



After recording return to:

Sharon R. Smith
BRYANT LOVLIE & JARVIS, P.C.
591 SW Mill View Way
Bend, Oregon 97702

DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS

OF

QUAIL CROSSING SUBDIVISION

THIS DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR QUAIL CROSSING SUBDIVISION (this "Declaration"), to be effective upon its recording in Deschutes County, Oregon, is made and executed on the date hereinafter set forth by Quail Crossing, Inc., an Oregon corporation, hereinafter referred to as the "Declarant".

WITNESSETH

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

Declarant desires to create an exclusive planned community known as Quail Crossing on the land described on Exhibit "A" as shown on the duly recorded plat of Quail Crossing and on such other land as may be added thereto pursuant to the terms and provisions of this Declaration.

NOW THEREFORE, the Declarant declares that the real property described on 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.

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By recordation of this Declaration in the real property records of Deschutes County, Oregon, Declarant is hereby creating a Class I planned community, pursuant to and subject to ORS 94.550 to 94.785, and applicable successor provisions.

ARTICLE I - DEFINITIONS

Section 1.1 "Association"

"Association" shall mean the Quail Crossing Homeowners' Association, Inc., an Oregon nonprofit corporation established for the purposes set forth herein and pursuant to ORS Chapter 65.

Section 1.2 "Board"

"Board" shall mean the Board of Directors of the Quail Crossing Homeowners' Association.

Section 1.3 "Builder"

"Builder" shall mean Declarant and any residential building company acquiring Lots from the Declarant for the purposes of construction and sale of homes.

Section 1.4 "Bylaws"

"Bylaws" shall mean the Bylaws of the Association, as amended from time to time. The Bylaw shall be recorded in the real property records of Deschutes County, Oregon.

Section 1.5 "Common Areas"

"Common Areas" as used herein, shall mean only that portion of the Property that is established for the common use and benefit of the Quail Crossing Subdivision and shall be conveyed to the Association for the use and benefit of the Owners. The Common Areas include the pedestrian pathways, the fence, signage and the maintenance landscaping and irrigation of the five (5) foot easement shown on the Plat. The Declarant shall have the right to designate additional Common Areas in the future by recordation of a duly approved amendment to this Declaration or by recordation of a supplemental declaration.

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Section 1.6 "Common Maintenance Areas"

"Common Maintenance Areas" shall mean the Common Areas and any areas within public rights-of-way, public easements, tracts, or other property that the Board deems necessary or appropriate to maintain for the common benefit of the members.

Section 1.7 "Conversion Date"

"Conversion Date" shall be the date upon which Class "B" membership shall cease and be converted to Class "A" membership. Such date shall be the date which is the earliest of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed to Class "A" members; or (ii) five (5) years after conveyance of the first Lot to a Class "A" member; or (iii) at such earlier time as Declarant may elect in writing to terminate Class "B" membership.

Section 1.8 "Declarant"

"Declarant" shall mean Quail Crossing, Inc., an Oregon corporation and/or 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 the Declarant with respect to the Lots acquired by such successor or assigns.

Section 1.9 "Declaration"

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

Section 1.10 "Directors"

"Directors" shall mean the Board of Directors of the Association.

Section 1.11 "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 the Quail Crossing Subdivision.

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Section 1.12 "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 the Common Areas and areas deeded to a governmental authority or utility, together with all Improvements thereon.

Section 1.13 "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 1.14 "Plat"

"Plat" shall mean the duly recorded plat of Quail Crossing Subdivision, recorded in Plat Cabinet F at Pages 595 - 589, of the Plat Records of Deschutes County, Oregon under Document No. 2003-49893.

Section 1.15 "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 the Association and be made subject to this Declaration.

Section 1.16 "Quail Crossing" or "Quail Crossing Subdivision"

"Quail Crossing" or "Quail Crossing Subdivision" shall mean the planned community created on the Property by the Plat.

Section 1.17 "Turnover Meeting"

"Turnover Meeting" shall be the meeting of the Owners called by the Declarant to turn over control of the Association to the Class A members.

Section 1.18 "Unit"

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

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ARTICLE II - QUAIL CROSSING HOMEOWNERS' ASSOCIATION, INC.

Section 2.1 Membership

The Declarant and every Owner of a Lot by virtue of ownership of such Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Until the Turnover Date, there shall be two (2) classes of membership, Class A and Class B as described in Section 2.2.

