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DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
RIVER CANYON ESTATES

In the County of Deschutes, State of Oregon.

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR RIVER CANYON ESTATES ("Declaration") is made this 26TH day of SEPTEMBER, 2002, by RIVER CANYON ESTATES, LLC, an Oregon limited liability company ("Declarant").

RECITALS:

A. Declarant owns or has owned in fee simple certain real property located in the City of Bend, County of Deschutes, Oregon, known as RIVER CANYON ESTATES, a duly recorded plat. A legal description of RIVER CANYON ESTATES (the "Property") is also referred to as Plat of River Canyon Estates, recorded in Deschutes County DEC. 23RD, 2002 in Book 2002, Pages 7231 through 7231, recorded as Document No. CAB F PAGE 319 - 354

B. Declarant has created RIVER CANYON ESTATES as a planned community and, by said Declaration subjects the Property and any annexations of additional lands, to certain easements, covenants, conditions, and restrictions in order to enhance and protect the value, desirability, security, attractiveness and environmental characteristics of the Property.

C. Declarant intends to organize and administer the Property until eighty percent (80%) of the Lots contain completed and occupied Residences, at which time, administration shall be transferred to the Owners. Funds for the maintenance, repair and improvement of the Open Space Reserve and Common Areas will be provided through assessments against the Owners.

ARTICLE I

General Declaration

Declarant hereby declares that all of the Property is held and shall be held subject to this Declaration, and that the covenants, conditions, and restrictions set forth herein shall run with and bind the Property, each Lot and any other division of the Property, if any, the Owners, Occupants, and all other persons acquiring any interest in the Property or any portion thereof, and the heirs, assigns, and successors of any such persons. These covenants, conditions and restrictions shall inure to the benefit of and be burdens upon Declarant and upon all Owners, Occupants, and future Owners and Occupants.

ARTICLE II

Definitions

As used in this Declaration, the Articles of Incorporation of the Association, its Bylaws and its Rules and Regulations, and any Exhibits to any of them, unless the context shall require otherwise, the following definitions shall apply:

Section 1. "Lot" shall refer, severally, to all of the lots within the Property.

Section 2. "Tract" shall refer to Tracts A through Q as set forth on the Plat.

Section 3. "Residence" shall mean that part of any structure intended to be occupied by one family as a dwelling if a single family residence, or by two families if a duplex, together with attached or detached garage and the patios, porch or steps. "Dwelling" and "Home" are to be considered synonymous with "Residence."

Section 4. "Open Space Reserve" shall mean that area designated on the recorded Plat, to be preserved in its natural condition.

Section 5. "Owner" shall mean the Owner, whether one or more persons or entities (including, but not limited to, trusts, corporations or partnerships), of the fee simple title in any Residential Lot or the contract vendee on any installment land sale contract. Those having an interest merely as security for the performance of an obligation such as mortgagees and lienholders shall not be considered the Owner. In the event of multiple Owners of a single Lot or an Owner that is an entity, an individual shall be designated as the Owner(s) representative to attend meetings of the association and to cast the vote for the Owner(s).

Section 6. "Association" shall mean the RIVER CANYON ESTATES HOMEOWNERS' ASSOCIATION formed pursuant to this Declaration.

Section 7. "Plat" shall mean the subdivision plat and any annexations to be recorded in the Deschutes County Subdivision Plat Records.

Section 8. "Declarant" shall mean the entity first designated as such above, together with its successors and assigns.

Section 9. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions for RIVER CANYON ESTATES and any annexations and/or amendments thereto.

Section 10. "Improvements" shall mean all improvements now or hereafter placed or constructed in, under or upon the Property, including, without limitation, any residence, wall, painting (other than existing colors), building, outbuilding, road, driveway, parking area, fence, screening wall and barrier, retaining wall, stair, deck, awning, solar panel, dog run, statue, pole, utility distribution facility and any other improvement.

Section 11. "Board" shall mean the Board of Directors of the Association.

Section 12. "Occupant" shall mean the person or persons, entity or entities (including, but not limited to, trusts, corporations or partnerships) in lawful possession of all or any portion of a Lot.

Section 13. "Common Area(s)" shall mean those parcels included within the Property that are duly designated as common areas, including but not limited to Tracts H, I, K, M, N, O and Q (open space), Tracts A through G and Tract L (private streets), entry monuments and structures, Tract K (the clubhouse), and Tract J (private street for clubhouse use). The Common Area(s), or portions thereof, may be conveyed to the Association or dedicated to the Public.

Section 14. "Public Property" shall refer to the public property contiguous with RIVER CANYON ESTATES, if any, for which the responsibility of maintenance has been delegated by any governmental authority to Declarant, Builder or the Association. "Public Property" shall include all facilities, improvements, or personal property located or constructed on the real property designated as "Public Property."

Section 15. "Streetscaping" shall mean landscape (groundcovers, plantings, and irrigation systems), hardscaping (sidewalks, walkways, decorative rocks and gravel), and structures (retaining walls, decorative walls, fencing and similar improvements) placed within the public street right-of-way between the curb and adjacent Lot or Tract.

Section 16. "Storm Drainage" shall mean the overland storm drainage facilities on the Property located within and including the Storm Drainage Easements identified on the Plat.

Section 17. "Turnover Date" shall mean the date on which eighty percent (80%) of the Lots shall contain Residences completed and occupied.

Section 18. "Turnover Meeting" shall mean the meeting of Declarant or Builder and the Board called for the purpose of passing control of the Association from Declarant and Builder to the Owners.

Section 19. "Builder" shall mean DR Horton, Inc.-Portland, a Delaware corporation, their successors and assigns.

Section 20. "Models" shall refer to Homes used for marketing purposes by Builder.

ARTICLE III

Property Subject to this Declaration

Section 1. The real property that is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in Deschutes County, Oregon, in that certain plat map entitled "River Canyon Estates" filed in the plat records of Deschutes County, Oregon, more particularly described as Lots 1 through 137, of River Canyon Estates Plat.

Section 2. At any time during the initial term of this Declaration, the Declarant may, at its sole option, annex additional property into the Association 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 300 Lots in the subdivision, including the Lots on this 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 land to the Property.

