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**DECLARATION OF
PROTECTIVE COVENANTS,
CONDITIONS, AND RESTRICTIONS FOR
CARLY MEADOWS**

After Recording Return to:
Hayden Enterprises, Inc.
2464 SW Glacier Place, Suite 110
Redmond, Oregon 97756
Attn: Karen Halstead

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**DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS
CARLY MEADOWS**

THIS DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR CARLY MEADOWS (this "**Declaration**"), to be effective upon its recording in Deschutes County, Oregon, is made and executed on the date hereinafter set forth by HAYDEN ENTERPRISES, INC., a Washington corporation, hereinafter referred to as the "**Declarant**".

WITNESSETH

Declarant is the owner of certain real property in the City of Redmond, Deschutes County, Oregon, described on Exhibit "A" attached hereto and incorporated herein by reference; and

Declarant desires to create a Class III planned community known as CARLY MEADOWS on the land described on Exhibit "A", as shown on the duly recorded plat of CARLY MEADOWS, PHASE 1 and on such other land as may be added thereto pursuant to the terms and provisions of this Declaration. The community shall not be subject to ORS 94.550 to 94.783.

NOW THEREFORE, Declarant declares that the real property described on the attached Exhibit "A" shall be held, sold, hypothecated, and conveyed subject to the covenants, conditions, and restrictions declared below, which shall be deemed to be covenants running with the land and imposed on and intended to benefit and burden each Lot and other portions of the Property in order to maintain within the Property a community of high standards. Such covenants shall be binding on all parties having any right, title or interest therein or any part thereof, their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of each Owner thereof.

ARTICLE I- DEFINITIONS

Section 1.1 "City"

"City" shall mean the City of Redmond, Oregon.

Section 1.2 "Conversion Date"

"Conversion Date" shall be the date which is the earlier of (i) the date at which ninety percent (90%) of the total Lots anticipated to be created within the subdivision have been conveyed by Declarant to third persons; (ii) ten (10) years after conveyance of the first Lot from Declarant to a third person; or (iii) upon election in writing by Declarant.

Section 1.3 "County"

"County" shall mean Deschutes County, Oregon.

Section 1.4

"Declarant"

"Declarant" shall mean Hayden Enterprises, Inc., its successors and assigns, who are designated as such in writing by Declarant, and who consent in writing to assume the duties and obligations of Declarant with respect to the Lots acquired by such successor or assign.

Section 1.5

"Declaration"

"Declaration" shall mean this Declaration of Protective Covenants, Conditions, and Restrictions for CARLY MEADOWS and any amendments and supplements thereto made in accordance with its terms.

Section 1.6

"Improvement"

"Improvement" shall mean every structure or improvement of any kind, including, but not limited to, a Unit, landscaping, fences, wall, driveways, fixtures, shelters, or other product of construction efforts (including painting, alterations, and reconstruction) on or with respect to CARLY MEADOWS.

Section 1.7

"Lot"

"Lot" shall mean any of the plots of land indicated upon the recorded subdivision map of the Property or any part thereof creating single-family home sites, with the exception of tracts and any areas deeded to a governmental authority or utility, together with all improvements thereon.

Section 1.8

"Owner"

"Owner" shall mean the record owner, whether one or more persons or entities, of a fee simple title to any Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation.

Section 1.9

"Plat"

"Plat" shall mean the duly recorded plat of CARLY MEADOWS, PHASE 1 recorded in the Plat Records of Deschutes County, Oregon contemporaneously herewith.

Section 1.10

"Private Utilities"

"Private Utilities" shall mean utilities including but not limited to gas, electric, water, sewer, storm water, cable, and telecommunication service lines that are not public utilities.

Section 1.11

"Property"

"Property" shall mean the real property described on the attached Exhibit "A", and such additions thereto as may be brought within the jurisdiction of CARLY MEADOWS and be made subject to this Declaration.

Section 1.12

"Turnover Meeting"

"Turnover Meeting" shall be the meeting of the Owners called by Declarant within ninety (90) days after the Conversion Date for the purpose of turning over control of CARLY MEADOWS to the Owners.

Section 1.13

"Unit"

"Unit" shall mean any residential dwelling situated upon any Lot.

ARTICLE II- COMMON MAINTENANCE AREAS/ASSESSMENTS

Section 2.1

Common Areas and Common Maintenance Areas

CARLY MEADOWS shall have no "common property" as defined in ORS 94.550(7) or other common areas or common maintenance areas.

ARTICLE III- ARCHITECTURAL REVIEW

Section 3.1

Architectural Control Committee

A committee to be known as the Architectural Control Committee (the "ACC") shall be established consisting of the number of members as determined by Declarant, except that the ACC shall consist of not less than three (3) members prior to the Turnover Meeting.

3.1.1 The members of the ACC shall be appointed, terminated and/or replaced by Declarant until the Turnover Meeting is held, or if no Turnover Meeting is held, until the date which is ninety (90) days after the Conversion Date. Members of the ACC may be terminated and/or replaced by Declarant with or without cause. Thereafter, the Owners shall elect three (3) Owners to serve as members of the ACC, or, if at least three (3) Owners do not desire to serve as members of the ACC, such lesser number of Owners who desire to serve on the ACC shall be designated. In electing members of the ACC, each Owner shall have one vote for each Lot owned by the Owner. The three (3) Owners receiving the highest number of votes shall be elected as members of the ACC. If only three (3) or fewer Owners desire to serve on the ACC, those three (3) or fewer Owners shall be designated to serve on the ACC without the need of proceeding to an election. At three-year intervals commencing as of the Turnover Meeting, or if no Turnover Meeting is held, as of the date that is ninety (90) days following the Conversion Date, the then members of the ACC shall circulate to all Owners a written notice requesting election of members to the ACC, and the ACC shall be composed of the three (or, if necessary, fewer) Owners elected or designated in the same manner as those Owners currently serving as members of the ACC were elected (or designated). Declarant shall have no responsibility or liability for maintaining the active status of the ACC. In the event of the death or resignation of any member of the ACC after the Turnover Meeting, a new representative, who shall be an Owner, shall be appointed by the remaining ACC members. If there are no members serving on the ACC as a result of death or resignation, the Owners shall as soon as practicable call an election to elect (or to designate) Owners to serve on the ACC. The term of office of ACC members shall run no more than three (3) years, but may be repeated indefinitely if an incumbent member is elected, designated, or appointed as provided in this subsection. The ACC shall meet

at sufficient intervals to perform its review and approval functions specified in this Article III, but in any event at least once every six weeks.

3.1.2 The purpose of the ACC is to enforce the architectural standards of the community and to approve or disapprove plans for improvements proposed for the Lots.

