Notwithstanding any provision apparently to the contrary, a Supplemental Declaration with respect to any Additional Property may:

(i) establish such new land classifications and such limitations, uses, restrictions, covenants and conditions with respect to such property as Declarant may deem to be appropriate for the development of the Additional Property; and

(ii) with respect to existing land classifications, establish additional or different limitations, uses, restrictions, covenants and conditions with respect to such property as Declarant may deem to be appropriate for the development of such Additional Property;

(d) There is no limitation on the number of Lots which Declarant may create or annex to the Property, except as may be established by applicable ordinances of the local governmental authority. Similarly, there is no limitation on the right of Declarant to annex common property, except as may be established by applicable ordinances of the local governmental authority.

(e) Upon annexation, additional Lots so annexed shall be entitled to voting rights as set forth in Article 7 and shall be subject to assessments as set forth in Article 10 herein.

(f) The formula to be used for reallocating the common expenses if additional Lots are annexed and the manner of reapportioning the common expenses if additional Lots are annexed during a fiscal year are set forth in Article 10 herein.

(g) No consent or joinder of any Class A Member or other party except the record owner of the land being annexed shall be necessary to effect any annexation made pursuant to this Section.

ARTICLE 3 OWNERSHIP AND EASEMENTS

3.1 Nonseverability. The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Lot owned by the Owner. No Lot shall be conveyed by the Owner separately from the interest in the Common Area. Any conveyance of any Lot shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. There shall be no judicial partition of the Common Area. Each Owner, whether by deed, gift, devise, or operation of law, for such Owner's benefit and for the benefit of all other Owners, specifically waives and abandons all rights, interests, and causes of action for judicial partition of any interest in the Common Area and agrees that no action for judicial partition shall be instituted, prosecuted, or reduced to judgment. Ownership interests in the Common Area and Lots are subject to the easements granted and reserved in this Declaration or recorded on the Plat. Each of the easements granted or reserved herein shall be deemed to be established upon the recordation of this Declaration and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Owners and their Lots and shall be superior to all other encumbrances applied against or in favor of any portion of ClearPine.

3.2 Ownership of Lots. Title to each Lot in ClearPine 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.

3.3 Ownership of Common Area. Title to any Common Area shall be conveyed to the Association not later than the date of the Turnover Meeting.

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

3.4.1 Easements on Plat. The Common Area and Lots are subject to the easements and rights-of-way shown on the Plat.

3.4.2 Easements for Common Area. Every Owner shall have a nonexclusive right and easement of use and enjoyment in and to the Common Area, which shall be appurtenant to and shall pass with the title to every Lot. Such easement is subject to ORS 94.665, as may be amended from time to time.

3.4.3 Easements Reserved by Declarant. As long as Declarant owns any Lot, Declarant reserves an easement over, under, and across the Common Area 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 to, from, over, in, upon, under, and across the Common Area 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 in such a way as not to interfere unreasonably with the occupancy, use, enjoyment, or access to an Owner's Lot by such Owner or such Owner's family, tenants, employees, guests, or invitees.

3.4.4 Additional Utility and Drainage Easements; Public Walkway 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, irrigation and drainage facilities necessary for the development of the Property and any Additional Property hereafter annexed into the Declaration. No structure, planting, or other material that may damage or interfere with the installation or maintenance of utilities, that may change the direction of flow of drainage channels in the easements, or that may obstruct or retard the flow of water through drainage channels in the easement areas shall be placed or permitted to remain within any easement area.

3.4.5 Association's Easements. Declarant grants to the Association and its duly authorized agents and representatives such easements over the Lots and Common Area as are necessary to perform the duties and obligations of the Association, as set forth in this Declaration, the Bylaws, and the Articles, as the same may be amended.

3.4.6 Easement to Governmental Entities. Declarant grants a nonexclusive easement over the Common Area to all governmental and quasi-government entities, agencies, utilities, and their agents for the purposes of performing their duties as utility providers.

3.4.7 Perimeter Easement Benefiting Association. Declarant grants to the Association and its duly authorized agents and representatives an easement over that perimeter portion of each Lot that is included within the building setbacks set by applicable ordinances for the purposes of installation, maintenance, repair, and replacement of utilities, communication lines, and drainage. The Board may grant or convey the easements reserved herein to any governmental body or agency and/or any public or private utility company or provider, on a two-thirds vote of the Board members at a duly called and held Board meeting.

3.4.8 Easements to Serve Additional Property. Declarant hereby reserves for itself and its duly authorized agents, successors and assigns a perpetual, nonexclusive easement over the Common Areas for purposes of enjoyment, use, access and development of the property described on Exhibit A-1 attached hereto, whether or not such property is made subject to this Declaration. This easement includes, but is not limited to, a right of ingress and egress over the Common Areas for construction and use of roads, sidewalks and walking paths and for connecting and installing any and all utilities on such property.