(a). Eligible Property. 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.

(b). Consent or Joinder Not Required. No consent or joinder of any Class A member or other party except the record owner of the land being annexed shall be necessary to effect any annexation made pursuant to this Section.

(c). Declaration of Annexation. Annexation shall be evidenced by a written Declaration of Annexation executed by the Declarant, or (in the case of an annexation by

action of members) by the Board and 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:

(i). establish such new land classifications and Types of Lots 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;

(ii). 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

(iii). contain provisions necessary or appropriate to comply with any condition, requirement, or imposition of any governmental or regulatory authority.

Without limitation of the meaning of the foregoing provisions of this Section, in any Declaration of Annexation Declarant may, but shall not be obligated to, establish different Types of Lots and have particular rights and obligations pertain to different Types of Lots, establish easements particular to different Lots, establish assessments that pertain only to certain Types of Lots, establish maintenance obligations of the Association or of Owners that vary in accordance with different Types of Lots, establish insurance and casualty provisions that relate to certain Types of Lots and not others, and establish limited common areas that benefit particular Lots to the exclusions of other Lots and provisions particular to such limited common areas.

(d). Voting Rights; Allocation of Assessments. Upon annexation, additional Lots so annexed shall be entitled to voting rights and shall be responsible for payment of assessments as required for that fiscal year. At the beginning of the next fiscal year, assessments for the general common areas shall be apportioned equally based upon the total number of Lots following such annexation, but assessments that are relative to a specific product type will be spread equally over only the units of that type.

(e). No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any property into the Association and no owner of property excluded from the Association shall have any right to have such property annexed thereto. Declarant is under no obligation to build residences on any or all of the Lots contained in the original Plat.

ARTICLE IV

River Canyon Estates Homeowners' Association

Section 1. Formation and Authority. The Association shall be formed by Declarant as an Oregon nonprofit corporation after the Declaration is recorded and shall be known as the RIVER CANYON ESTATES HOMEOWNERS' ASSOCIATION. Declarant shall relinquish control of the Association to the Owners within ninety (90) days after the Turnover Date.

Section 2. Membership. Each Owner, by virtue of being an Owner and so long as such Owner continues in that capacity, shall be a member of the Association. Each membership in the Association shall be appurtenant to the Lot and shall be transferable only upon transfer of title to such Lot.

Section 3. Duties and Powers. The Association shall have all requisite power, duty and authority to perform its obligations under this Declaration, including, without limitation, the power, duty and authority to enforce the provisions of this Declaration and to acquire and pay for, out of the common fund provided by assessments pursuant to Article X, all goods and services necessary or appropriate for the proper functioning of the Association in accordance with the Declaration. Without limiting the generality of the foregoing and subject otherwise to the provisions of this Declaration, the Association shall have the following power, duty and authority to undertake the following actions:

3.1 Determine the amounts necessary or appropriate for its performance of its powers and duties under this Declaration;

3.2 Impose and collect Annual and Special Assessments from the Owners;

3.3 Maintain bank accounts on behalf of the Association and designate the signatories for those accounts;

3.4 File all required income tax returns;

3.5 Enforce by the imposition of fines and/or by legal means the provisions of this Declaration;

3.6 Maintain and repair the Open Space Reserve, Common Areas, Storm Drainage areas, and the Improvements thereon, if any, and establish one or more reserve funds for such purposes;

3.7 Promulgate, modify and rescind rules and regulations governing the use of the Property, or any portion thereof;

3.8 Obtain such policies of insurance as the Board may from time to time deem appropriate for the protection of the Association, Open Space Reserve, Common Areas, and the Improvements thereon, in accordance with Article XI, Sections 1, 3 and 4 of the Bylaws;

3.9 Contract for such services as may be necessary or appropriate to manage the affairs of the Association and the Property; and

3.10 Appoint such committees as the Board may determine from time to time to be appropriate to assist in the conduct of the affairs of the Association and delegate to any such committee such authority as the Board may deem appropriate.

Section 4. Liability. Neither an officer nor Director of the Association shall be liable to any Owner or Declarant for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the Association, its officers, its Board, any member of the Board, or any committee established by the Board. Any officer or Director shall be indemnified by the Association against all expenses and liabilities, including reasonable attorneys fees, incurred or imposed against such person in such capacity; provided, however, that the officer or Director shall not be guilty of willful misconduct or bad faith in connection with such act or failure to act.

Section 5. Board of Directors.

5.1 Generally. The Association shall act through the Board. Prior to the Turnover Meeting, Declarant or Builder shall select the Directors. From and after the Turnover Meeting, the Directors shall be elected by the Owners as set forth below in Section 5.2. Declarant, Builder 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 Property to administrative responsibility by the Association, in accordance with Article XII, Section 1 of the Bylaws.

5.2 Number, Nomination and Election of Directors. The Board shall be comprised of five (5) Directors. After the Turnover Date, each Director shall be elected by majority vote of the Owners, with each such Owner having one vote for each Lot owned. If there is more than one Owner of any Lot, then such Owners shall together be considered a single Owner with respect to the Lot for purposes of this Section 5.2. The nomination and election of the Directors shall take place at a meeting of the Owners, except that any Director elected after the Turnover Meeting may be nominated and elected by mail vote.

5.3 The terms of the Directors. The terms of the Directors selected by Declarant or Builder shall be determined by Declarant or Builder in their sole discretion and shall expire at the Turnover Meeting. As determined by random means, two of the Directors elected at the Turnover Meeting shall serve for a term of three (3) years; two of the Directors elected at the

Turnover Meeting shall serve for a term of two (2) years; and one of the Directors elected at the Turnover Meeting shall serve for a term of one (1) year. Thereafter all Directors shall be elected for a term of three (3) years.

5.4 Annual and Special Meetings. The Board shall meet at least annually. The time and date of the meeting to be determined by the Board members. The location of the meeting will be in Deschutes County. Special meetings may be called at any time by one or more Directors. The Secretary shall give written notice to each Director and homeowner of any Board meeting not less than ten (10) days prior to the date set for such meeting.