3.1.3 The ACC shall act by simple majority vote and shall have the authority to delegate its duties to or to retain the services of a professional engineer, architect, designer, inspector or other person to assist in the performance of its duties.

Section 3.2 Architectural Manual

Declarant may adopt, and from time to time, amend modify, or revise an Architectural Manual. Adoption of the Architectural Manual may occur without the consent of anyone prior to conveyance of the first Lot to an Owner other than Declarant. Amendments, modifications, or revisions to the Architectural Manual may be made by Declarant, without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Thereafter the ACC shall have the right to amend, modify, or revise the Architectural Manual, subject to the approval of at least fifty percent (50%) of the voting power of the Owners. No such amendments, modifications, or revisions shall affect any prior ACC approval.

Section 3.3 Scope of Review

Buildings, fences, walls, patios, decks, outbuildings, landscaping, pools, athletic facilities or other structures or Improvements may be erected, altered, added onto or repaired upon any portion of the Property only with the prior written consent of the ACC, provided however, that Improvements erected, altered, added onto or repaired by Declarant shall be exempt from the provisions of this Article III.

Section 3.4 Submission of Plans

Before the initiation of construction upon any Lot, or whenever the approval or consent of the ACC is required in this Declaration, the Owner thereof shall first submit to the ACC a complete set of plans and specifications for the proposed Improvements, including site plans, grading plans, landscape plans, floor plans depicting room sizes and layouts, exterior elevations, specifications of materials and exterior colors, and any other information deemed necessary by the ACC for the performance of its function pursuant to the procedure outlined in the Architectural Manual (if any). In addition, the Owner shall submit the identity of the individual or company intended to perform the work and projected commencement and completion dates. In the event an Owner submits plans or specifications to the ACC that are not adequate to permit the ACC to make an informed determination under this Article III, the ACC shall have the authority to require the Owner submitting the inadequate plans or specifications to retain, at the Owner's expense, the services of a professional engineer, architect, designer, inspector or other person to assist in the preparation of a sufficient submittal to the ACC.

Section 3.5

Plan Review

Upon receipt by the ACC of all of the information required by this Article III, it shall have thirty (30) days in which to review said plans. The proposed Improvements will be approved if, in the sole opinion of the ACC: (i) the Improvements will be of an architectural style and material that are compatible with the other structures in the Property; (ii) the Improvements will not violate any restrictive covenant or encroach upon any easement or cross building set back lines; (iii) the Improvements will not result in the reduction in property value, use or enjoyment of any of the Property; (iv) the individual or company intended to perform the work is acceptable to the ACC; and (v) the Improvements will be substantially completed, including all cleanup, within three (3) months of the date of commencement (six (6) months for the construction of a complete house). If the ACC fails to issue its written approval, or rejection, within thirty (30) days of its receipt of the last of the materials or documents required to complete the Owner's submission, the ACC's approval shall be deemed to have been granted without further action. The written approval of the ACC shall be automatically revoked without action of the ACC one (1) year after the issuance of such approval, unless the Owner has applied for and received an written approval from the ACC for an extension of time.

Section 3.6

Non-conforming Structures

If there shall be a material deviation from the approved plans in the completed Improvements, such Improvements shall be in violation of this Article III to the same extent as if erected without prior approval of the ACC. The ACC or any Owner may maintain an action at law or in equity for the removal or correction of the non-conforming structure and, if successful, shall recover from the Owner in violation all costs, expenses and fees incurred in the prosecution thereof.

Section 3.7

Immunity of ACC Members

No individual member of the ACC shall have any personal liability to any Owner or any other person for the acts or omissions of the ACC if such acts or omissions were committed in good faith and without malice. Any member of the ACC who is the prevailing party in any litigation or other proceeding initiated against such member by one or more Owners may recover from the Owner(s) who initiated the litigation or other proceeding the out-of-pocket fees and expenses (including reasonable attorneys' fees) incurred by such member in defending the litigation or other proceeding.

Section 3.8

Clarification of Role of ACC

The ACC shall act in accordance with the provisions of this Article III and the other provisions of this Declaration that expressly relate to the ACC. However, unless expressly set forth herein, the ACC shall not act in the capacity of settling disputes between Owners or resolving problems that Owners may experience. Disputes or problems experienced by Owners with respect to which the ACC has no express authority or role as set forth in this Declaration shall be resolved by private, lawful means chosen by the affected Owners and there shall be no recourse to the ACC.

Section 3.9

Limited Review

The ACC's authority to review and approve plans for construction of improvements on any Lots is limited to the enforcement of the provisions of this Declaration and the architectural guidelines and standards set forth in the Architectural Manual (if any). The review and approval made by the ACC is not to be construed as superseding, replacing, or modifying any review, approval, or permit required by any local, state or federal jurisdictional agencies. It is the applicant's responsibility to obtain and comply with any permits that may be required by any local, state, or federal jurisdictional agency.

Section 3.10

Non-Waiver

Approval by the ACC to any matter proposed to the ACC under this Article III shall not be deemed to constitute approval of any subsequent matter or waiver impairing the ACC's right to withhold approval as to any similar matter thereafter proposed or submitted to it for approval.

Section 3.11

Address for Notice

Requests for ACC approval or correspondence with the ACC shall be addressed to Carly Meadows Architectural Control Committee, c/o Hayden Enterprises, Inc., 2464 SW Glacier Place, Suite 110, Redmond, Oregon 97756 or such other address as may be designated from time to time by the ACC. No correspondence or request for approval shall be deemed to have been received until actually received by the ACC in a form satisfactory to the ACC.

Section 3.12

Initial ACC Members

Declarant hereby appoints George A. Arthur and Jennifer Arthur as the initial members of the ACC to serve at the pleasure of the Declarant as provided in Section 3.1.1. All requests for approval or correspondence with the ACC required under Section 3.11 to be submitted by an Owner shall be copied, in addition to the address in Section 3.11, to the following address:

George A. Arthur and Jennifer Arthur
3220 SW Obsidian Avenue
Redmond, Oregon 97756-8828

ARTICLE IV- EASEMENTS

Section 4.1

Utility Easements

As long as Declarant owns a Lot, Declarant hereby reserves the right to grant perpetual, nonexclusive easements for the benefit of Declarant or its designees, upon, across, over, through and under any portion of the Property for ingress, egress, installation, replacement, repair, maintenance, use and operation of all utility and service lines and service systems, public and private, including, without limitation, cable television. Declarant, for itself and its designees, reserves the right to retain title to any and all pipes, lines, cables or other improvements installed on or in such easements.

Section 4.2

Declarant's Easement to Correct Drainage

Declarant hereby reserves for the benefit of Declarant a blanket easement on, over and under the ground within the Property to maintain and correct drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and shall be entitled to remove trees or vegetation, without liability for replacement or damages, as may be necessary to provide adequate drainage facilities. Notwithstanding the foregoing, nothing herein shall be interpreted to impose any duty upon Declarant to correct or maintain any drainage facilities within the Property.