3.4.9 Electrical Service Easements Benefiting Lot Owners. The Owners of a Home developed within a single building shall have an easement over, under, and through all other Lots on which the building is located for underground electrical service to the Lot Owner's Home. This easement shall be perpetual and shall run with the land and be binding on the successors and assigns to the Lots and the Homes located within a single building. The electrical lines within the easement area shall be maintained by the Lot owner benefited by the easement. Any damage caused to the servient Lot (and Home) by the maintenance repair, removal, or replacement of the electrical service lines shall be paid by the Lot Owner causing such damage.

3.5 Declarant's Right to Dedicate Common Area and Grant Easements; Board's Authority After Title Transferred to Association. Declarant reserves the right and power to dedicate and/or convey any portion or all of the Common Area to any governmental body or

agency. Declarant further reserves the right and power to grant an easement over the Common Area to any governmental body or agency or any public or private utility company or provider. Declarant's rights and power under this Section 3.5 shall expire when the Common Areas are conveyed to the Association. Thereafter, the Board shall have the same powers reserved to Declarant and may exercise such power upon a two-thirds or greater vote of the Board members at any duly called and held Board meeting. The provisions of this Section 3.5 shall control over any provisions to the contrary contained in any other Section of the Declaration; provided, however, none of the rights under this Section 3.5 shall deprive the Owners from using the Common Areas for access to their individual Lots.

ARTICLE 4 LOTS AND HOMES

4.1 Residential Use. Lots shall only be used for residential purposes. Except with the Board's consent no trade, craft, business, profession, commercial, or similar activity of any kind shall be conducted on any Lot, and no goods, equipment, vehicles, materials, or supplies used in connection with any trade, service, or business shall be kept or stored on any Lot. Nothing in this Section 4.1 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 ClearPine, and (c) the right of the Owner of a Lot to maintain such Owner's personal business or professional library, keep such Owner's personal business or professional records or accounts, handle such Owner's personal business or professional telephone calls, or confer with business or professional associates, clients, or customers in such Owner's residence. The Board shall not approve commercial activities otherwise prohibited by this Section 4.1 unless the Board 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 Landscaping. Each Owner other than Declarant shall obtain the DRB's prior approval of all landscaping plans before commencing installation of any landscaping. Landscaping for all portions of the Lot shall be completed within sixty days after issuance of a certificate of occupancy for a residential dwelling on the Lot. This Section 4.2 shall apply to Lots with finished Homes being held for sale as well as to other Lots. The water charge for irrigation shall be borne by the Association if connected to the common water system and borne by the individual Owners where the water system is connected to the individual home around which landscaping is installed. Owners shall irrigate their entire yard to keep lawns green and other landscaping fresh. The Association may irrigate from hose bibs connected to individual Homes of Owners who fail to properly irrigate their yards. If plantings on any Lot have died or are dying because the Owner of the Lot neglected to properly care for and irrigate the plants, or because of other harm to the plants caused by such Owner, the Association shall replace the plantings and may assess the Owner for the cost as a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws. Except for irrigation, the Association shall maintain the landscaping in the front yards only.

4.3 Maintenance of Lots and Homes. Each Owner shall maintain such Owner's Lot and all improvements thereon 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, maintenance of windows, doors, garage doors, walks, patios, chimneys, and other exterior improvements and glass surfaces. All repainting or restaining and exterior remodeling shall be subject to prior review and approval by the DRB. Each Owner shall repair damage caused to such Owner's Lot or improvements located thereon by fire, flood, storm, earthquake, riot, vandalism, or other causes within a reasonable period. Insurance purchased by the Association may be used to affect such repairs, subject to the Association's Board of Directors' right to adjust the losses with the Association's insurance carrier.

4.4 Rental of Homes. An Owner may rent or lease such Owner's Home or a portion thereof, provided that the following conditions are met:

4.4.1 Written Rental Agreements Required. The Owner and the tenant enter into a written rental or lease agreement specifying that (i) the tenant shall be subject to all provisions of the Declaration, Bylaws, and Rules and Regulations, and (ii) a failure to comply with any provision of the Declaration, Bylaws, and Rules and Regulations shall constitute a default under the rental or lease agreement;

4.4.2 City Rental Regulations. Any rental or lease of Home shall be subject to such rules and regulations as are now or hereafter promulgated by the City of Sisters, including but not limited to, any rules governing Vacation Rental Housing Units or other short term rental housing limitations, to the extent such rules are applicable to a specific rental or lease.

4.4.3 Tenant Must be Given Documents. The Owner gives each tenant a copy of the Declaration, Bylaws, and Rules and Regulations. Such documents are not required to be provided in connection with a short term (less than 30-day term) or vacation rental provided such term is approved by the City of Sisters under applicable regulations.