5.5 Compensation. No Director shall receive compensation from the Association for serving on the Board.

Section 6. Officers of the Association. The officers of the Association shall be the President and Secretary, both of whom shall be elected by a majority vote of the Board at the annual meeting. The same person shall not concurrently hold the offices of the President and Secretary. The terms of the officers shall be determined by the Board in its sole discretion.

6.1 President. The President shall be a Director of the Association and shall be the chief executive officer of the Association, having all of the general powers and duties normally incident thereto.

6.2 Secretary. The Secretary shall not be required to be a Director. In addition to having the general powers and duties normally incident to the office of the secretary, the Secretary shall be responsible for the collection, deposit, and disbursement of Association funds and shall keep full and accurate records and books of account showing all receipts and disbursement of the Association.

6.3 Treasurer. The Treasurer shall not be required to be a Director or an Owner. The Treasurer shall be responsible for Association funds and shall keep full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursements necessary for the preparation of all financial data and tax returns. The Treasurer shall be responsible for the deposit of all Association funds in such depositories as may from time to time be designated by the Board, and shall disburse Association funds for such purposes as may be permitted under these Bylaws or the Declaration. The Treasurer shall perform all other duties incident to the office of the Treasurer of a corporation or as may be directed by the Board. Such duties may be performed by an authorized agent at the expense of the Association.

6.4 Compensation. Other than reimbursement for out-of-pocket expenses incurred on behalf of the Association, no officer of the Association shall receive any compensation from the Association for acting as an officer.

Section 7. Turnover Meeting. The Turnover Meeting shall be called by Declarant and held within ninety (90) days after the Turnover Date. Declarant shall give written notice of the time and place to each Owner not less than thirty (30) days prior to the Turnover Meeting date. At the Turnover Meeting, the following shall occur:

7.1 The Directors selected by Declarant, the President, Secretary and the Treasurer shall each resign. The Directors elected pursuant to Article IV, Section 5.2 above shall conduct their first meeting as the Board;

7.2 The new Board shall elect a President, Secretary and Treasurer; and

7.3 Declarant shall deliver to the new Board all of the Association's property in Declarant's possession, including, without limitation, all books and records, funds, tangible personal property, insurance policies, and contracts to which the Association is a party.

ARTICLE V

Architectural Review and Control

Section 1. Establishment of Architectural Review Committee ("ARC"). The Association shall have the right to act through the Architectural Review Committee ("ARC"), which shall be established to review, approve, conditionally approve, and disapprove plans, specifications, design, construction, and alterations of all Improvements on the Property. Prior to the Turnover Date, the ARC shall be composed of Declarant and/or Builder. Thereafter, the ARC shall be composed of three (3) members appointed, removed and replaced by the Board of Directors, according to such criteria as the Board may deem appropriate, and no member of the ARC shall receive any compensation or charge for their services related to the Association or their position as a member of the ARC. No member of the Board of Directors or the ARC shall be liable to the Association or to any Owner, occupant, builder or developer, or any other third party for any damage, loss or prejudice due to approval or failure to approve any matter submitted to the Board.

Section 2. Architectural and Design Review.

2.1 Generally. No Improvement of any kind shall be commenced, erected, placed, or altered on any portion of the Property or of any Lot without the prior written approval of the Architectural Review Committee (ARC). Any such Improvements shall also comply with any applicable sections of the Bend City Code regulating development and improvements.

2.2 Design Guidelines. The ARC shall have the authority to promulgate and issue, and thereafter amend from time to time, design guidelines supplementing and interpreting, and

not inconsistent with, any of the design guidelines set forth in this Declaration. As long as Declarant and/or Builder own any Lots in Project, any changes to Design Guidelines must be approved by both Declarant and Builder prior to Board approval. If issued, a written copy of such guidelines shall be supplied to all Owners and shall be fully binding upon all Owners as if set forth fully in this Declaration. In reviewing and approving, conditionally approving, or disapproving proposed Improvements, the ARC shall uniformly apply the guidelines contained herein, and those supplemental or interpretive guidelines as the ARC may from time to time promulgate and issue. Improvements shall be consistent with the Design Guidelines, if any, established by the ARC, as amended from time to time. It is the intent and purpose of this Declaration to achieve a high standard of quality of workmanship and materials and to assure harmony of external design with existing Improvements and location with respect to topography and finished grade elevations. All construction by Builder or Declarant is presumed to have been approved by the ARC and to meet any Design Guidelines of the Association.

2.3 Submission of Application. All applications for approval of an Improvement shall specify the exterior paint color, brick placement, roof color, and any other materially significant features of the proposed design. Prior to approving the application, the ARC may require additional information or specific changes to the proposed design of the Improvement. Two (2) copies of the application shall be submitted to the ARC. One copy of the approved application will be returned to the applicant.

2.4 Approval. The ARC shall approve, conditionally approve, or deny a proposed Improvement submitted to the ARC in accordance with Section 2.3 above and shall notify the applicant in writing of its decision within twenty (20) days after having received the application. A decision by a majority of the members of the ARC shall constitute a decision of the ARC. Any ARC approval shall expire by limitation if construction of the Improvement has not commenced for a period of 180 days from the date of approval; or, once begun, if the construction of the Improvement does not progress substantially for a period of 180 days. Extension of any unexpired approval for an additional 180 days may, if requested in writing, be granted if circumstances beyond the applicant's control prevented action from being taken. Only one extension may be granted, then a new application shall be submitted. The ARC may, in its sole discretion, withhold consent to any proposed Improvement if the ARC finds the proposed Improvement would be inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for the Property. Consideration of siting, shape, size, color, design, height, materials, solar access, impairment of the view from other Lots within the Property, effect on the enjoyment of other Lots, disturbance of existing terrain and vegetation and any other factors which the ARC reasonably believes to be relevant, may be taken into account by it in determining whether to approve or condition its approval of any proposed Improvement.

2.5 Liability. The scope of the Architectural Review Committee's review is not intended to include any review or analysis of structural, geophysical, engineering or other similar considerations. Neither the ARC nor any member thereof shall be liable to any Owner,

occupant, builder, or developer for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the ARC or a member thereof, provided only that the member has, in accordance with the actual knowledge possessed by the ARC or by such member, acted in good faith.