Section 4.3

Entry Easement

If the Owner of any Lot fails to maintain the Lot as required herein, or if there is an emergency, the ACC shall have the right, upon ten (10) days written notice to such Owner or without notice in the case of an emergency, but not the obligation, to enter upon the Lot to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the Property. Entry upon the Lot as provided herein shall not be deemed a trespass, and the ACC shall not be liable for any damage so created unless such damage is caused by the ACC's willful misconduct or gross negligence.

Section 4.4

Reserved Easements

Easements for installation and maintenance of utility and storm water retention/detention ponds are reserved as may be shown on the recorded Plat. Within these easement areas, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may hinder or change the direction of flow of drainage channels or slopes in the easements. The easement area of each Lot and all improvements contained therein shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority, utility company or third person is responsible.

Section 4.5

Temporary Completion Easement

All Lots shall be subject to an easement of ingress and egress for the benefit of Declarant, its employees, subcontractors, successors and assigns, over and upon the front, side and rear yards of the Lots as may be expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon adjacent Lots within the Property, provided that such easement shall terminate twenty-four (24) months after the date such Lot is conveyed to an Owner other than Declarant.

Section 4.6

Perimeter Fence Easement

An easement is hereby declared for the benefit of Declarant, its employees, subcontractors, successors and assigns as may be expedient or necessary for the construction of fencing along the perimeter of the Property. Declarant is not obligated to construct any perimeter fencing.

Section 4.7

Plat Easements

The Property shall be subject to all public and private easements delineated on the Plat.

Section 4.8

Maintenance of Sidewalks/Parkway Strips

The expense of maintenance of sidewalks and parkway strips, located between the street curb and the sidewalk, on or immediately adjacent to a Lot shall be the individual responsibility of the Owner(s) of the affected Lot(s). Parkway planter strips shall be landscaped and maintained in accordance with the provisions of Section 7.11.

Section 4.9

Street Trees

Street trees installed within parkway planter strips shall be maintained by the Owner(s) of the affected Lot(s) in accordance with the provisions of Section 7.11, and shall not be removed unless necessary because of disease or damage, in which case the tree shall be replaced as soon as practicable with a tree of similar species, measuring not less than two (2) inches in diameter, as measured four (4) feet above the ground surface.

ARTICLE V- USE, OCCUPANCY, CASUALTY, AND INSURANCE

Section 5.1

Residential Use

All Lots and Units shall be kept and maintained primarily for single family residential purposes. No mobile homes, manufactured homes or trailers may be used as a residence.

Section 5.2

Commercial, Institutional, or Other Non-Residential Uses

No commercial, institutional, or other non-residential uses (including residential day care facilities) may be conducted on a Lot without the prior written approval of the ACC; provided that, Lot Owners may rent or lease residential Units or portions thereof for periods of no less than 30 days. The ACC shall not unreasonably withhold consent to a non-residential use if only normal residential activities would be observable outside of the Unit and the activities would not be in violation of applicable ordinances nor create additional traffic or the need for additional parking. The ACC shall not allow a use that diminishes the residential character of the Lot or neighborhood or imposes a nuisance on the neighborhood. Any such use must comply with all the use restrictions of this Declaration and all applicable law, including, without limitation, zoning requirements. Any Owner wishing to conduct any commercial, institutional, or other non-residential uses on any Lot shall first apply to the ACC for approval of such use and shall provide to the ACC any information deemed necessary by the ACC to evaluate the impacts of such use on the neighborhood. The decision of the ACC shall be final and conclusive. The ACC may review, and repeal, any such approval from time to time at the discretion of the ACC if, in the opinion of the ACC, the use has changed or increased to a level not consistent with the

original approval. In no event shall the decision of the ACC as to permissibility of a requested non-residential use be construed as a representation of the legal permissibility of such use. This Section 5.2 does not restrict the right of an Owner to maintain Owner's professional personal library, keep Owner's personal business or professional records or accounts or handle Owner's personal business or professional telephone calls in Owner's Unit.

Section 5.3 Garage Sales

The provisions of this Article shall not apply to garage sales conducted entirely on an Owner's Lot in accordance with the guidelines (if any) established by the ACC, provided that no Owner shall conduct more than three (3) garage sales of no more than three (3) days duration during any six (6) month period.

Section 5.4 Declarant Use

The provisions of this Article shall not apply to the use of any Lot or Unit by Declarant as i) a model home, sales office, or construction office; or ii) the use of any Lot as a site for a sales office trailer or construction office trailer.

Section 5.5 Owner Insurance

Each Owner of a Lot is encouraged to obtain and maintain in effect, from a reputable insurance company authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot and fire and extended coverage casualty insurance with respect to the Owner's Unit in an amount equal to one hundred percent (100%) of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property. No Owner shall be obligated to obtain any of the insurance coverages described herein.

Section 5.6 Casualty

In the event of damage to or destruction of a Unit, the Owner of the Unit shall repair, reconstruct, and rebuild the damaged or destroyed portions of the Unit to substantially the same condition that existed prior to the damage or destruction. All repair, reconstruction, or rebuilding shall begin within six (6) months following the damage or destruction, and shall be diligently pursued to completion within twelve (12) months following the damage or destruction, unless work is delayed by causes beyond the reasonable control of the Owner.

ARTICLE VI- PROPERTY RIGHTS

Section 6.1 Owner's Use and Occupancy

Subject to any easements affecting an Owner's Lot, each Owner of a Lot shall be entitled to the exclusive use and benefit of such Lot. As such rights of an Owner of a Lot with respect to the Unit on such Owner's Lot is subject to the rights of Declarant and the ACC under this Declaration, Declarant, and any representative of the ACC authorized by the ACC may at any reasonable time, and from time to time at reasonable intervals, enter upon any 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. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Lot.

Section 6.2 Rights of the ACC

The ACC shall have the following additional rights with respect to governing the use and occupancy of the Property:

6.2.1 The right of the ACC to establish and publish rules and regulations governing the use of the Property affecting the welfare of the Owners.

6.2.2 The right of the ACC to suspend the voting rights of an Owner for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

Section 6.3 Effect of Declaration

Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 6.4 Rezoning Prohibited

No Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the prior written consent of the ACC and Declarant so long as Declarant owns a Lot, which may be withheld in the ACC's or Declarant's sole discretion, as applicable. Declarant or the ACC may enforce this covenant by obtaining an injunction against any non-approved rezoning at the expense of the enjoined party.

Section 6.5 Lot Consolidation and Division

No Lot may be consolidated with another Lot and no Lot may be subdivided.