Section 2.2 Voting Rights

The Association shall have two (2) classes of voting membership:

A. Class A.

Class A members shall be all Owners with the exception of Declarant (except that beginning on the date on which Class B membership is converted to Class A membership, and thereafter, Class A members shall be all Owners, including Declarant) and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot.

B. Class B.

The Class B members shall be the Declarant, who shall be entitled to three (3) votes for each Lot it owns.

Section 2.3 Suspension

All voting rights of an Owner shall be suspended during any period in which such Owner is delinquent in the payment of any assessment duly established pursuant to this Article II or is otherwise in default under this Declaration, the Bylaws or the Rules and Regulations of the Association.

Section 2.4 Turnover Meeting

The Declarant shall call a Turnover Meeting within one hundred twenty (120) days following the Conversion Date for the purposes of turning over control of the Association to the Class A members. The Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. The Turnover Meeting shall be conducted in accordance with the

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Bylaws of the Association. At the Turnover Meeting, the Declarant shall turn over to the Association the responsibility for the planned community of Quail Crossing and of the Association and the Association shall accept such administrative responsibility. At the Turnover Meeting, the Owners shall elect a Board in accordance with the Bylaws. At the Turnover Meeting, the Declarant shall deliver to the Association those items and documents required by ORS 94.616 or applicable successor provisions. In order to facilitate an orderly transition, during the three-month period following the Turnover Meeting, the Declarant or an informed representative shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to this Section 2.4.

Section 2.5 Transitional Advisory Committee

Declarant or the Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the planned community of Quail Crossing to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners other than Declarant Lots representing fifty (50) percent or more of the Lots in the Property (which shall exclude any property annexed to the Property for purposes of the foregoing calculation), Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. The Transitional Advisory Committee shall consist of three (3) or more members. The Owners, other than Declarant, shall select two (2) or more members. Declarant may select no more than one (1) member. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3).

Section 2.6 Funding

Subject to the terms of this Article II, the Declarant hereby covenants for each Lot owned within the Property, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (i) annual or periodic assessments or charges; and (ii) special assessments for capital improvements to the Common Areas and Common Maintenance Areas, such assessments to be established and collected as hereinafter provided. The annual or periodic assessments shall include any reserve assessments necessary to establish and maintain any reserve funds created under Section 2.10. Such assessments will remain effective for the full term (and extended term, if applicable) of the within covenants. The annual and special and other assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to the successors in

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title of such Owner unless expressly assumed by them, in writing.

Section 2.7 Annual Assessment or Charge for Lots

Subject to the terms of this Article, each Lot is hereby subject to an initial assessment in an amount not to exceed an amount determined by the Board (until such assessment charge shall be modified as provided in the Bylaws of the Association), for the purpose of creating a fund to be designated and known as the "maintenance fund" for matters described under Section 2.9, the "reserve fund" for matters described under Section 2.10, as well as any other funds contemplated under this Declaration, or any other fund called for by this Declaration or a Declaration of Annexation. Charges and assessments for funding such funds will be paid by the Owner or Owners of each such Lot in advance in monthly, quarterly or annual installments, commencing as to all Lots upon the recordation of this Declaration. The rate at which each Lot will be assessed, and whether such assessment shall be payable monthly, quarterly or annually, will be determined by the Board at least thirty (30) days in advance of each assessment period. Said rate may be adjusted within the limit permitted by the Bylaws from time to time by the Board as the needs of the Association may, in the judgment of the Board, require. The assessment for each Lot shall be uniform. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment for a particular Lot has been paid for a particular assessment period. No Lot Owner shall have any right to any common profits of the Association.

Section 2.8 Declarant Responsibility

So long as there is Class B membership, Declarant hereby covenants and agrees that in the event that the annual maintenance fund revenues are insufficient to pay the operating expenses of the Association, it shall provide the funds necessary to make up the deficit, within thirty (30) days of receipt of request for payment thereof from the Association, provided that if the deficit is the result of the failure or refusal of an Owner or Owners to pay their annual maintenance assessments, the Association shall diligently pursue all available remedies against such defaulting Owners, including the immediate institution of litigation to recover the unpaid assessments, and shall reimburse the Declarant the amounts, if any, so collected.