4.5 Animals. No animals, livestock, or poultry of any kind, other than a reasonable number of household pets that are not kept, bred, or raised for commercial purposes and that are reasonably controlled so as not to be a nuisance, shall be raised, bred, kept, or permitted within any Lot. Owners whose pets cause any inconvenience or unpleasantness to other Owners shall take all steps reasonably necessary to prevent recurrence thereof and Owners whose pets damage other Owners' Lots or personal property shall reimburse such other Owners for reasonable costs actually incurred by such other Owners in repairing such damage. An Owner shall ensure that such Owner's dog is leashed when on the Property and outside of such Owner's Lot. An Owner may be required to remove a pet on the receipt of the third notice in writing from the Board of a violation of any rule, regulation, or restriction governing pets within the Property.

4.6 Nuisance. No noxious, harmful, or offensive activities shall be carried out on any Lot or Common Area. Nor shall anything be done or placed on any Lot or Common Area that interferes with or jeopardizes the enjoyment of, or that is a source of annoyance to, the Owner or other Occupants.

4.7 Parking. Boats, trailers, commercial vehicles, mobile homes, campers, and other recreational vehicles or equipment, regardless of weight, shall not be parked on any part of the Common Area, or on any streets on or adjacent to the Property at any time or for any reason, including loading or unloading, and may not be parked on any Lot for more than six hours or such other period as may be permitted by the Association Rules and Regulations. The garage on each Lot shall be used to park the occupant's primary passenger vehicle, and for no other purpose.

4.8 Vehicles in Disrepair. No Owner shall permit any vehicle that is in a state of disrepair or that is not currently licensed to be abandoned or to remain parked on the Common Area or on any street on or adjacent to the Property at any time and may not permit them on a Lot for a period in excess of 48 hours. A vehicle shall be deemed in a "state of disrepair" when the Board reasonably determines that its presence offends the occupants of the neighborhood. If an Owner fails to remove such vehicle within five days following the date on which the Association mails or delivers to such Owner a notice directing such removal, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner as a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.9 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 or by a licensed real estate agent, not exceeding 24 inches high and 18 inches wide, may be temporarily displayed on any Lot. The restrictions contained in this Section 4.9 shall not prohibit the temporary placement of "political" signs on any Lot by the Owner or Occupant. Provided, however, political signs shall be removed within three days after the Election Day pertaining to the subject of the sign. Real estate signs shall be removed within three days after the sale closing date.

4.10 Rubbish and Trash. No Lot or part of the Common Area 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, the Common Area, or any other Lots. If an Owner fails to remove any trash, rubbish, garbage, yard rakings, or any similar materials from any Lot, any streets, or the Common Area where deposited by such Owner or the Occupants of such Owner's Lot after notice has been given by the Board to the Owner, the Association may have such materials removed and charge the expense of such removal to the Owner. Such charge shall constitute a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.11 Fences and Hedges. No fences or boundary hedges shall be installed or replaced without prior written approval of the DRB. All such fences and hedges shall have convenient access ways to allow the Association to carry out its exterior maintenance and landscaping responsibilities.

4.12 Service Facilities. Service facilities (garbage containers, fuel tanks, clotheslines, etc.) shall be screened so that such facilities 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 DRB.

4.13 Antennas and Satellite Dishes. Except as otherwise provided by law or this section, 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. With prior written consent from the DRB, exterior satellite dishes or antennas with a surface diameter of 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. The Board or DRB may adopt reasonable rules and regulations governing the installation, safety, placement, and screening of such antennas, satellite dishes, and other transmission devices. Such rules shall not unreasonably delay or increase the cost of installation, maintenance, or use or preclude reception of a signal of acceptable quality. (The DRB, in its sole discretion, may determine what constitutes a signal of acceptable quality.) Such rules may prohibit installation of exterior satellite dishes or antennas if signals of acceptable quality can be received by placing antennas inside a Home without causing an unreasonable delay or cost increase.

4.14 Exterior Lighting or Noise-making Devices. Except with the consent of the DRB, no exterior lighting or noise-making devices, other than security and fire alarms, shall be installed or maintained on any Lot.

4.15 Basketball Hoops. No Owner may install a permanent basketball hoop on any Lot without the DRB's prior approval. The DRB may, in its discretion, prohibit such basketball hoops. Basketball hoops shall be prohibited in the Common Area and on any Lot if the area of play is intended to be the street or any Common Area.