Section 6.6 Drainage Alteration Prohibited

The surface water drainage contours of each Lot shall conform to the approved grading plan established by the Declarant. No Owner shall fill or alter any drainage swale established by the Declarant, nor shall any Owner install landscaping or other improvements that divert surface water runoff from the drainage patterns, swales and easements established by the Declarant without the prior, written approval of the ACC.

ARTICLE VII- USE RESTRICTIONS

Section 7.1 Nuisances

No noxious or offensive activity shall be carried out upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood.

Section 7.2 Development Activity

Notwithstanding any other provision herein, Declarant and its successors and assigns, shall be entitled to conduct on the Property all activities normally associated with and convenient to the development of the Property and the construction and sale of dwelling units on the Property.

Section 7.3 Temporary Structures

No structure of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, and no prefabricated or relocated structure shall be used on any Lot at any time as a residence, either temporarily or permanently. This restriction shall not be interpreted to limit the right of Declarant to use trailers or outbuildings as sales offices, construction offices, material storage facilities, or sanitation facilities.

Section 7.4 Signs

No sign of any kind may be kept or placed upon any Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Lot so as to be visible from public view or mounted on any vehicle or trailer parked or driven in the subdivision or carried by any person or by any other means displayed within the subdivision except as provided below:

7.4.1 "For Sale" Signs

An Owner may erect one (1) sign not exceeding two (2) feet by three (3) feet in dimension, fastened only to a stake in the ground and extending not more than three (3) feet above the surface of the ground advertising the property for sale.

7.4.2 "For Rent" Signs

An Owner may erect one (1) sign not exceeding three (3) square feet in area advertising the property for rent. Such signs shall be visible from the front of the Unit only, and shall be displayed from within the Unit. No such sign shall be erected within a lawn or landscape area on any Lot, or attached to the outside of the Unit.

7.4.3 Declarant's Signs

Signs or billboards may be erected by Declarant and are exempt from the provisions of this Section.

7.4.4 Political Signs

Political signs may be erected upon a Lot by the Owner of such Lot advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal provided that such signs shall not be erected more than ninety (90) days in advance of the election to which they pertain and are removed within fifteen (15) days after the election.

7.4.5 Subdivision Identification Signs

Signs, monumentation or billboards may be erected by Declarant to identify the subdivision, with approval from the local jurisdictional authority, if applicable.

7.4.6 Commercial Vehicle Emblems

Vehicles displaying commercial emblems may be kept or parked on any Lot only as provided in Section 10.5.

The foregoing restrictions shall not be deemed to prohibit the display of the flag of the United States by an Owner or occupant of a Lot if the flag is displayed in a manner consistent with federal flag display law, 4 U.S.C. § 1 et seq. The ACC may adopt reasonable rules and regulations consistent with federal flag display law regarding the placement and manner of display of such flag and the location and size of the flagpole.

Section 7.5 Campers, Boats, Recreational Vehicles, Commercial Vehicles, and other Non-Passenger Vehicles

Campers, boats, boat trailers, recreational vehicles, commercial vehicles, or other types of non-passenger vehicles, equipment, implements, or accessories may be kept or stored on any Lot only (i) with the ACC's approval, and (ii) as provided below:

7.5.1 Campers, boats, boat trailers, recreational vehicles, recreational trailers, and other non-passenger vehicles, equipment, implements, or accessories should be stored or kept on the side or rear of the Unit or the Lot, fully enclosed within the garage located on such Lot, or screened from view by a screening structure or fencing approved by the ACC; provided that pads for recreational vehicles shall be placed on the side of a Lot adjacent to a residential Unit. The foregoing vehicles and items may be temporarily placed at the front of a Lot for purposes of maintenance or preparation for use.

7.5.2 Commercial vehicles bearing commercial insignia or names may be kept or stored on any Lot only with the approval of the ACC. Commercial vehicles bearing commercial insignia or names that are (i) temporarily parked on any Lot for the sole purpose of serving such Lot, or (ii) kept within an Owner's garage at all times are exempt from this restriction. The ACC, as designated in this Declaration, shall have the absolute authority to grant approval for storing or keeping a commercial vehicle on a Lot. Notwithstanding the foregoing, the ACC shall not unreasonably withhold consent to keep a commercial vehicle bearing insignia or names where such vehicle is driven by an Owner pursuant to Owner's primary job. Any Owner wishing to keep a commercial vehicle on any Lot shall apply for approval to the ACC,

and shall provide such information as the ACC, in its sole authority, may require. The ACC may from time to time in its sole discretion review the approval to keep a commercial vehicle on any Lot to determine if the vehicle complies with the intent of the original approval. Upon an adverse determination by the ACC, any commercial vehicle shall be removed and/or otherwise brought into compliance with the requirements of this section.

7.5.3 No disabled vehicles, campers, boats, boat trailers, recreational vehicles, recreational trailers, or other types of non-passenger vehicles equipment, implements, or accessories may be kept or stored on any street within the Property for any period in excess of five (5) days.

7.5.4 The ACC, as designated in this Declaration, shall have the absolute authority to determine from time to time whether a vehicle and/or accessory is operable and adequately screened from public view. Upon an adverse determination by the ACC, the vehicle and/or accessory shall be removed and/or otherwise brought into compliance with this section.

7.5.5 No dismantling or assembling of motor vehicles, boats, trailers, recreational vehicles, or other machinery or equipment shall be permitted in the streets within the Property, or in any driveway or yard adjacent to a street, or that is not screened from view. Placing items under a tarp shall not be considered screened from view.

Section 7.6 Pets, Livestock and Poultry

No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot, except for cats, dogs or other generally recognized household pets of a reasonable number, provided that they are not kept, bred, or maintained for any commercial purpose; and provided further, than no more than four (4) adult animals may be kept on a single Lot. All such animals shall be kept in strict accordance with all local laws and ordinances (including leash laws) and in accordance with all rules established by the ACC. Owners shall be responsible for cleaning up after their pets' waste in CARLY MEADOWS. Enclosed areas for pets must be clean, sanitary, and reasonably free of refuse, insects and waste at all times. Such enclosed area shall be constructed in accordance with plans approved by the ACC, shall be of reasonable design and construction to adequately contain such animals in accordance with the provisions hereof, and shall be screened so as not to be visible from any other portion of the Property.

Section 7.7 Garbage and Refuse Disposal and Burning

No Lot or tract shall be used or maintained as a dumping ground for rubbish or as a place to burn trash, landscape refuse or cuttings, or any other items except barbecue fires. Trash, garbage or other waste shall not be kept, or disposed of, on any Lot or tract except in sanitary containers. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. No cans, bags, containers or receptacles for the storing or disposal of trash, garbage, refuse, rubble, debris, or recyclable materials shall be stored, kept, placed or maintained on any Lot where visible from any street except solely on a day designated for removal of garbage, rubbish, or recyclable materials, and on which days only such cans, bags, containers, and receptacles may be placed in front of a residence and beside a street for removal, but shall be removed from view before the following day.