2.6 Nonwaiver. Consent by the Architectural Review Committee to any matter proposed to it or within its jurisdiction shall not be deemed to constitute a precedent or waiver impairing its right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

2.7 Construction by Builder. Builder shall not be prevented from changing the exterior appearance of the Common Area, including the landscaping or any other matter directly or indirectly connected with project in any manner deemed desirable by Builder, provided that the Builder obtain governmental consents required by law. The construction and material standards of Article 4 notwithstanding, Builder may change exterior and/or interior designs from initial plans and provisions in this document, without notice. This may include designs, colors, and type of materials, provided Builder obtains any necessary governmental consent.

Section 3. Construction.

3.1 Generally. Any construction or alteration of Improvements shall not be scheduled to start before 7:00 a.m. and shall otherwise comply with City of Bend Municipal Code.

3.2 Landscape Construction. Front yard, side yard and street side yards, as applicable, landscape construction shall be completed prior to occupancy of any Residence constructed on the Lot, unless seasonal constraints do not allow the installation, as documented by the Builder. Landscaping plans shall be approved by Architectural Review Committee prior to commencement of construction. Rear yard landscaping shall be completed within 180 days after occupancy. All buildings constructed for models shall have landscaping completed within 30 days after construction is completed. Upon written application to the ARC, an extension of the landscaping completion deadlines due to weather may be granted by the ARC. All existing vegetation outside of the building envelope of the Residences or Structures in the rear yards of the Rim Lots, as described in the No Disturbance Zone in the Settlement Agreement shall be preserved. Agreement for preservation and maintenance is attached as Exhibit A to this document.

3.3 Construction of Residences and Other Improvements. All Residence construction shall be completed and approved for occupancy by the City of Bend within a one-year period of time from the date the building permit was issued. No person(s) shall occupy a Residence during the construction period or prior to occupancy approval. Construction of any

other approved Improvement shall be completed within 180 days after the date of commencement of construction. In the event construction is delayed due to causes beyond the reasonable control of the person constructing the Improvement, the construction period shall be extended by the number of days the construction is delayed.

3.4 Residence Construction Sites. Residence construction sites shall be maintained daily and kept in a neat and orderly condition. During construction of a Residence on any Lot that abuts or has a portion of the Lot within the No Disturbance Zone as described in the Settlement Agreement, protective fencing or other suitable barriers will be used to protect the appurtenant No Disturbance Zone as described in the Settlement Agreement. Once construction is complete, such protective fencing or barriers may be removed. Declarant may provide and maintain recycling bins, porta-potties and dumpsters as Declarant, in its sole discretion, determines are needed. The cost of providing and maintaining such recycling bins, porta-potties and dumpsters shall be paid by the Owner and shall be assessed against the Owner on a monthly basis pursuant to Article X below.

Section 4. Construction Restrictions.

4.1 Approved Material. Roofing and siding materials are to be of high quality and in harmony with the aesthetic design and style of the dwellings in RIVER CANYON ESTATES. All residences are to include double wall construction. All construction by Declarant is presumed to have been approved by the ARC and to meet any Design Guidelines of the Association.

4.2 Excluded Materials. Items specifically excluded from use are: aluminum windows; T-1-11 plywood siding on front elevations; exposed metal chimneys (excepting metal caps on pipe enclosed in a wood chase); metal roofing; and garage doors other than "roll-up" style.

4.3 Minimum Material Standards. Roofing material on all Improvements shall be at least 25 year Dimensional/Architectural composition, cedar shake, tile or slate. All Improvements shall have horizontally installed lap bevel siding (siding material shall be cedar or other similarly appearing siding product not otherwise prohibited herein). Vinyl and aluminum siding is prohibited unless approved by the ARC, in writing, and is identical in appearance to cedar siding.

4.4 Building Colors. The colors of all Improvements and materials used thereon shall be aesthetically consistent with the color plan or scheme of RIVER CANYON ESTATES, and shall be approved by the ARC. The color plan of RIVER CANYON ESTATES will be natural, earth-tone colors that are aesthetically consistent with existing Structures, Improvements, landscaping and vegetation.

4.5 Residence Size.

4.5.1. River Bluff Lots (Lots 1 through 40, inclusive). The Residence level near the adjacent street grade shall be a minimum of 2400 square feet for a single-level single family residence and 2700 square feet for a two-level single family residence, provided the ground level is a minimum of 1400 square feet (excluding exterior porch, decks, patios, or garage).

4.5.2. Intermediate Single Family Lots (Lots 55 through 70, Lots 77 through 96, and Lots 126 through 134 inclusive). The minimum square footage for a single-family residence shall be 1700 square feet for a two-level single family residence, provided the ground level is a minimum of 800 square feet (excluding exterior porch, decks, patios, or garage).

4.5.3. Courtyard Lots (Lots 71 through 76 inclusive). The minimum square footage for a single-family residence shall be 1700 square feet for a two-level single family residence, provided the ground level is a minimum of 800 square feet (excluding exterior porch, decks, patios, or garage).

4.5.4. Commonwall Single Family Lots (Lots 41 through 54 inclusive). Each two-unit dwelling shall be a minimum of 1500 square feet (excluding exterior porch, decks, patios, or garage).

4.5.5. Carriage House Lots (Lots 97 through 125 and Lots 135 through 137, inclusive). The minimum square footage for single-family residence shall be 1400 square feet for a two-level single-family residence, provided the ground level is a minimum of 800 square feet (excluding exterior porch, decks, patios, or garage).

4.6 Structure Location. No dwelling, other structure or improvement (excluding fencing) shall be placed or located within any set back areas set forth on the Plat, as provided by applicable planning and zoning ordinances, or as established in the No Disturbance Zone in the Settlement Agreement, including driveways or any parking areas in the Building Setback Area as established in Exhibit A. No dwelling, permanent or temporary structure, block or rock wall, or swimming pool (above or below ground) shall be placed or constructed within any private easement, or within any public easement without the prior written approval of the City of Bend.