4.16 Grades, Slopes, and Drainage. There shall be no interference with the established drainage patterns or systems over or through any Lot within ClearPine or any Additional Property so as to affect any other Lot or Common Area or any real property outside ClearPine unless adequate alternative provision is made for proper drainage and is approved by the DRB. The term *established drainage* shall mean the drainage swales, conduits, inlets, and outlets designed and constructed for ClearPine

4.17 Tree-Cutting Restrictions. No tree the diameter of which is six inches or more may be removed from any Lot without the prior approval of the DRB unless it is diseased, poses an immediate danger to persons or property, or is within 10 feet of an existing or proposed building or five feet of a paved surface. Provided, however, the DRB shall have unfettered authority, but not the obligation, to cause the Association to trim or top trees, shrubs, or hedges located on any Lot that is creating a nuisance, is damaging, or is a threat to Commonly Maintained Property or that increases the cost of insurance for the Association.

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 before the damage, unless the owner complies with the provisions of Article 6. The Owner must commence such work within 60 days after the damage occurs and must complete the work within six months thereafter. The Association and Owners whose Homes are in the same building shall cooperate in respect to repair and reconstruction and application of available insurance proceeds.

4.19 Right of Maintenance and Entry by Association. If an Owner fails to perform maintenance and/or repair that such Owner is obligated to perform pursuant to this Declaration, and if the Board determines, after notice, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature, and/or value of ClearPine the Board may cause such maintenance and/or repair to be performed and may enter any such Lot whenever entry is necessary in connection with the performance thereof. An Owner may request, and the Board shall conduct, a hearing on the matter. The Owner's request shall be in writing delivered within five days after receipt of the notice, and the hearing shall be conducted within not less than five days nor more than 20 days after the request for a hearing is received. Entry shall be made with as little inconvenience to an Owner as practicable and only after advance written notice of not less than 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, which may be collected and enforced as any other assessments authorized hereunder.

4.20 Association Rules and Regulations. The Board 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 and the Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property and the administration and operation of the Association. 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 promptly to each Owner and shall be binding upon all Owners and occupants of all Lots on the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws of the Association. Subject to the Board's approval or consent, the DRB may adopt rules and regulations pertinent to its functions.

4.21 Ordinances and Regulations. The standards and restrictions set forth in this Article 4 shall be the minimum required. To the extent that local governmental ordinances and regulations are more restrictive or provide for a higher or different standard, such local governmental ordinances and regulations shall prevail.

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

4.23 Declarant Exemptions. Declarant shall be exempt from the application of Section 4.9.

ARTICLE 5 COMMON AREA

5.1 Use of Common Areas. Use of the Common Area is subject to the provisions of the Declaration, Bylaws, Articles, and the Rules and Regulations adopted by the Board. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area without the prior written consent of the Board. No alterations or additions to the Common Area shall be permitted without the prior written consent of the Board. The Common Area owned by the Association consists of the common area and open space tracts depicted on the Plat (if any), together with any future common area tracts, open space tracts or private park areas as may hereafter be designated on recorded plats for ClearPine Phases 2-6 and annexed into this Declaration as Additional Property pursuant to Article 2.2.

5.2 Maintenance of Common Area. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the Common Area [except where such maintenance is provided by the City of Sisters, a government agency or utility company] at the equal expense of the Owners of Lots within ClearPine. The Association shall keep the Common Area in good condition and repair, provide for all necessary services, and cause all acts to be done that may be necessary or proper to assure the maintenance of the Common Area.

5.3 Alterations to Common Area. Only the Association shall construct, reconstruct, or alter any improvement located on the Common Area. A proposal for any construction of or alteration, maintenance, or repair to any such improvement may be made at any Board meeting. The Board may adopt a proposal, subject to the limitations contained in the Bylaws and this Declaration; provided, however, no improvements may be made to the Common Area except the construction, repair, and reconstruction of the private streets, utility installations, landscaping, curbs, and sidewalks.

5.4 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 (or any other portions of the Common Area) for which no reserve has been collected or for which the Reserve Account is insufficient to cover the cost of the proposed improvement.

5.5 Landscaping. All landscaping on any Lot or on the Common Area shall be maintained and cared for in a manner that is consistent with Declarant's or the DRB's original approval of such landscaping. Weeds and diseased or dead lawn, tree, groundcover, or shrubs shall be removed and replaced. Lawns shall be neatly mowed and trees and shrubs shall be neatly trimmed. The Association shall maintain all landscaping located between the sidewalk and the Common Area and in the public walkway easement areas on Lots within ClearPine, if any. All landscaping shall be irrigated in a horticulturally proper manner, subject to water use restrictions or moratoria by government bodies or agencies.

5.6 Condemnation of Common Area. If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain, or by purchase in lieu of eminent domain, the Board shall receive and expend the entire award in a manner that, in the Board's discretion, is in the best interest of the Association and the Owners.

The Association shall represent the interest of all Owners in any negotiations, suit, action, or settlement in connection with such matters.