Section 2.9 Purposes of Maintenance Fund

The Association shall establish a maintenance fund composed of annual maintenance assessments and shall use the proceeds of such fund in providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: (i) normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, mowing, edging,

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watering, clipping, sweeping, pruning, raking, and otherwise caring for landscaping) and the Improvements to such Common Maintenance Areas, such as sprinkler systems, provided that the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; (ii) perpetual maintenance, repair, and enhancement for any fences, columns, walls, grounds, landscaping, lights, irrigation systems, and entry monuments; (iii) perpetual maintenance of storm water quality/quantity pond facilities within or which serve the Property; (iv) payment of all legal and other expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the maintenance fund applies; (v) payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment; (vi) and all other activities necessary or desirable in the opinion of the Board to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith.

Section 2.10 Reserve Funds

A. Reserve Fund for Replacing Common Maintenance Areas.

Declarant shall in addition establish a reserve fund in the name of the Association for replacement, in whole or in part, of the Common Maintenance Area and any Improvements located in, on, or under the Common Maintenance Area for which the Association is responsible pursuant to this Declaration, that will normally require replacement in more than three (3) and fewer than thirty (30) years, including exterior painting, if the Common Maintenance Area includes exterior painted surfaces. The reserve account need not include those items that could reasonably be funded from the maintenance fund. Assessments for the reserve fund under this Section shall begin accruing from the date the first Lot assessed is conveyed. Declarant may elect to defer payment of accrued assessments for reserves for a Lot until the date the Lot is conveyed; provided, however, the Declarant may not defer such payment beyond the date of the Turnover Meeting. The book and records of the Association shall reflect the amount owing from the Declarant for all reserve assessments. For purposes of funding the reserve fund, the Association shall impose an assessment to be called the "Reserve Fund Assessment" against each Lot, which assessment shall be spread equally over the Lots. The reserve fund shall be kept separate from other funds and may be used only for the purposes for which reserves have been established as specified in this Section. However, after the Turnover Meeting (as required by ORS 94.616 or applicable successor provisions), the Board may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses. Funds borrowed under this Section 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

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Board shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period. The Association shall administer the reserve fund and shall make periodic payments into the account. Following the second year after the Turnover Meeting (pursuant to ORS 94.616 or applicable successor provisions), future assessments for the reserve fund may be reduced or increased by an affirmative vote of Owners of at least seventy-five percent (75%) of the Lots. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner. The reserve portion of the initial assessment determined by the Declarant shall be based upon the initial reserve study described in Section 2.10.B.a, or other sources of reliable information.

B. Reserve Study.

a) Prior to conveying the first Lot, the Declarant shall conduct an initial reserve study, which shall comply with the requirements for reserve studies set forth in Section 2.10.B.b. below.

b) The Board shall annually conduct a reserve study, or review and update an existing study, to determine the reserve fund account requirements and may adjust the amount of payments as indicated by the study or update and provide for other reserve items that the Board, in its discretion, may deem appropriate. 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 thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule.

Section 2.11 Non-payment of Assessments: Remedies of the Association

Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the highest rate of interest allowed by Oregon law at the time of the non-payment. The Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly adopted resolutions and the Association may bring an action at law against the Owner personally obligated to pay the same. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Maintenance Area or abandonment of Owner's Lot and/or Unit.

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Section 2.12 Subordinated Lien to Secure Payment

To secure the payment of the maintenance charge and assessment established hereby and to be levied on individual Lots as provided in this Article II, there is hereby reserved a lien for the benefit of the Association on each Lot, said lien to be enforceable through appropriate proceedings at law or in equity by such beneficiary; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the instance and request of the Owner of any such Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Lot upon which there is an outstanding valid and subsisting first mortgage lien, the Association shall give the holder of such first mortgage lien sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of such first mortgage lienholder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lienholder, the Association shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such first mortgage lien to the holder thereof. The provisions regarding the attachment, notice, recordation, and duration of liens established on real property under ORS 94.709 shall apply to the Association's lien. Sale or transfer of a Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure shall extinguish the lien of such assessment as to payments that became due before such sale or transfer. No sale, foreclosure or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association shall have the right to file notices of liens in favor of such Association in the real property records of Deschutes County, Oregon.

Section 2.13 Additional Assessments

In addition to the periodic assessments described in this Article II, the Association shall have the authority to assess an Owner for costs and expenses incurred by the Association for corrective action which is required as a result of the willful or negligent actions or omissions of such Owner or such Owner's family members, tenants, guests, contractors or invitees. Each such additional assessment, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land, a continuing lien upon the Lot, and the personal obligation of the Owner in the manner described in Section 2.6 for annual and special assessments.