4.7 Fences. All fence designs and materials shall require prior written approval from the ARC. No fences shall be allowed along the rear or side of Rim Bluff lots including Lot 147, except for the rear of Lots 194, 195, 199 and Tracts G, H, M, Q and T, as required by the Central Oregon Irrigation District (COID).

4.8 Exterior Lighting. All outdoor lighting should be shielded and directed downward.

ARTICLE VI

Use Restrictions

Section 1. Land Use. Lots shall be used only for residential purposes and only one Residence shall be erected on any Lot. Accessory buildings will be considered on a case-by-case basis by the ARC. Lots may be rented or leased for residential purposes; however, the Owner assumes responsibility and liability for ensuring that the renters and lessees comply with this Declaration and all applicable laws. Each Owner shall cause its renters and lessees to agree in writing to comply with this Declaration and all applicable laws. Nothing in this Section 1 shall be deemed to prohibit or limit the right of Declarant or any Owner to construct a Residence on a Lot or store construction materials and equipment on such Lot in the normal course of construction.

Section 2. Signs. No signs shall be visible from the street except: One sign of not larger than 18" x 24" advertising the property for sale or rent. This Section 2 shall not apply to signs and/or flags used by Builder during the initial construction and sales period. A sign showing the name of the Owner may be displayed on the Residence without prior written approval of the ARC. Political signs may also be displayed without the approval of the ARC provided, however, that such signs are placed no more than ninety (90) days before the vote or election date and removed within three (3) days after the vote or election. The ARC reserves the right to require removal of any sign that does not comply with reasonable standards adopted at any time or with standards of decorum and good taste as determined by the ARC.

Section 3. Animals. No animals shall be kept on any Lot, except for a total of two dogs or cats, or other household pets. Household pets shall not be kept, bred or maintained for any commercial purposes; shall not be a nuisance to neighbors; and are not permitted to cause damage, discomfort or unreasonable noise to neighbors and neighboring Lots. Pet Owners shall abide by local ordinances. Dog runs and housing shall be fully screened and/or fenced from view from any Lot, and shall not be visible from the street. All animals shall be controlled so as not to be a nuisance to any Owner. An unrestrained or barking dog shall constitute a nuisance. Owners whose pets cause inconvenience to other Owners shall take all steps necessary to prevent recurrence thereof, and Owners whose pets damage other Owner's Lots or personal property shall reimburse such other Owners for reasonable costs actually incurred by them in repairing such

damage. Owners shall ensure that their dogs are leashed when on the Property and outside of the Owner's Lot. An Owner may be required to remove a pet upon receipt of a third written notice from the Board of any violation of a rule, regulation or restriction governing pets within the Property.

Section 4. Trash and Rubbish. No Lot, nor any part of a Lot, nor any part of the Common Area shall be used or maintained as a dumping ground for rubbish, trash, garbage, or any other waste. All rubbish, trash, garbage, or any other waste shall be kept in appropriate sanitary containers and all incinerators, containers or other equipment for the storage or disposal of trash shall be kept in a clean and sanitary condition and out of public view.

Section 5. Offensive or Noxious Activity or Conditions. No noxious or offensive activity or conditions, including but not limited to commercial activity, or anything that may be an annoyance or nuisance to the neighborhood shall be permitted, nor shall anything be done or placed upon any Lot or Tract which interferes with or jeopardizes the enjoyment of other Lots or Common Areas. No unlawful use shall be made of a Residence or Lot, or any part thereof, and all laws, zoning ordinances and regulations of all governmental bodies having jurisdiction thereof shall be observed.

Section 6. Temporary Structures. No temporary structures, tent, shack, garage, barn, gazebo, clothes drying apparatus, boathouse or dock, or other outbuilding, shall be permitted on the Property. Notwithstanding the foregoing, Declarant and/or Builder may erect such temporary structure as Declarant deems appropriate as an office for the purpose of marketing unsold Lots or for construction activity supervision.

Section 7. Recreational Facilities. No basketball hoops, sport courts, tree houses, swimming pools or similar recreational facilities shall be constructed or installed on any Lot or Tract without the prior written approval of the ARC, and in accordance with City of Bend Municipal Code.

Section 8. Vehicles and Equipment Parking.

8.1 Prohibited Vehicles, Equipment and Devices. Unless otherwise approved by the ARC, in writing, boats or other aquatic equipment, trailers, bicycles, motorcycles, snowmobiles or other motorized snow equipment, off-road vehicles, trucks, truck-campers, and similar vehicles and equipment in excess of three-quarters of a ton in weight shall not be parked on any part of RIVER CANYON ESTATES nor on adjacent public way for longer than 24 hours (unless within a fully enclosed garage with the garage doors closed, parked on an RV pad behind a fence enclosure which shall not extend past the front of the dwelling, or as otherwise authorized by prior written approval of the ARC). Vehicles or equipment shall not obstruct emergency vehicle or fire lanes within RIVER CANYON ESTATES.

8.2 Vehicles in Disrepair. No Owner shall permit any vehicle which is in a state of disrepair (as reasonably determined by the ARC) or which is under repair to be abandoned or to remain parked on any Lot for a period in excess of 48 hours. A vehicle shall be deemed in a "state of disrepair" when the ARC reasonably determines that its presence offends the occupants of the neighborhood. If an Owner fails to remove such a vehicle within five days after notice from the Association, the Association may have the vehicle removed from the property and charge the expense of such removal to the Owner of the Lot as provided in Article X.

8.3 Enforcement. The ARC shall have the power and authority to enforce these parking-restrictions, including, without limitation, the power and authority to impose fines, remove the offending vehicle, equipment or device, and pursue legal action. The ARC shall enforce these restrictions in a uniform manner. Removal of the offending vehicle, equipment or device shall be preceded by prior written notice to the Owner and, in addition to assessing a fine(s), the ARC shall specially assess the Owner for the cost of the removal pursuant to Article IX.