5.7 Damage or Destruction of Common Area. If all or any portion of the Common Area is damaged or destroyed by an Owner or any of Owner's guests, Occupants, tenants, licensees, agents, or members of Owner's family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner hereby authorizes 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. Reasonable costs incurred in connection with affecting such repairs shall become a special assessment on the Lot and against the Owner who caused or is responsible for such damage.

5.8 Power of Association to Sell, Dedicate, or Transfer Common Area. As provided in ORS 94.665, the Association may sell, dedicate, transfer, grant a security interest in, or grant an easement for installation and maintenance of utilities or for similar purposes with respect to, any portion of the Common Area. Except for grants of easements for utility-related purposes, no such sale, dedication, transfer, or grant of a security interest shall be effective unless approved by 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, transfer, or grant of a security interest (other than a grant of an easement for utility-related purposes) must be approved by 80% of the votes held by Owners other than Declarant.

ARTICLE 6 DESIGN REVIEW BOARD

6.1 Design 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 DRB. This Article's purpose is to assure quality of workmanship and materials and harmony between exterior design and the existing improvements and landscaping and as to location with respect to topography and finished grade elevations. The DRB shall not be responsible for determining compliance with structural and building codes, solar ordinances, zoning codes, or other governmental regulations, all of which are the applicant's responsibility. The procedure and specific requirements for review and approval of construction shall be set forth in design guidelines and standards adopted from time to time by the DRB. The provisions of this Article shall apply in all instances in which this Declaration requires the DRB's consent.

6.2 Design Review Board, Appointment and Removal. Declarant reserves the right to appoint all members of the DRB and all replacements thereto until ClearPine is 100% built out. The DRB shall consist of no fewer than three members and no more than five members. Each DRB member shall serve for one year. After build out, Declarant shall assign to the Board the right to appoint and remove members of the DRB. Board members and persons who are not Owners but who have special expertise regarding the matters that come before the DRB may serve as all or some of the DRB's members. In the Board's sole discretion, non-Owner members

of the DRB may be paid. The Board may appoint itself as the DRB or any of its members to the DRB. If a DRB has not been appointed, the Board shall serve as the DRB.

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

6.4 Duties. The DRB shall consider and act on the proposals and/or plans submitted pursuant to this Article. The DRB, from time to time and at its sole discretion, may adopt design rules, regulations, and guidelines (“Design Standards”). The Design Standards shall interpret and implement the provisions of this Declaration for Design Review and guidelines for design, placement of buildings, color schemes, exterior finishes and materials, and similar features that may be used in ClearPine; provided, however, that the Design Standards shall not be in derogation of the minimum standards established by this Declaration.

6.5 DRB Decision. The DRB shall render its written decision approving or denying each [construction] application submitted to it within 15 working days after its receipt of all materials required with respect to such application. If the DRB fails to render such written decision within 30 days of its receipt of all required materials or request an extension, the application shall be deemed approved. The DRB shall be entitled to request one or more extensions of time, not to exceed 45 days. In the event of such extension requests, if the DRB does not render a written decision within 15 days after the expiration of the extension(s), the application shall be deemed approved. Provided, however, the applicant may agree to further extensions to allow the applicant to complete or supplement the application.

6.6 DRB Discretion. The DRB, at its sole discretion, may withhold consent to any proposed work if the DRB finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the DRB intends for ClearPine. The DRB may consider siting, shape, size, color, design, height, solar access, or other effect on the enjoyment of other Lots or the Common Area, and any other factors that it reasonably believes to be relevant in determining whether or not to consent to any proposed work.

6.7 Nonwaiver. Consent by the DRB 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 Appeal. After Declarant has assigned the right to appoint DRB members to the Board pursuant to Section 6.2, any Owner adversely impacted by DRB action may appeal such action to the Board. Such appealing Owner shall submit to the Board a written notice of appeal, setting forth specific objections or mitigating circumstances justifying the appeal, within 10 days after the DRB’s action. The Board shall issue a final, conclusive decision within 45 days after receipt of such notice, and such decision shall be final and binding on the appealing Owner and the DRB. Provided, however, the Board shall make reasonable efforts to reach a decision within

20 days. If the Board is serving as the DRB, then such appeal shall be deemed a request for reconsideration.

6.9 Effective Period of Consent. The DRB's consent to any proposed work shall automatically expire three months after issuance unless construction of the project has been commenced or the Owner has applied for and received an extension of time from the DRB.

6.10 Determination of Compliance. The DRB may inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the DRB finds that the work was not performed in substantial conformance with the approval granted, or if the DRB finds that the approval required was not obtained, the DRB 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.