Section 2.14 Transfer fee

Each purchaser of a lot shall pay a transfer fee to cover the costs of setting up an account for billing of assessments. The initial amount of the transfer fee shall be \$50.00 and may be modified by resolution of the Board of Directors.

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ARTICLE III - GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 3.1 Interim Board

Declarant shall have the right to appoint an interim board of three (3) directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting.

Section 3.2 Purpose of Maintenance Fund

The Board, for the benefit of the Owners, shall provide and shall pay for out of the maintenance fund provided for in Article II above the following:

A. Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Lots and/or Owners, if any.

B. Maintenance, repairs, and enhancement of the Common Maintenance Areas and any Improvements therein.

C. The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board, and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager; provided that a management agreement entered into prior to the Turnover Meeting shall not have a term in excess of three (3) years and shall be terminable without penalty if the Board gives not less than thirty (30) days written notice of termination to the other party not later than sixty (60) days after the Turnover Meeting.

D. Legal and accounting services.

E. A policy or policies of insurance insuring the Association and/or its Board and officers against any liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board, including a policy or policies of insurance as provided herein in Article IV.

F. Workers compensation insurance to the extent necessary to comply with any applicable laws.

G. Such fidelity bonds as may be required by the Bylaws or as the Board may determine to be advisable.

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H. Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments which the Board is required to obtain or pay for pursuant to the terms of this Declaration or by law or which in its opinion shall be necessary or proper for the enforcement of this Declaration.

Section 3.3 Powers and Duties of Board

The Board, for the benefit of the Owners, shall have the following general powers and duties, in addition to the specific powers and duties provided for herein and in the Bylaws of the Association and the powers and duties of a non-profit corporation pursuant to the Oregon Nonprofit Corporation Act and a homeowners' association pursuant to ORS 94.630:

A. To execute all declarations of ownership for tax assessment purposes with regard to the Common Areas, if any, on behalf of all Owners.

B. To borrow funds to pay costs of operation secured by assignment or pledge of rights against delinquent Owners if the Board sees fit.

C. To enter into contracts, maintain one (1) or more bank accounts, and generally to have all the power necessary or incidental to the operation and management of the Association.

D. To protect or defend the Common Areas from loss or damage by suit or otherwise and to provide adequate reserves for replacements.

E. To make reasonable rules and regulations for the operation of the Common Areas and to amend them from time to time; provided that, any rule or regulation may be amended or repealed by an instrument in writing signed by a majority of the Owners, or with respect to a rule applicable to less than all of the Common Areas, by the Owners in the portions affected.

F. To make available for inspection by Owners within sixty (60) days after the end of each year an annual report and to make all books and records of the Association available for inspection by Owners at reasonable times and intervals.

G. To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property, and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency.

H. To enforce the provisions of any rules made hereunder and to enjoin and seek damages from any Owner for violation of such provisions or rules.

I. To collect all assessments and enforce all penalties for non-payment including the

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filing of liens and institution of legal proceedings.

Section 3.4 Board Powers Exclusive

The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the maintenance fund and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

Section 3.5 Maintenance Contracts

The Board, on behalf of the Association, shall have full power and authority to contract with any Owner or other person or entity for the performance by the Association of services which the Board is not otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association.

ARTICLE IV- COMMON MAINTENANCE AREAS

Section 4.1 Improvements

The Declarant shall construct the following Improvements: a fence along the westerly edge of 18th Street and the northerly edge of Moringstar Drive. Notwithstanding the foregoing, the Declarant does not choose to limit its right to add Improvements not described in this Declaration to the planned community of Quail Crossing.

Section 4.2 Association to Hold

Declarant shall convey the Common Areas to the Association, free and clear of financial liens and encumbrances by not later than the Conversion Date. The Association shall own all Common Areas in fee simple and assume all maintenance obligations with respect to any Common Maintenance Areas, including any Common Areas which may be hereafter established. Nothing contained herein shall create an obligation on the part of Declarant to establish any Common Area. Following the conveyance of the Common Areas to the Association, the dedication, mortgage, or conveyance of any Common Areas shall require the affirmative vote of at least seventy five percent (75%) of the outstanding votes, as well as the approval of FHA and VA (as those terms are defined herein) so long as there is Class B membership in the Association. If neither FHA nor VA notifies Declarant or the Association of objections within fifteen (15) days of the date of request for approval, such approval shall be deemed to have been granted.