Section 7.8

Parking

Exclusive of driveways, no vehicles, boats, trailers or recreational vehicles shall be parked within the front yard areas of a Lot, sidewalk or other yard areas located adjacent to a street. Vehicles, trailers, implements or apparatus may not be driven or parked on any portion of the Property, except for designated streets or paved areas intended for vehicular use. No Vehicle or trailer weighing more than one ton may be parked on any portion of the Property. Notwithstanding anything in this Section 7.8 to the contrary, parking of vehicles is prohibited on any public or private street or alley within the Property that is signed or otherwise marked for "No Parking" by a governmental authority. The Owner of each Lot shall maintain off-street parking on its Lot (inclusive of its garage and driveway) able to accommodate at least three automobiles.

Section 7.9

Detached Buildings

Detached accessory buildings, including, but not limited to, detached garages and storage buildings, may be erected, placed or constructed upon any Lot only with the prior written approval of the ACC. Every outbuilding, inclusive of such structures as storage buildings, greenhouses, doghouses, or children's playhouses shall be compatible with the dwelling to which it is appurtenant in terms of its design and material composition. Outbuildings shall be of a one (1) story design and not exceed fifteen (15) feet in height measured from existing grade or have total floor area in excess of two hundred fifty (250) square feet.

Section 7.10

Fences and Hedges

Fences, walls or hedges may be erected or maintained on any Lot in the front yard, subject to local laws regarding setbacks. Side yard and rear yard fences may be erected along the property line of the Lots, but must return to the front foundation line of the Unit on such Lot. All fences shall be of a good-neighbor style, eight (8) foot wide panels, and made of cedar or natural wood grain vinyl as depicted in Exhibit "B", or as may otherwise be approved in advance by the ACC, except for fences erected by the Declarant in conjunction with model homes, sales offices, subdivision entry walls and fencing, monumentation and landscaping, and except as otherwise provided in this Section. All side and rear yard fences shall not exceed six (6) feet in height and all front yard fences shall not exceed three (3) feet in height, except fences for sales offices, model homes, subdivision entry walls and fencing, monumentation and landscaping or as otherwise approved by the ACC. No chain-link, metal cloth or agricultural fences may be built or maintained on any Lot, except as required by governmental authority. Notwithstanding the foregoing, the ACC shall have the right and authority to approve variances for reasonable cause or to alleviate hardship as determined in the sole judgment of the ACC; provided however, the ACC may not approve a variance which contradicts the zoning and/or subdivision ordinances of the local governmental jurisdictional authority unless the jurisdictional authority has previously approved the variance. Unless otherwise agreed between Owners, side and rear yard fences that separate adjacent lots shall be owned and maintained by the Owner on whose Lot the fence exists, or if the location is indefinite, such fence will be maintained by the Owners whose Lots are involved jointly, with expenses being shared equally. All other fences on Lots shall be maintained by the Owner of the Lot, whether such fence was constructed by Declarant or an Owner.

Section 7.11

General Landscaping and Exterior Maintenance

All front yards shall be landscaped within six (6) months after the exterior of a residence is completed. Decorative ground cover consisting of bark dust/mulch or rock in the front and side yard may not exceed twenty-five percent (25%) of the total area of the front, side and rear yards, excluding slopes, side yards, decks, patios, or sidewalks, unless otherwise approved by the ACC or designated by Declarant, the ACC or a governmental authority. The remainder of the yard shall be lawn or sod. Growth of grasses in lawns must be properly maintained not to exceed six (6) inches in height. All landscaping located on any Lot shall be properly maintained at all times by the Lot Owner. Each Lot Owner shall keep all shrubs, trees, grass, and plantings of every kind on his or her Lot cultivated, pruned, free of trash, and other unsightly material. Each Lot Owners shall promptly remove and replace, in compliance with all laws, diseased or dead lawns, trees, ground cover or shrubs. All improvements upon any Lot shall at all times be kept in good condition and repair and adequately painted or otherwise maintained by the Lot Owner. Declarant and the ACC shall have the right at any reasonable time to enter upon any Lot to replace, maintain, and cultivate shrubs, trees, grass, or other plantings as deemed necessary; and to paint, repair, or otherwise maintain any improvements in need thereof, and to charge the cost thereof to the Lot Owner. Each Owner of a Lot shall also be responsible for the removal of snow and ice from that Owner's Lot.

Section 7.12

Antennae, Satellite Dishes and Solar Collectors

Owners may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Lot if such apparatus is erected and maintained in such a way that it is screened from public view along the public street right-of-way directly in front (and side, in the case of a corner Lot) of the house erected on such Lot; and such apparatus shall be erected only with the prior written consent of the ACC. The ACC, as designated in this Declaration, shall have the absolute authority to determine whether an accessory is adequately screened from public view. The foregoing restriction and the authority of the ACC in this matter shall be subject to any regulations issued by the Federal Communications Commission ("FCC") or any other applicable governmental authority.

Section 7.13

Clothes Hanging Devices

Clothes hanging devices exterior to a dwelling shall be temporary, unaffixed structures not exceed six (6) feet in height and shall not be placed nearer to any street abutting the Lot than the side yard setback line or the back of the Unit constructed on the Lot. Clothes hanging devices shall be screened from public view by a fence approved by the ACC.

Section 7.14

Window Treatment

Aluminum foil, reflective film, newspapers or similar treatments shall not be placed on windows or glass doors.

Section 7.15

Mailboxes

Mailboxes shall be erected and maintained upon areas determined by the U.S. Postal Service in accordance with the current postal authority standards. Street access to mail boxes shall be continuously maintained between 8:00 a.m. and 5:00 p.m.

Section 7.16

Garages and Driveways

Lots must have an enclosed garage able to accommodate at least one (1) automobile. The openings of such garages must be situated within the setback lines set out in Section 7.17 below. Garages may be used as Declarant's sales offices before permanent occupancy of the main structure, however, sales offices must be converted to garages before permanent occupancy. With the exception of periods when garages are used by the Declarant as sales offices, a garage shall be maintained solely for the storage of automobiles, and no garage may be enclosed or otherwise used for habitation, nor may any garage door be removed except when necessary to repair or replace a garage door with the same type of garage door. Residences constructed with garage space greater than one automobile in size providing storage space and/or parking of a second automobile may be enclosed or otherwise used for habitation in all or part of this additional garage space only with the approval of the ACC pursuant to Article III. In no case shall a doorway, other than overhead garage door, be located in such space, which faces a front yard.