6.11 Noncompliance, Fines, Hearing Request. If the DRB determines that an Owner has not constructed an improvement consistent with the specifications of an DRB approval or has constructed an improvement without obtaining DRB approval, sends a notice of noncompliance to such Owner, and such Owner fails to commence diligently remedying such noncompliance in accordance with such notice, then, effective at 5:00 p.m. on the third day after issuance of such notice, the DRB may issue such fine(s) as are referenced in the Fine Schedule contained in the Design Standards or such additional or modified fine schedule as may be now or hereafter approved by the DRB or Board. An Owner may request a hearing before the DRB by submitting a written hearing request within five (5) business days of the date of a DRB decision. If the DRB finds that there is no valid reason for an Owner's continuing noncompliance, the DRB may require the Owner to remedy such noncompliance within 10 days after the date of the DRB's determination. If the Owner does not comply with the DRB's ruling within such period or any extension thereof granted by the DRB, at its sole discretion, the DRB may remove the noncomplying improvement, remedy the noncompliance, and/or record a notice of noncompliance in the county deed records. The costs of any such action shall be assessed against the Owner as a Reimbursement Assessment either before or after any remedial action is taken.

6.12 Liability. Neither the DRB 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 DRB or a member thereof, provided only that the DRB or the member has, in accordance with its or his or her actual knowledge, acted in good faith.

6.13 Estoppel Certificate. Within 15 working days after the DRB's receipt of a written request from an Owner and the DRB's receipt of payment of a reasonable fee fixed by the DRB to cover costs, the DRB shall provide such Owner with a certificate executed by the Chairperson or other authorized member of the DRB certifying with respect to any Lot owned by the Owner, that, as of the date thereof either (a) all improvements made or done upon such Lot 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 and such Owner's 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 among Declarant, the DRB, the Association, all Owners, and all persons deriving any interest through any of them.

6.14 Fees. The DRB may charge applicants a reasonable application fee and additional costs incurred or expected to be incurred by the DRB to retain architects, attorneys, engineers, and other consultants to advise the DRB concerning any aspect of the applications and/or compliance with any appropriate architectural criteria or standards, including, without limitation, those pertinent to house siting and height. Such fees shall be collectible as assessments pursuant to Article 10.

6.15 Declarant and Successor Exempt from DRB. The Declarant or a successor to all of the unsold Lots shall be exempt from the requirement to submit and have plans approved by the DRB. However, the Declarant and its successor shall not be exempt from the provisions of Article 4 of the Declaration, except as set forth in Section 4.23.

ARTICLE 7 MEMBERSHIP IN THE ASSOCIATION

7.1 Members. Each Owner shall be a 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 shall automatically transfer membership in the Association. Without any other act or acknowledgment, 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 such Owner's vote in person, by written ballot, or pursuant to a proxy executed by such Owner. An Owner may not revoke a proxy given pursuant to this Section 7.2 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 year after its date, unless the proxy specifies a shorter term.

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

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

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

(a) The date on which 75% of the total number of Lots in ClearPine have been sold and conveyed to Owners other than Declarant; and

(b) The date on which Declarant elects in writing to terminate Class B membership.

After the Termination Date, each Owner, including Declarant, shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots subject to this Declaration, initially or through annexation.

When more than one person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event shall fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum.

7.4 Procedure. All meetings of the Association, the Board, the DRB, and Association committees shall be conducted with such rules of order as may from time to time be adopted by the Board. Notwithstanding which rule of order is adopted, the President 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. Declarant hereby reserves administrative control of the Association. Declarant, in its sole discretion, shall have the right to appoint and remove members of an interim board (the "Interim Board"), which shall manage the affairs of the Association and be invested with all powers and rights of the Board until the Turnover Meeting (as hereinafter defined). The Interim Board shall consist of from one to three members. Notwithstanding the provision of this Section 8.1, at the Turnover Meeting, at least one Director shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all three Directors.

8.2 Turnover Meeting. Declarant shall call a meeting for the purposes of turning over administrative control of the Association from Declarant to the Class A members within 60 days of the earlier of the following dates:

8.2.1 Earliest Date. The date on which Lots representing 75% of the total number of votes of all Lots in ClearPine have been sold and conveyed to persons other than Declarant;

8.2.2 Optional Turnover. The date on which Declarant has elected in writing to terminate Class B membership.

Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. If Declarant does not call the Turnover Meeting required under this Section the transitional advisory committee or 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 ClearPine. 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 the Common Area and each Lot on the Property, 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 that Declarant owns. 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. Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, on the Common Area.

9.3 Declarant Easements. Declarant reserves easements over the Property as more fully described in Sections 3.4 and 3.5 hereof.

9.4 Additional Improvements. Declarant does not agree to build any improvements not described in this Declaration.

ARTICLE 10 FUNDS AND ASSESSMENTS

10.1 Purpose of Assessments; Expenses. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, aesthetics, and welfare of the Owners and Occupants of ClearPine and any Additional Property as may hereafter be annexed into the Declaration, for the improvement, operation, and maintenance of the Common Area and the Commonly Maintained Property, for the administration and operation of the Association, for property and liability insurance.