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Section 4.3 Liability Insurance; Casualty Insurance

From on and after the date on which title to or responsibility for any Common Areas or Common Maintenance Areas vests in the Association, the Association shall purchase and carry a general comprehensive public liability insurance policy for the benefit of the Association and its members, covering occurrences on the Common Areas and in the Common Maintenance Areas. The policy limits shall be as determined by the Board of the Association. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability endorsements or other appropriate provisions for the benefit of the Board, the Owners and other insureds, as their interests may be determined by the Board, ensuring all against liability to each other insured as well as third parties. Any proceeds of insurance policies owned by the Association shall be received, held in a segregated account and distributed to all interested parties, as their interests may be determined. In addition, from and after the date on which the Common Area vests in the Association, the Board shall obtain in the Common Areas and in the Common Maintenance Areas, insurance for all insurable Improvements against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief.

Section 4.4 Condemnation

If there is a condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the Association shall represent the Owners in negotiations with the condemning authority. The funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. If the Board of Directors of the Association determines that the funds cannot be used in such a manner due to the lack of available land for additional Common Areas or for whatever reason, any remaining funds may be distributed to each Owner based on an equal amount per Lot.

Section 4.5 Maintenance of Common Maintenance Areas

The Association will permanently maintain and repair as necessary:

- A. The fence installed pursuant to Section 4.1;
- B. All landscaping, planting strips and concrete sidewalks along the public roadways within the Property;
- C. Association irrigation lines within the public rights-of-way and street or sidewalk repairs resulting from failure to maintain, repair, or replace such lines; and

D. Any other area determined by the Board to be in the interest of the Association to maintain.

ARTICLE V - ARCHITECTURAL REVIEW

Section 5.1 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 the Board, except that the ACC shall consist of not less than three (3) members.

A. The members of the ACC shall be appointed, terminated and/or replaced by the Declarant so long as there is Class B membership. Thereafter the Board shall appoint the members of the ACC. Members of the ACC may be terminated and/or replaced by the Board with or without cause.

B. 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.

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

Section 5.2 Architectural Manual

The Board 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 the Declarant. Amendments, modifications, or revisions to the Architectural Manual may be made by the 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 the Board. No such amendments, modifications, or revisions shall affect any prior ACC approval.

Section 5.3 Scope of Review

No building, fence, wall, patio, deck, outbuilding, landscaping, pool, athletic facility or other structure or Improvement shall be erected, altered, added onto or repaired upon any portion of the Property without the prior written consent of the ACC, provided however, that all Improvements erected, altered, added onto or repaired by Declarant shall be exempt from the provisions of this Article V.

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Section 5.4 Submission of Plans

Before the initiation of construction upon any Lot (including material changes to landscaping), 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 and funds in the amount of the applicable review fee. The review fee schedule shall be established by the ACC from time to time and shall set the review fee for various review/approval requests. The initial review fee for a new dwelling shall be \$300.00, but shall be subject to increase from time to time by the ACC in its reasonable discretion. The Association's Board shall have the authority to disapprove any fees that it deems unreasonable.

Section 5.5 Plan Review

Upon receipt by the ACC of all of the information required by this Article V, 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 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 setback lines; (iii) the Improvements will be substantially completed, including all cleanup, within three (3) months of the date of commencement (twelve (12) 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.

Section 5.6 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 V to the same extent as if erected without prior approval of the ACC. The ACC, the Association 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 5.7 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. The Association shall defend any action brought against the ACC or any member thereof arising from acts or omissions of the ACC committed in good faith and without malice.

Section 5.8 Limited Review

Any review and approval made by the ACC is limited to compliance with the intent of the architectural standards of the neighborhood as may from time to time be established by the Board and/or the Architectural Manual. 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. Nor shall any such review or approval be deemed an assurance or statement of compliance with any applicable laws, ordinances or regulations.

Section 5.9 Address for Notice

Requests for ACC approval or correspondence with the ACC shall be addressed to QUAIL CROSSING Architectural Control Committee, or such other address as may be designated from time to time by the ACC in a writing addressed to all Owners. 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.

ARTICLE VI - EASEMENTS

Section 6.1 Utility Easements

As long as the Declarant owns a Lot, the 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 Common Area 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. The Association shall also have the right to grant the easements described herein, subject to the approval of the Declarant so long as Declarant owns a Lot.

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Section 6.2 Declarant's Easement to Correct Drainage

Declarant hereby reserves for the benefit of Declarant and any Builder 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 or any Builder to correct or maintain any drainage facilities within the Property.