Driveways shall be constructed with concrete, concrete pavers or asphalt.

Section 7.17

Setback Lines

All buildings or other structures (including fences), permanent or temporary, habitable or uninhabitable, must be constructed, placed and maintained in conformity with setback standards imposed by the local governmental jurisdictional authority.

Section 7.18

Athletic and Recreational Facilities

Outdoor athletic and recreational facilities such as basketball goals, swing sets and sport courts of a permanent nature shall not be placed on any Lot in the subdivision between the street right-of-way and the front of a Unit; placement of these facilities of a permanent nature elsewhere on the Lot must be approved in advance by the ACC pursuant to Article III. Temporary facilities including outdoor athletic and recreational facilities such as basketball goals may be placed on any Lot between the street and front of a Unit, utilized and removed from view from the street during the course of a day. Temporary facilities including outdoor athletic and recreational facilities such as basketball goals, hockey goals, etc. shall not be placed within any street or alley on the Property.

Section 7.19

Water and Sewage Systems

No individual water supply system or sewage disposal system shall be permitted on any Lot, including but not limited to water wells, cesspools or septic tanks.

Section 7.20

Exterior Lighting and Holiday Decorations

Exterior lighting shall be of a type and placed to eliminate glare and annoyance to adjacent Owners and passersby. Lights or decorations may be erected on the exterior of Units in commemoration or celebration of publicly observed holidays provided that such lights or decorations do not unreasonably disturb the peaceful enjoyment of adjacent Owners by illuminating bedrooms, creating noise or attracting sight-seers. Holiday decorations or lights for any publicly observed holiday between December 1st and December 31st of any year, may not be displayed before November 15th of any year. For other holidays, decorations or lights may not be displayed more than two (2) weeks in advance of the holiday.

All lights and decorations that are not permanent fixtures of the Unit which are part of the original construction or have been properly approved as permanent improvements by the ACC shall be removed within thirty (30) days after the holiday has ended.

Section 7.21

Construction Activities

This Declaration shall not be construed so as to unreasonably interfere with or prevent normal construction activities during the construction or remodeling of or making of additions to improvements by a Lot Owner (including Declarant) upon any Lot within the Property. Specifically, no such construction activities shall be deemed to constitute a nuisance or a violation of this Declaration by reason of noise, dust, presence of vehicles or construction machinery, posting of signs or similar activities, provided that such construction is pursued to completion with diligence and conforms to usual construction practices in the area and any rules promulgated by the ACC. The ACC shall have the right to promulgate reasonable rules and restrictions regulating such construction activities; provided that Declarant shall be exempt therefrom. In the event that construction upon any Lot does not conform to any ACC rule or the usual construction practices in the area as determined by the ACC in its sole good faith judgment, the ACC shall have the authority to obtain an injunction to stop such construction. In addition, if during the course of construction upon any Lot there is excessive accumulation of debris of any kind which is offensive, or detrimental to it or any other portion of the Property, then the ACC may contract for or cause such debris to be removed, and the Lot Owner shall be liable for all expenses incurred in connection therewith.

Section 7.22

Unit Height

All residential building units shall be limited to a maximum of two and one-half (2 ½) stories in height and the highest point of any structure shall not violate any height restrictions imposed by the zoning ordinances of the local governmental jurisdictional authority. The ACC, in its sole discretion, shall determine whether a Unit meets the criteria of a two and one-half story building. Units built by Declarant shall be exempt from this Section.

Section 7.23

Retaining Walls

Retaining walls may be constructed on a Lot only if approved in advance by the ACC. Retaining walls may extend into the required front, side or rear setback lines of a Lot. The ACC may require any retaining wall which exceeds two (2) feet in height be designed by a

qualified Professional Engineer licensed to practice engineering in the State of Oregon. Retaining walls constructed by the Declarant shall be exempt from this Section.

Section 7.24 Exterior Finish

All exterior walls of all dwellings, garages and approved accessory buildings shall be completely finished with T-ONE-ELEVEN (T-111) plywood, smart lap (lap siding), their equivalent or other material acceptable to the ACC, and shall not be constructed with used material. Local stone, concrete, concrete block, stucco and brick may be used with the prior approval by the ACC. Notwithstanding the foregoing, the ACC is empowered to waive this restriction if, in its sole discretion, such waiver is advisable in order to accommodate a unique or advanced building concept, design, or material, and the resulting structure will not detract from the general appearance of the neighborhood. Paint color or heavy body stain samples shall be submitted for approval by the ACC.

Section 7.25 Roofs

Roofs on Units shall be constructed with a pitch of not less than 5:12 (rising five feet for every twelve (12) feet in horizontal travel) and be covered with a twenty-five (25) year or better composition shingles, earth tone concrete or clay tiles.

Section 7.26 Limitation on Square Feet

The minimum square footage area of one-story Units erected on the Lots, exclusive of open porches and/or garages, shall be not less than one thousand (1,000) square feet, and the minimum square footage of two-story Units erected on Lots, exclusive of open porches and/or garages, shall be not less than one thousand three hundred and fifty (1,350) square feet.

Section 7.27 Prohibited Plants

Owners shall be prohibited from planting the following species of plants on the Lots:

- (a) Cystisus scoparius, commonly known as Scotch broom;
- (b) Hedera helix, commonly known as English ivy;
- (c) Lythrum salicaria, commonly known as purple loosestrife;
- (d) Phalaris arundinacea, commonly known as reed canarygrass; and
- (e) Rubus discolor, commonly known as Himalayan blackberry.

The use of natural flora and bark, ground covers, grass and trees native to the area is encouraged.

Section 7.28

Household Chemicals and Hazardous Materials

Owners shall be prohibited from dumping or otherwise disposing of household chemicals within the Property, including, but not limited to cleaning agents, automotive fluids, paint, solvents and other toxic chemicals. Except household chemicals, no other hazardous materials shall be stored on any Lot.

Section 7.29

Material Storage

Agricultural equipment, lawnmowers, building materials, toys, furniture, garden equipment, and other such equipment should be stored or kept on the side of the Unit or the Lot, fully enclosed within the garage located on such Lot, or screened from view by a screening structure or fencing approved by the ACC. A tarp shall not be considered a sufficient screening structure. The foregoing items may be temporarily placed at the front of a Lot for purposes of maintenance or preparation for use.