Section 9. Aerials and Dishes. No outside television or radio antenna or aerials, solar collector panels or similar equipment shall be installed without the prior written approval of the ARC. Except as otherwise allowed by federal law, no outside satellite dishes, similar equipment or apparatus shall be installed without the prior written approval of the ARC. Installation of the aforementioned approved equipment or apparatus shall not be in the No Disturbance Zone or in the Building Setback Area.

Section 10. Maintenance of Right of Way. The Owner of any Lot shall maintain in proper condition (e.g., cut grass and underbrush) areas within sixty (60) feet from the curb, except those designated as Association Common Area. The ARC may authorize and undertake the completion of such work if the Owner fails to do so within thirty (30) days after receiving notice from the ARC requesting such work. If such work is authorized by the ARC in accordance with this section, the Owner shall be specially assessed for the fees and costs of such work pursuant to Article X.

Section 11. Maintenance of Streetscaping. Streetscaping designated as "Public Property" or Common Area shall be maintained in proper condition by the Owner of any Lot adjacent to said Streetscaping.

Section 12. Maintenance of Street Lights. Street Lights installed by Declarant shall be maintained by the association.

Section 13. Maintenance of Landscaping. Each Owner shall maintain the landscaping on the Owner's Lot in a neat and attractive condition, including all necessary gardening to properly maintain, and periodically replace when necessary, all trees, plants, grass and other vegetation on said Lot. Trees within the No Disturbance Zone as described in the Settlement Agreement may

be "limbed up" to a height of ten (10) feet above the ground. Notwithstanding the foregoing, Rim Lot Owners shall not remove non-hazardous trees, plants, grass, other vegetation or natural features within the No Disturbance Zone as described in the Settlement Agreement. In the event an Owner removes a non-hazardous tree within the No Disturbance Zone as described in the Settlement Agreement, the Owner shall replace such removed tree with two (2) trees that are of a substantially similar type and that have equivalent caliper at D.B.H. as the removed tree. Maintenance, including tree replacement and revegetation required by the City of Bend, of any planter strip located between the curb and sidewalk fronting a Lot shall be the responsibility of the Lot Owner.

Section 14. Drainage. The Owner of any Lot or Tract that contains any storm drainage easement shall provide unhindered flow of engineered storm drainage, and shall allow maintenance access for the same. Changes that alter the natural drainage of any Lot shall require ARC and applicable agency approval. Lot Owners and the Association will design storm water drainage that does not cause a measurable increase, beyond historical amounts, in discharge of storm water run-off from the Property onto the COID Property. Retaining walls, fencing and landscaping should be designed to maintain natural or designed drainage patterns.

Section 15. Trees. No street trees shall be planted on any lot line. All tree plantings shall be located not less than ten (10) feet horizontally from the centerline of any water main, sanitary sewer main, or storm sewer main; and not less than five (5) feet from the centerline of any such laterals or curbside water mains. No shrubs, other vegetation or trees outside the building envelope of the Residence or structure with an eight (8) inch or greater caliper, D.B.H., shall be planted or removed from a Lot without prior written approval of the ARC.

Section 16. Maintenance of Common Improvements of Commonwall Single Family Lots.

In the event repair or replacement of the common foundations of a Building Structure or common firewall (which terms shall have the same meaning as party walls) of a Building Structure should become necessary or appropriate, then the Owners of the Residences within the Building Structure that required such repair or replacement shall be jointly responsible for such repair and/or replacement, and the Owners of such affected Residences shall share equally in the expense of such repair and replacement. In the event an Owner of a Residence determines repair or replacement of the common foundations or common firewalls of a Building Structure is necessary or appropriate, that Owner shall notify the other Owners of the affected Residences within the Building Structure of the need to perform such repair or replacement. If a majority of the Owners of the affected Residences within the Building Structure agree that such repair or replacement is necessary, they shall jointly cause such work to be performed, and each Owner of an affected Residence shall pay an equal portion of the expense of such work. If an Owner of an affected Residence determines repair or replacement of the common foundations or common firewalls of a building Structure is necessary or appropriate and a majority of the Owners of the other Residences affected or claim to be affected do not concur with such determination, then the

Owners of the Residences affected (or claimed to be affected) shall mutually agree upon and retain a professional engineer licensed in the State of Oregon having at least five (5) years experience in such matters to inspect the common foundations or common firewalls, and such engineer shall make a determination as to whether such repair or replacement is required. The determination of such engineer shall be binding to the affected Owners, and all expenses and fees of the engineer and of the repair or replacement work required to be performed, if any, shall be borne as provided in the Section. In the event the Owners of Residences so affected or, claimed to be so affected, cannot agree upon a professional engineer having the required qualifications within a 30-day period, then any of the affected Owners may make application to the ARC, which shall select such engineer having the requisite qualifications. The fees and expenses of the engineer shall be shared equally by the Owners of the Residences affected or claimed to be affected. In the event the Owner of an affected Residence fails to contribute to the expense of the repair or replacement of the common foundation or common firewalls by thirty (30) days after written demand therefore, then the amount not paid or reimbursed, as well as interest thereon at the rate of twelve percent (12%) per annum from the date of such written demand shall become a charge and lien against the Owner of a Residence failing to make such payment or reimbursement. Each Owner of Residences shall be deemed to have agreed by acceptance of a deed conveying the Residence, that any such lien shall be effective without the necessity of obtaining the joinder of such Owner in the execution of any instrument, upon the filing by another Owner of an affected Residence of a claim of lien in the Official Records of Deschutes County, Oregon.

Section 17. Central Oregon Irrigation District Restrictions. The Central Oregon Irrigation District is the current owner of real property, as described in Exhibit 'A' attached hereto, which is adjacent to the Property, and referred to herein as the COID Property.

17.1 Encroachment. Lot Owners shall not encroach or trespass on the COID Property, including but not limited to, placing or causing to be placed upon the COID Property soil embankments, retaining walls, decks, trails, access improvements, stairs, or other improvements that would have an affect on the current existing natural terrain of the COID Property.

17.2 Permissive Access. All Owners recognize that the Central Oregon Irrigation District (COID) has historically allowed access roadways only on the COID Property, and that COID may revoke public access to COID property at any time without cause.