10.2 Covenants to Pay. Declarant and each Owner covenant and agree to pay the Association the assessments and any additional charges levied pursuant to this Declaration or the Bylaws. All assessments for operating expenses, repairs and replacement, and reserves shall be allocated among the Lots and their Owners as set forth in Section 10.4.2.

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 as set forth in Section 10.1. On the sale or transfer of any Lot, the Owner's interest in such funds shall be deemed automatically transferred to the successor in interest to 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.

10.2.3 Right to Profits. Association profits, if any, shall be the property of the Association and shall be contributed to the Current Operating Account.

10.3 Basis of Assessment; Commencement of Assessments. Declarant shall pay all common expenses of the Association until the Lots are assessed for common expenses. The amount and date of commencement of the initial annual assessment to Owners other than Declarant shall be determined by Declarant. In the sole and unfettered discretion of Declarant, Declarant may defer payment of reserves for a Lot until the Lot is conveyed to a third party. However, Declarant may not defer payment of accrued reserves beyond the date of the Turnover Meeting.

10.4 Annual Assessments. Annual assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. The initial annual assessment shall be determined by Declarant and shall be prorated on a monthly basis at the time of the closing of the first sale from Declarant. For proration purposes, any portion of a month shall count as a full month. Annual assessments shall be payable on a periodic bases, not more frequently than monthly, as determined by the Board. The fiscal year shall be the calendar year unless another year is adopted by vote of the Association members.

10.4.1 Budgeting. 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 Common Area and 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 such improvements as provided in Section 10.6.2; 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 Common Area and the Commonly Maintained Property. Notwithstanding that budgeting shall be done on an accrual basis, the Association's books shall be kept on a cash basis and the Association shall be a cash basis taxpayer, unless applicable governmental regulations require otherwise. 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 and distribute a copy or summary thereof to each Member, together with written notice of the amount of the annual assessments to be levied against the Owner's Lot, within 30 days after adoption of such budget.

10.4.2 Allocation of Assessments. The total amount in the budget shall be charged equally against all Lots subject to assessment on the effective date of the budget.

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.

10.5 Special Assessments. The Board and/or the Owners 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 this Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

10.5.3 Repairs. To collect additional amounts necessary to make repairs or renovations to the Common Area or 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 at least 80% of all votes allocated to the Lots.

10.5.5 Reimbursement Assessments. The Association shall levy a reimbursement assessment against any Owner and such Owner's Lot if a failure to comply with this Declaration, Bylaws, Design Standards, or any Rules and Regulations has (a) necessitated an expenditure of monies by the Association to effect compliance or (b) resulted in the imposition of a fine or penalty against such Owner or such Owner's Lot (a "Reimbursement Assessment"). A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association except on at least 10 days' written notice to the Owner being assessed. If, within said 10-day period, the Owner makes a written request to the Board for a hearing, a hearing shall be held. On request for a hearing, the Board shall conduct it not less than 10 nor more than 30 days after the request by the Owner, and shall make its decision within not more than 30 days after the hearing is held. If a notice has been previously given, and the hearing has already been held or waived (in writing or by the Owner's failure to appear) for the violation resulting in the Reimbursement Assessment, no additional notice and hearing is required before levying the Reimbursement Assessment.

10.6 Accounts.

10.6.1 Types of Accounts. Assessments collected by the Association shall be deposited into at least two 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 capital improvements into the Reserve Account. Withdrawal of funds for the Association's Reserve Account shall require the signatures of either two Directors or one Director and an officer of the Association who is not a Director. In its books and records, the Association shall account separately for operating expenses relating to the Common Area/Commonly Maintained Property and operating expenses relating to all other matters, as well as for necessary reserves relating to the Common Area/Commonly Maintained Property and necessary reserves relating to all other matters.

10.6.2 Reserve Account. Declarant shall establish a Reserve Account, in the name of the Association, which shall be kept separate from all other funds held by the Association. The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair, or replacement of Common Area property and Commonly Maintained Property that normally requires replacement, in whole or in part, within three to 30 years and not for regular or periodic maintenance and expenses. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes.

10.6.2.1 Calculation of Reserve Assessment; Reserve Study. The Board of Directors of the Association shall annually conduct a reserve study, or review and update an existing study, of the Common Area and Commonly Maintained Property to determine the reserve account requirements. A reserve account shall be established for those items of the Common Area and Commonly Maintained Property all or part of which will normally require replacement in more than three and less than 30 years, for exterior painting, and for the maintenance, repair, or replacement of other items as may be required under the Declaration or Bylaws or that the Board of Directors, in its discretion, may deem appropriate. The reserve account need not include items that could reasonably be funded from operating assessments. The reserve study shall include:

- (a) identification of all items for which reserves are required to be established;
- (b) the estimated remaining useful life of each item as of the date of the reserve study;
- (c) the estimated cost of maintenance, repair or replacement of each item at the end of its useful life; and
- (d) a 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.