Section 6.3 Easement for Unintentional Encroachment

The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon the Common Area caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of the Property, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

Section 6.4 Entry Easement

If the Owner of any Lot fails to maintain the Lot as required herein, or if there is an emergency, the Association shall have the right 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. Except in the case of emergency, such entry shall first require at least twenty-four hours' written notice to the Owner, which notice may be made by a posting on the front door of the Unit located on such Lot. Entry upon the Lot as provided herein shall not be deemed a trespass, and the Association shall not be liable for any damage so created unless such damage is caused by the Association's willful misconduct or gross negligence.

Section 6.5 Fence Easement.

Declarant reserves, for the benefit of the Association, a five (5) foot easement along the perimeter of those lots along 18th Street and Morningstar for a fence, as shown on the Plat.

Section 6.6 Reserved Easements

Easements for installation and maintenance of utilities, storm water retention/detention ponds, and/or a conservation area 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

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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 the Association is responsible.

Section 6.7 Temporary Completion Easement

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

Section 6.7 Maintenance Easements

An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across, upon, the Common Areas and any Common Maintenance Areas or other areas of the QUAIL CROSSING Subdivision necessary or appropriate for purposes of accomplishing the maintenance, repair, replacement or other obligations of the Association hereunder.

ARTICLE VII - USE, OCCUPANCY, CASUALTY, AND INSURANCE

Section 7.1 Residential Use

All Lots and Units shall be used only for single-family residential purposes in accordance with, and subject to, the other provisions of this Declaration.

Section 7.2 Commercial, Institutional, or Other Non-Residential Uses

No commercial, institutional, or other non-residential use (including residential day care facilities) shall be conducted on any Lot without the written approval of the Board. Any such use must comply with applicable law, including, without limitation, zoning requirements. The decision of the Board shall be final and conclusive. The Board may review, and repeal, any such approval from time to time at the discretion of the Board if, in the opinion of the Board, the use has changed or increased to a level not consistent with the original approval. In no event shall the decision of the Board as to permissibility of a requested non-residential use be construed as a representation of the legal permissibility of such use.

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ARTICLE VIII - PROPERTY RIGHTS

Section 8.1 Owner's Use and Occupancy

The Owner of a Lot shall be entitled to the exclusive use and benefit of such Lot. Declarant, the ACC and any representative of the Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any 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 8.2 Owners' Easements of Enjoyment

Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to, from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

A. The right of the Association to establish and publish rules and regulations governing the use of the Common Areas affecting the welfare of Association members.

B. The right of the Association to suspend the right of use of the Common Areas and the voting rights of an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

C. The right of the Association, subject to the provisions hereof, to dedicate or transfer all or any part of the Common Areas, if any, to any public agency, authority or utility for public right-of-way purposes. Any other transfer or mortgage of Common Areas requires the consent of at least seventy-five percent (75%) of the votes outstanding, and the consent of the Declarant so long as Declarant owns a Lot.

D. All easements herein described are easements appurtenant to and running with the land; they shall at all times inure to the benefit of and be binding upon the undersigned, all of their grantees, and their respective heirs, successors, personal representatives and assigns, perpetually and in full force.

Section 8.3 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

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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.

ARTICLE IX - USE RESTRICTIONS/BUILDING STANDARDS

Section 9.1 Exterior Lighting

Any exterior lighting shall be directed downward or shielded. Notwithstanding the foregoing, ornamental lighting shall be permitted, provided the same uses no greater than a 10 watt white light bulb, and provided further, that in the event of disputes over the impact of such lighting on adjacent properties, the determination of the ACC shall be definitive. Any City lighting ordinance which may be hereafter adopted shall apply and shall be binding on all Lot Owners.

Section 9.2 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. Without limiting the generality of the foregoing, "noxious or offensive activity" shall include the generation of noxious odors or noise. The Board shall have the sole authority to determine nuisances and its decision shall be final and conclusive.

Section 9.3 Development Activity

Notwithstanding any other provision herein, Declarant and its successors and assigns, including Builders, 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 9.4 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 or any Builder to use trailers or outbuildings as sales offices, construction offices, material storage facilities, or sanitation facilities.

Section 9.5 Campers, Boats, Recreational Vehicles, Certain Trucks, Commercial Vehicles, and other Non-Passenger Vehicles

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No campers, boats, boat trailers, recreational vehicles, commercial vehicles, trucks weighing more than 10,000 pounds GVW, or other types of non-passenger vehicles, equipment, implements, or accessories shall be kept or stored on any Lot except (i) with the Board's approval, or (ii) as provided below:

A. Subject to parking restrictions contained herein or posted on streets from time to time, recreational vehicles may be parked in front of a Lot or in the driveway for a Lot for up to 48 hours at any one time for loading or unloading purposes, but in no event more than 120 hours during any calendar month. Recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-passenger vehicles, equipment, implements, or accessories may be kept or stored on all other lots, provided the same are adequately screened from the view of adjacent properties and the street.