17.3 Set Backs. Unless a greater set back is required by the City of Bend, Lots * through *, inclusive, shall have a 25 foot minimum building setback from the Lot property line adjacent to the COID Property.

* 2,4,7,8,11,12,15,16,19,20,23,24,28,29,30,31,33,34,35,36,38,39,40 & Tract H*

ARTICLE VII

Public Property

The Association shall comply with all maintenance and repair requirements imposed by a governmental entity upon Declarant or the Association with respect to any Public Property, and shall undertake such additional responsibility as it deems appropriate (consistent with applicable law and the consent of the applicable governing entity) for the maintenance and improvement of the Public Property, and shall keep the same in good, clean, attractive and sanitary condition, order and repair. In the event any Public Property is damaged or destroyed by an Owner (or occupant of the dwelling of such Owner, or the guest or agent of such Owner or Occupant), such Owner hereby authorizes the Association to repair said damage. The Association shall repair the damaged area in a good and workmanlike manner. The reasonable cost necessary to repair the damage to original condition shall become a special assessment upon the Lot of such Owner.

ARTICLE VIII

Common Area

Section 1. Generally. The Common Area property shall be conveyed to the Association by Declarant after recording the Plat and the Declaration. Except as stated herein, the Association shall be responsible for the exclusive management and control of the Common Area and all improvements thereon, if any, and shall keep the same in good, clean, attractive and sanitary condition, order and repair. The Common Area owned in fee or by an interest in an easement by the Association includes those areas so indicated on the Plat. In the event any Common Area is damaged or destroyed by an Owner (or occupant of the dwelling of such Owner, or the guest or agent of such Owner or Occupant), such Owner hereby authorizes the Association to repair said damage. The Association shall repair the damaged area in a good and workmanlike manner. The reasonable cost necessary to repair the damage to original condition shall become a special assessment upon the Lot of such Owner.

Section 2. Use of the Common Area. Except as otherwise provided in this Declaration, the Common Area shall be reserved for the use and enjoyment of all Owners and no private use may be made of the Common Area. The Board shall have authority to abate any trespass or encroachment upon the Common Area at any time, by any reasonable means and with or without having to bring legal proceedings. The Board may authorize use of the Club House by individuals who are not Owners upon such terms and conditions the Board deems appropriate.

Section 3. Limitations on Use. Use of the Common Area by the Owners shall be subject to the provisions of this Declaration, and to the following:

- 3.1 The right of the Association to suspend the use rights of an

Owner to the extent provided in Article XI below; and

3.2 The right of the Association to adopt, amend and repeal rules and regulations in accordance with this Declaration and the Bylaws.

ARTICLE IX

Easements

Section 1. Utility and Drainage Easements.

1.1 Easements for installation and maintenance of utilities and drainage facilities are set forth on the Plat. No structures (temporary or permanent) shall be constructed or placed, nor any tree planted, within any public utility or storm easement without prior approval from the City of Bend. No structure, planting, or material shall be constructed, placed, or allowed to remain within any storm drainage easement or swale that hinders engineered drainage or changes the natural drainage pattern in the easement. The easement area of each Lot and all improvements on it shall be maintained continuously by the Owner except for improvements for which a public authority or utility company is responsible.

1.2 In the event any of said easements or improvements thereon are damaged or destroyed by an Owner (or occupant of the dwelling of such Owner, or the guest or agent of such Owner or Occupant), such Owner hereby authorizes the Association to repair said damage. The Association shall repair the damaged area in a good and workmanlike manner. The reasonable cost necessary to repair the damage to original condition shall become a special assessment upon the Lot of such Owner.

Section 2. Owners' Use and Occupancy. Except as otherwise expressly provided in this Declaration, or in the Plat the Owner of a Lot shall be entitled to the exclusive use and benefit of such Lot. Declarant, the Architectural Review Committee, and any representative of the Association authorized by the Association, may at any reasonable time, and from time to time at reasonable intervals, enter upon any 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. Declarant or the Association may grant or assign easements over or with respect to any Lot to municipalities or other utilities performing utility services and to communications companies.

Section 3. Extent of Owners' Rights. The rights and easements of enjoyment in the Common Areas created hereby shall be subject to the following and all other provisions of this Declaration:

3.1 Association's and Owner's Easements. Declarant grants to the Association for the benefit of the Association and all Owners of Lots within the Property the following easements over, under and upon the Property:

3.1.1 An easement for installation and maintenance of power, gas, electric, water and other utility and communication lines and services installed by Declarant or with the approval of the Board and any such easement shown on any plat of the Property.

3.1.2 An easement for construction, maintenance, repair and use of the Common Area and any common facilities thereon, including, without limitation, the Common Property.

3.1.3 An easement for landscape and/or building maintenance on Lots where Association has designated maintenance responsibilities.

Section 4. Declarant's and Builder's Easements. In addition to any other easements to which Declarant and Builder may be entitled, Declarant and Builder reserves for the benefit of Declarant and Builder, an easement over, under and across the Common Area in order to carry out development, construction, sales and rental activities necessary or convenient for the development of the Property or the sale or rental of Lots (or Residences on the Lots) and for such other purposes as may be necessary or convenient for discharging Declarant's and Builder's obligations or for exercising any of Declarant's and Builder's rights hereunder. There is hereby reserved by Declarant and Builder for the benefit of Declarant and Builder, its employees, agents, representatives and assigns, an easement for access, construction, placement, maintenance and improvement of utilities and drainage over, under and across any portion of the Property, together with easements in roadways and utility lines specified or established within the Property, along with the right to connect thereto.

Section 5. Maintenance Easement. An easement is hereby reserved in favor of the Association and its successors, assigns, contractors, agents and employees over, across, and under each Lot, the exterior portions of the Building Structures on each Lot, the Common Areas, and any other area of the Property necessary or appropriate for purposes of accomplishing the maintenance, repair and replacement of Improvements.