ARTICLE VIII- PICKETING AND DEMONSTRATIONS

Section 8.1

Prohibitions

By acceptance of the deed to any Lot covered by this Declaration, the Owner covenants and agrees with the Owners of all other Lots within the subdivision, that no Owner or resident of any Lot shall engage in picketing, protest marches, sit-in demonstrations, protest speeches or other forms of public protest, including without limitation, displaying signs or placards within public view, upon any Lot or within any easement or street right-of way adjacent to any Lot, or affixed to any vehicle or apparatus upon or adjacent to any Lot. This prohibition shall not affect the right of any person to participate in any other form of public protest conducted outside the area depicted on the recorded subdivision Plat. No Owner or resident of any Lot shall engage in conduct that tends to vilify, ridicule, denigrate, or impugn the character of any other Owner or resident if such conduct occurs on any Lot, easement, or street, or any other portion of the Property depicted on the subdivision Plat.

Section 8.2

Acceptance of Prohibitions

Each Owner, by acceptance of the deed to any Lot, shall be deemed to have accepted the foregoing prohibitions as reasonable limitations on his or her constitutional right of free speech and to recognize and agree that all Owners have the right to the peaceful enjoyment of their property; the right of privacy; the right to practice their own religion; the freedom of association; the right to engage in a profession, business or life-style of their own choosing provided that the conduct of such profession, business or life-style is not illegal and does not otherwise violate any provision of this Declaration.

ARTICLE IX- ANNEXATION

Section 9.1

Annexation by Declarant

At any time during the initial term of this Declaration, the Declarant may, at its sole option, annex additional property into CARLY MEADOWS to be subject to the terms

hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Declarant currently anticipates that there will be a total of approximately [ninety (90)] Lots in the subdivision, including the Lots shown on the Plat, and Lots expected to be created in property to be annexed to the subdivision, but this number may be adjusted at the sole discretion of Declarant. Declarant shall have no obligation of any kind to annex any additional property to the Property.

9.1.1 Eligible Property

Any or all of certain real property in Deschutes County included on the Plat or located adjacent to ("adjacent" property shall include property on the other side of a street) or contiguous with the Property shall be eligible for annexation. There is no limitation on the number of Lots which Declarant may annex to the Property, or the right of Declarant to annex common property, except as may be established by applicable ordinances, agreements, or land use approvals.

9.1.2 Consent or Joinder Not Required

No consent or joinder of any Owner or other party except the record owner of the land being annexed shall be necessary to effect any annexation made pursuant to this Section.

9.1.3 Declaration of Annexation

Annexation shall be evidenced by a written Declaration of Annexation executed by Declarant (or in the case of an annexation by action of Owners by a written Declaration of Annexation approved by the Owners and Declarant in accordance with Section 9.2 below) and by the owners of the property being annexed, setting forth the legal description of the property being annexed and any additional covenants, conditions and restrictions to be applied to such annexed property. Notwithstanding any provision apparently to the contrary, a declaration with respect to any annexed property may:

- (a) establish such new land classifications and such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property;
- (b) with respect to existing land classifications, establish additional or different limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of such annexed property; and/or
- (c) contain provisions necessary or appropriate to comply with any condition, requirement, or imposition of any governmental or regulatory authority.

9.1.4 Voting Rights

Upon annexation, additional Lots so annexed shall be entitled to the voting rights as set forth in Section 10.1 below.

Section 9.2 Annexation by Action of Owners

At any time the Owners may annex additional property into CARLY MEADOWS to be subject to all of the terms of this Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved by at least seventy-five percent (75%) of the outstanding votes of the Owners and by Declarant so long as Declarant owns at least one (1) Lot. Any property that is contiguous to existing property subject to this Declaration may be annexed hereto according to the foregoing requirements, provided however, that no such annexation shall be effective without the consent and joinder of the owners of the property to be annexed. Such annexation must be evidenced by a Declaration of Annexation as set forth in Section 9.1.3 above executed by the parties herein described.

Section 9.3 No Duty to Annex

Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any Owner to annex any property into CARLY MEADOWS and no owner of property excluded from CARLY MEADOWS shall have any right to have such property annexed thereto.

ARTICLE X- GENERAL

Section 10.1 Voting

Until the Turnover Meeting, or in the event that no Turnover Meeting is held, until the date which is ninety (90) days after the Conversion Date, Declarant shall have five (5) votes for each Lot owned by Declarant and an Owner of a Lot other than Declarant shall have one (1) vote for each Lot owned by the Owner. Thereafter, each Owner of a Lot (including Declarant) shall have one (1) vote for each Lot owned by the Owner.

Section 10.2 Remedies

If any default by any Owner under the provisions of the Declaration or the rules and regulations as adopted by the ACC shall occur, any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration and said rules and regulations, and those which may be available at law or in equity, and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Lot and ownership interest of such Owner, or for damages or injunction, or specific performance, or for judgment for payment of money and collection thereof, or for any combination of remedies, or for any other relief, but in all cases subject to the limitations and requirements of the Oregon Planned Community Act. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. The expenses of any Owner(s) incurred in connection with any such actions or proceedings, including court costs and attorneys' fees and

other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the maximum rate permitted by law but, with reference to any Lots financed by FHA insured loans, not in excess of the maximum rate of FHA loans at the time of the default from the due date until paid, shall be charged to and assessed against such defaulting Owner. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by any Owner.

Section 10.3

Term and Amendments

The covenants and restrictions of this Declaration shall run with and bind the land for a term of ten (10) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years each, unless a signed petition containing the signatures of at least seventy-five percent (75%) of the votes outstanding is presented to the ACC or other duly appointed and authorized persons, which shall authorize the ACC, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the Deed Records of Deschutes County, Oregon. This Declaration may be amended at any time during the first ten (10) year period or any extension thereof, by a signed petition containing the signatures of at least seventy-five percent (75%) of the votes outstanding, and the consent of the Declarant so long as the Declarant owns a Lot. Notwithstanding the foregoing, no amendment to this Declaration shall change the boundaries of any Lot or any uses to which any Lot or Unit is restricted or change the method of determining liability for common expenses, the method of determining the right to common profits or the method of determining voting rights of any Lot unless the Owners of affected Lots or Units unanimously consent to the amendment. Upon approval of an amendment as provided herein, the members of the ACC shall execute an instrument amending this Declaration and certifying that the amendment was adopted in accordance with this Declaration, which certification shall be properly acknowledged in the manner of acknowledgment of deeds, and the ACC, or other duly appointed and authorized persons, shall record the instrument amending this Declaration. For purposes of voting on an amendment to this Declaration pursuant to this Section 10.3, Declarant shall be deemed to have one (1) vote per Lot owned. Subject to the provisions of Section 10.4, 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 Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Deed Records of Deschutes County, Oregon. 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.

Section 10.4

Regulatory Amendments

Notwithstanding the provisions of Section 10.3, until the Turnover Meeting, or in the event that no Turnover Meeting is held, until the date which is ninety (90) days after the Conversion Date, 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.