The reserve account assessment shall be allocated pursuant to Section 10.4.2.

10.6.2.2 Loan from Reserve Account. After the Turnover Meeting described in Section 8.2, the Board may borrow funds from the Reserve Account to meet high seasonal demands on the Association's regular operating fund or to meet unexpected increases in expenses. Funds borrowed must be repaid later from assessments if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a written payment plan providing for repayment within a reasonable period.

10.6.2.3 Increase or Reduction, or Elimination of Reserve Account Assessment. At any time after the second year after the Turnover Meeting, future assessment for the Reserve Account may be increased or reduced by the vote of Owners of Lots representing 75% of the votes computed in accordance with Section 7.3.

10.6.2.4 Investment of Reserve Account. Nothing in this Section 10.6 prohibits the prudent investment of Reserve Account funds, subject to any constraints imposed by the Board, the Bylaws, or the Rules and Regulations.

10.6.2.5 Refunds of Assessments. Assessments paid into the Reserve Account are the property of the Association and are not refundable to sellers or Owners of Lots. Sellers or Owners of Lots may treat their outstanding share of the Reserve Account's balance as a separate item in the sales contract providing for the conveyance of their Lot.

10.6.3 Current Operating Account. All costs other than those to be paid from the Reserve Account pursuant to Section 10.6.2 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 (i.e., one other than through foreclosure or a deed in lieu of foreclosure), the grantees shall be jointly and severally liable with the grantors 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. The Association shall have a lien against each Lot for any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof that is delinquent. Such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorney fees (whether or not suit or action is instituted), actual administrative costs, and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Recording of the Declaration constitutes record notice and perfection of the lien. Said lien may be foreclosed at any time pursuant to the Planned Community Act. The Association shall record a notice of a claim of lien for assessments and other charges in the deed records of Deschutes County, Oregon, before any suit to foreclose may be filed. 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 before the Association's notice of lien, and any mortgage or deed of trust granted to an institutional lender that is recorded before 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, Design Standards, and the Rules and Regulations adopted by the Board or the DRB. The adoption of such impositions shall be communicated to all Owners in writing not less than 30 days before the effective date by a notice mailed to the assessment billing address of such Owners. Such impositions shall be considered assessments that are lienable and collectible in the same manner as any other assessments; provided, however, that 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 such Owner's Lot until such Owner is given an opportunity for a hearing as elsewhere provided herein.

10.7.4 Acceleration of Assessments. If an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, on not less than 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 such Owner's Lot or shall be entitled to the appointment of a receiver.

ARTICLE 11 GENERAL PROVISIONS

11.1 Records. The Board shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board also shall 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 on the account, and the balance due on the assessments. The minutes of the Association, the Board and Board committees, and the Association's financial records shall be maintained in the State of Oregon and 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 such person 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 such person acted in good faith and in a manner that such person 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 that such person's 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 that such person 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 that such person's 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 that created said liability.

11.3 Enforcement; Attorney Fees. The Association and the Owners and any mortgagee holding an interest on a 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 (including without limitations, for the collection of assessments), the prevailing party shall be entitled to its actual administrative costs incurred because of a matter or event that is the subject of the suit or action, 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 and costs incurred in any enforcement activity or to collect delinquent assessments, together with the Association's actual administrative costs, 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 35 years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of 10 years, unless rescinded by a vote of at least 90% of the Owners and 90% of the first mortgagees; provided, however, that amendments that do not constitute rescission of the planned community may be adopted as provided in Section 11.6 and 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.

11.6 Amendment. Except as otherwise provided in Section 11.5 or ORS 94.590, and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than 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 Nonprofit Corporation Act and that 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, including, without limitation, amendment of this Section 11.6.

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.

EXHIBIT A-1 PROPERTY LEGAL DESCRIPTION

A TRACT OF LAND LOCATED IN THE NORTHWEST QUARTER (NW 1/4) OF SECTION 4 TOWNSHIP 15 SOUTH, RANGE 10 EAST, WILLAMETTE MERIDIAN, CITY OF SISTERS, DESCHUTES COUNTY, OREGON, BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

LOTS 9 THROUGH 19 AND TRACT A, THREE SISTERS BUSINESS PARK - PHASE I, RECORDED JUNE 29, 2006 IN PLAT CABINET G, PAGE 1179, OFFICIAL RECORDS OF DESCHUTES COUNTY, OREGON.