B. Except as otherwise specifically provided herein, no recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-passenger vehicles, equipment, implements, or accessories may be kept or stored on any street within the Property.

C. The Board, as designated in this Declaration, shall have the absolute authority to determine from time to time whether a vehicle, equipment, implements and/or accessory is operable and adequately screened from public view. Upon an adverse determination by said Board, the vehicle and/or accessory shall be removed and/or otherwise brought into compliance with this Section 9.5.

D. 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.

Section 9.6 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. 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 Association.

Section 9.7 Garbage and Refuse Disposal; Wood Piles

No Lot, Common Area or any other portion of the Quail Crossing Subdivision shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept, or disposed of, on any Lot or Common Area except in sanitary containers. All equipment

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for the storage or disposal of such material shall be kept in a clean and sanitary condition.

Section 9.8 Parking in Common Areas/No Parking Signage

No vehicles, trailers, implements or apparatus may be driven or parked in the Common Areas, or on any easement unless in use for maintaining such Common Areas, provided however, that this restriction shall not apply to driveways, streets or paved areas intended for vehicular use. In addition, parking of vehicles is prohibited on any public or private street within the Property that is signed or otherwise marked for "No Parking" by the Association or a governmental authority. The Association shall have the right to tow any vehicles in violation of this Section 9.8 at the vehicle owner's expense.

Section 9.9 Commercial or Institutional Use

No Lot, and no building erected or maintained on any Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non-residential purposes, except as set forth in Article VII.

Section 9.10 Detached Buildings

No detached accessory buildings, including, but not limited to, detached garages and storage buildings, shall be erected, placed or constructed upon any Lot without the prior consent of the ACC. Every detached accessory building, inclusive of such structures as storage buildings and greenhouses shall be compatible with the dwelling to which it is appurtenant in terms of its design and material composition.

Section 9.11 General Landscaping and Exterior Maintenance

A. 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 Owner shall keep all Improvements upon his or her Lot in good condition and repair and adequately painted or otherwise maintained. Declarant, the Association, 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; provided, however, except in the case of emergency, the Association shall first provide the Owner with at least 24 hours' prior written notice, which notice may be given by a posting on the front door of the Unit located on such Lot.

B. Removal of trees is recommended to be kept at a minimum. Any removal of trees in excess of 4" (DBH) diameter at breast height, measured 4.5' above ground requires prior

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written approval from the ACC. The yard of each Lot shall be fully landscaped and irrigated no later than twelve (12) months after commencement of construction on the initial Unit on such Lot. All Owners shall keep their Lots, including all Improvements thereon, well-maintained and in an attractive condition, consistent with the overall development approved within Quail Crossing by the ACC.

Section 9.12 Fences

All fences shall be subject to the prior approval of the ACC. Fences shall comply with City of Bend requirements, including but not limited to the Lava Ridge Refinement Plan, now or as hereafter amended. No perimeter fencing shall be allowed parallel to and within 15 feet of the fencing installed by Declarant along 18th Street and Morningstar.

Section 9.13 Unit Construction/Square Footage

The roof on each Unit shall be required to have a Class A fire rated 30 year roof and be of materials equal to or better than "65 Fire Halt" by Genstar. The minimum main roof pitch shall be 5/12. The minimum square footage area of Units erected on Lots, exclusive of open porches, garages and outbuildings, shall be not less than 1,600 square feet. The exterior colors of each Unit shall be subject to approval by the ACC. At a minimum, all garbage cans or dumpsters and exterior heating, ventilation and air conditioning features shall be screened or otherwise hidden from view from the front of a Lot. The ACC shall have the right to require additional screening of these elements as it deems necessary to preserve the character of Quail Crossing. Each Unit shall have a garage with a minimum of two car capacity.

Section 9.14 Driveways/Walkways

Any driveways and/or walkways installed on a Lot shall be concrete, or asphalt or unless otherwise approved by the ACC.

Section 9.15 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 9.16 Security

Neither Declarant nor the Association shall be responsible for security of the neighborhood, the Common Areas or any Unit or Lot, and the Owners are exclusively responsible for security of their homes and property.