Section 10.5 Rights and Obligations

The provisions of this Declaration and the rights and obligations established thereby shall be deemed to be covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Lot or any ownership interest in the Lot whatsoever, the person to whom such Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration whether or not mention thereof is made in said deed.

Section 10.6 Miscellaneous Provisions

Any provision of this Declaration to the contrary notwithstanding, the following provisions shall control:

10.6.1 Notice to Institutional Holders of First Mortgage Liens

The following actions will require notice to all institutional holders of first mortgage liens: (i) termination of this Declaration; or (ii) material amendment to the Declaration.

10.6.2 Notice to Institutional Holders of First Mortgage of Default or Liens

Upon the request of any first mortgagee of a dwelling on a Lot, the ACC shall furnish to such mortgagee a written notice of any default by the Owner of such dwelling in the performance of such Owner's obligations under the within Declaration or ACC rules or regulations which is not cured within thirty (30) days.

10.6.3 Consent of Institutional Holders of First Mortgage Liens

Unless at least seventy-five percent (75%) of the first mortgagees (based upon one (1) vote per Lot for each mortgage) have given their prior written approval, the Owners shall not be entitled to, by act or omission, change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance of the Units or maintenance of the Units or Lots.

Section 10.7 Personal Pronouns

All personal pronouns used in this Declaration, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

Section 10.8 Headings

The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration.

Section 10.9 Conflicts

If there is a conflict between the terms of this Declaration and any rule or regulation adopted by the ACC pursuant to the terms hereof, this Declaration shall control.

Section 10.10 Partial Invalidity

The invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any of the other provisions, which shall remain in full force and effect.

Section 10.11 Adjacent Property Farm Use

By accepting a deed to a Lot covered by this Declaration, each Owner expressly acknowledges and agrees that the Property is adjacent to property operated as a farm and that Declarant made no warranty regarding the level of noise and odors coming from such adjacent property resulting from animals, livestock and farm activities.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf, attested and its corporate seal to be hereunto affixed as of this 5 day of December, 2006.

DECLARANT:

HAYDEN ENTERPRISES, INC., a Washington corporation

By: [Signature]

Its: PRESIDENT

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me the 5 day of December, 2006, by Dennis Murphy, the President of Hayden Enterprises, Inc., a Washington corporation, on behalf of said corporation.



[Signature: Karen I Halstead]
Notary Public, State of Oregon
My Commission Expires: July 4, 2010

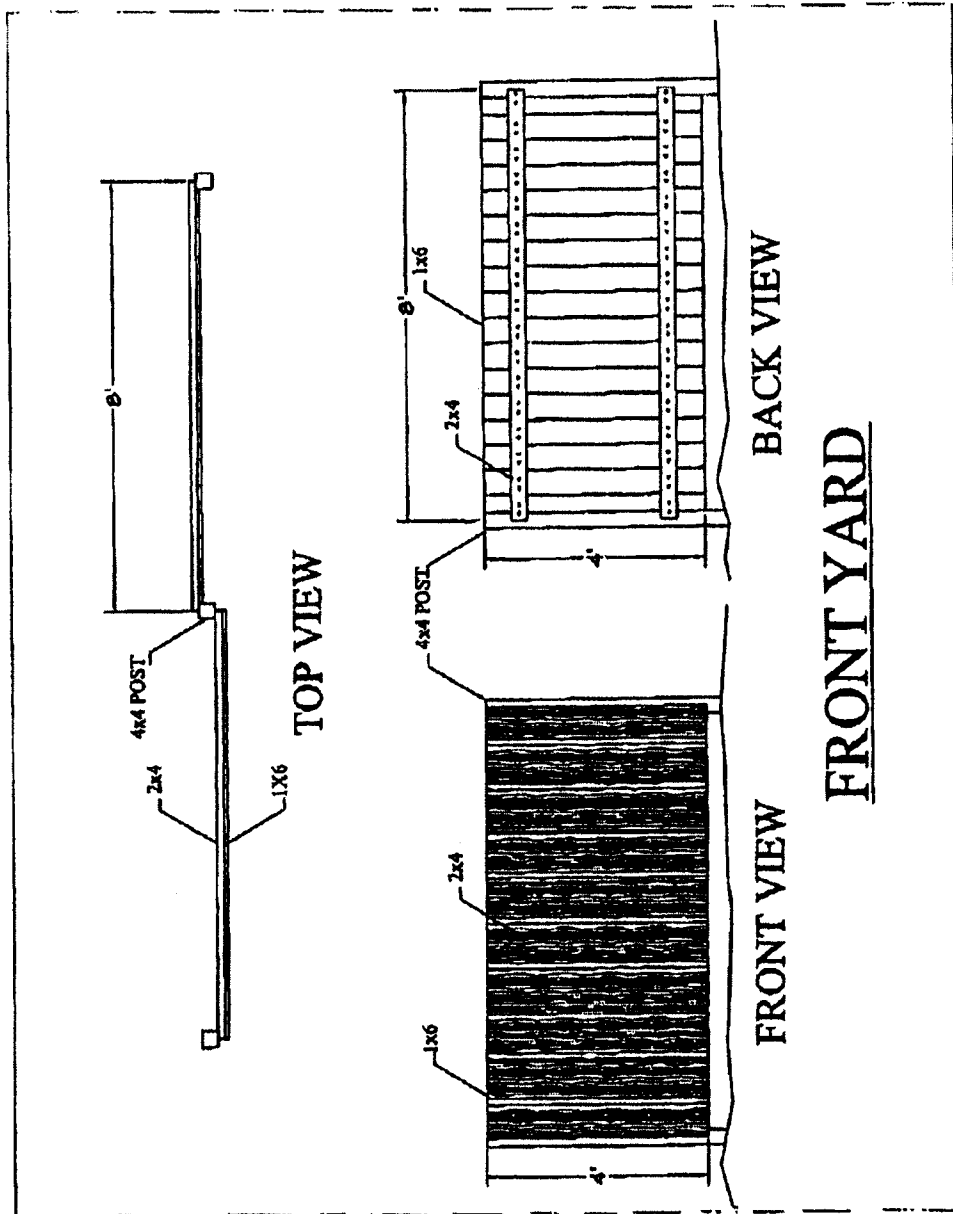
EXHIBIT "A"

PROPERTY SUBJECT TO DECLARATION

Lots 1 through 10, inclusive, and Lots 15 through 24, inclusive, of CARLY MEADOWS, PHASE 1, as more fully shown on the duly recorded plat of CARLY MEADOWS, PHASE 1 located in the City of Redmond, Deschutes County, Oregon, according to the plat thereof recorded in the Plat Records of Deschutes County, Oregon, on October 19, 2006 as Document No. 2006-69816.

EXHIBIT "B"

DEPICTIONS OF FENCE



SCALE: 3/8" = 1'