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Section 9.17 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 City of Bend area. In the event that construction upon any Lot does not conform to usual 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.

ARTICLE X - GENERAL

Section 10.1 Remedies

If any default by any Owner under the provisions of the Declaration, Bylaws or rules and regulations of the Association shall occur, the Association and any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the Bylaws 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. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association 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 delinquency, from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of his respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments), upon the Lot and upon all of his additions and improvements thereto, and upon all of his personal property upon the Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

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Section 10.2 Fines Imposed by the Association

In addition to any other remedies available to the Association hereunder, the Association shall have the right to impose reasonable fines upon an Owner who violates the Declaration, Bylaws and any rules or regulations of the Association, in the manner and amount the Board deems appropriate in relation to the violation. The initial fine amount shall be \$500 per violation. The Board may modify the fine amount by adoption of rule. The Board shall have the discretion to impose all or a portion of a fine and such determination shall be final.

Section 10.3 Term and Amendments

The covenants and restrictions of this Declaration shall run with and bind the land for a term of thirty (30) years from the date this Declaration is recorded (the "Initial Term"), 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 Board or other duly appointed and authorized persons, which shall authorize the Board, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the real property records of Deschutes County, Oregon. This Declaration may be amended at any time during the first thirty (30) 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 is a Class B Member, being presented to the Board, or other duly appointed and authorized persons, which shall authorize the Board, or other duly appointed and authorized persons, to execute and properly record an instrument amending this Declaration. Subject to the provisions of Section 10.4, notwithstanding any provisions hereof to the contrary, the 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.

Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. Amendments shall be subject to prior approval of FHA and VA in accordance with the procedure as described in Section 10.1, for so long as there is Class B membership in the Association. 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 described in the Bylaws and to the extent permitted by applicable law, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), 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 any applicable law, including, without limitation, the Oregon Planned Community Act.

Section 10.5 Severability

Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions that shall remain in full force and effect.

Section 10.6 Rights and Obligations

The provisions of this Declaration and the Articles of Incorporation and Bylaws 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 and the Articles of Incorporation and Bylaws, whether or not mention thereof is made in said deed.

Section 10.7 Miscellaneous Provisions

Any provision of the within Declaration or of the Articles of Incorporation and Bylaws to the contrary notwithstanding, the following provisions shall control:

A. Notice to Institutional Holders of First Mortgage Liens

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

Page 27. DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS OF QUAIL CROSSING SUBDIVISION

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B. 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 Association 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 the Bylaws or Association rules or regulations which is not cured within thirty (30) days. Any first mortgagee of a dwelling who comes into possession of the said dwelling pursuant to the remedies provided in the mortgage, a foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall take such property free of any claims for unpaid assessments or charges in favor of the Association against the mortgaged dwelling which accrued before the time such holder comes into possession of the dwelling.

C. 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, neither the Association nor the Owners shall be entitled to:

- i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof or interest therein except for the purpose of dedication for public right of way. (The granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause.);
- ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;
- iii) 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;
- iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred (100) percent of the insurable value (based on current replacement costs).

Section 10.8 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.

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Section 10.9 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 10.10 Conflicts

If there is a conflict between the terms of this Declaration and any Bylaws, rules, regulations or Articles of Incorporation of the Association, this Declaration shall control.

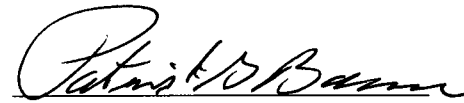
Section 10.11 Partial Invalidity

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

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 30th day of July, 2003.

DECLARANT:

QUAIL CROSSING, INC.



BY: PATRICK G. BAUER

ITS: PRESIDENT

STATE OF OREGON, County of Deschutes, ss:

The foregoing Declaration of Protective Covenants, Conditions and Restrictions of Quail Crossing Subdivision was acknowledged before me this 30th day of July, 2003, by Patrick G. Bauer, President of Quail Crossing, Inc.



Notary Public for Oregon
My Commission Expires: June 15, 2006

EXHIBIT A

QUAIL CROSSING PHASE I

**BEING A SUBDIVISION OF A PORTION OF
PARCEL A OF PARTITION PLAT NO. 1992-7
LOCATED WITHIN A PORTION OF THE SW
1/4 OF SECTION 15, TOWNSHIP 17, RANGE 12
EAST, WM, CITY OF BEND, DESCHUTES
COUNTY, OREGON**

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