ARTICLE X

Assessments

Section 1. Generally. No Lot owned by the Declarant and/or Builder shall be subject to Assessments until after it has been conveyed from Declarant and/or Builder to an unaffiliated third party purchaser. Regular Assessments against any one Lot shall commence on the first day

of the month immediately following the date on which that Lot is first conveyed from Declarant and/or Builder to an unaffiliated third party purchaser. The Association shall have the authority to levy, and each Owner shall pay, when due to the Association, its share of: (a) the Annual Assessments; and (b) any Special Assessments that may be levied. The Annual and Special Assessments levied by the Association shall be for the sole purpose of administering and enforcing the Declaration by means of the Association. Each Owner's share shall be a proportionate share, as set forth in Section 3 below, of the total assessments levied. Each Owner shall pay any and all assessments within thirty (30) days after the date of billing. Annual and Special Assessments, together with interest, costs and reasonable attorneys fees, shall be a personal obligation of the Owner and a continuing lien on the Owner's Lot ("Assessment Lien"). Assessment Liens shall be and remain subordinate to the lien of any first priority lien created by a mortgage or trust deed.

1.1 Common Wall Single Family Lots 41 through 54 will be assessed for the Regular Assessments, and, in addition, said Lots will be assessed for the costs of maintenance and reserves for exterior siding maintenance and painting, as well as gutter and roof maintenance and reserves on the Residences on said Lots. Such assessments will be used exclusively for the maintenance, repair and/or replacement of exterior materials on the Lots listed in this Section 1.1. These maintenance responsibilities shall be subject to the same terms and conditions as the regular or special periodic assessments described above.

1.2 Common Area Tracts A, B, C, D, E, F, G and L are private asphalt drives for which the cost of maintenance and reserves will be equally divided as an additional assessment between Lots 3 through 25, Lots 27 through 32 and Lots 71 through 76. Such assessments will be used exclusively for the maintenance, repair and/or replacement of the Common Area Tracts listed in this Section 1.2. These maintenance responsibilities shall be subject to the same terms and conditions as the regular or special periodic assessments described above.

Section 2. Amount of Annual Regular Assessment. The total annual Regular Assessment against all Lots shall be based upon an annual budget prepared by the Board with respect to projected expenses of the Association and may (but shall not necessarily) include, without limitation, the following:

2.1 maintenance, repair, replacement, and operation (including irrigation) of the Common Areas, and any other Improvements for which the Association has an obligation to maintain pursuant to this Declaration;

2.2 premiums for all insurance policies that the Association is required or permitted to maintain pursuant to this Declaration and Bylaws;

- 2.3 professional management fees and expenses, employee salaries, legal and accounting costs;
- 2.4 any deficits remaining from the previous fiscal year of the Association;
- 2.5 reasonable reserve funds of the Association established at the discretion of the Board;
- 2.6 costs related to the preparation, review, and update of the reserve study described in Section 7 below; and
- 2.7 such other and further costs, expenses, obligations, and liabilities as the Board, in its discretion, may incur for the management, operation, and maintenance of the Property and the Association in accordance with this Declaration.

Section 3. Allocation of Assessments. All Regular Assessments shall be allocated equally over the Lots then subject to assessment such that the Regular Assessment for each Lot then subject to assessment shall equal the dollar amount calculated by dividing the total sum of the Regular Assessments allocated to Lots then subject to assessment by the total number of Lots then subject to assessment. However, Regular Assessments for operating expenses and reserves on specific Lots, such as attached product, may be charged only to those Lots, in addition to their share of the Regular Assessments for the general association and common area expenses.

Section 4. Notice of Regular Assessments and Time For Payment. Regular Assessments shall be made on a monthly basis or at such other intervals (such as quarterly or semi-annually) as the Board may determine from time to time. Subject to amendment by the Board, the Association shall give written notice to each Owner as to the amount of the Regular Assessment with respect to each Lot on or before December 15 for each year for the calendar year commencing January 1 of the next year. The Regular Assessment shall be due and payable as the Board shall determine.

Section 5. Special Assessments. In addition to the Regular Assessments (and reserve and other assessments) authorized hereby, the Board shall have the authority to levy Special Assessments to satisfy any actual or projected deficiency between the expenses of the Association and the amounts realized through Regular Assessments; provided, however that prior to the turnover meeting described in Article IV, Section 7 and in the bylaws, any special assessment for capital improvements or additions shall be approved by not less than fifty percent (50%) of the votes of the Association. Special Assessments shall be allocated equally over the Lots in the same manner as Regular Assessments. Special Assessments are payable as the Board

may from time to time determine, within thirty (30) days after mailing notice thereof to affected Owners.

Section 6. Limited Assessments. The Association may levy against any Owner a Limited Assessment equal to the costs and expenses incurred by the Association, including legal fees, for corrective action performed pursuant to this Declaration, which is required as a result of the willful or negligent actions or omissions of such Owner or such Owner's tenants, guests, contractors, or invitees.

Section 7. Reserve Funds.

7.1 Reserve Fund for Replacing Certain Improvements. Declarant and Builder shall establish a reserve fund in the name of the Association for replacement, in whole or in part, of any Improvements located in, on, or under the Common Areas for which the Association is responsible pursuant to this Declaration, including Club House roof and exterior painting, that will normally require replacement in more than three (3) and fewer than thirty (30) years. Assessments for the reserve fund under this Section shall begin accruing from the date the first Lot assessed is conveyed by Declarant and/or Builder to an unaffiliated third-party purchaser. Declarant and/or Builder may elect to defer payment, without interest, of the amounts due on Lots it owns until the date of the conveyance of the Lot to an Owner. The book and records of the Association shall reflect the amount owing from the Declarant and/or Builder 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 allocated equally over the Lots. The reserve fund shall be kept separate from other funds and may be used only for maintenance, repair, and replacement of Improvements for which reserves have been established as specified in this Section. However, after the turnover meeting, the Board may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other temporary expenses. Funds borrowed to meet temporary expenses under this Section shall be repaid from Regular or Special Assessments. The Association shall administer the reserve fund and shall adjust, at least annually, the amount of the periodic payments into it to reflect changes in current replacement costs over time. Following the second year after the turnover meeting, future Reserve Fund Assessments may be reduced, eliminated, or increased by an affirmative vote of at least 75 percent (75%) of the Owners. 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 of Directors. The amount of the reserve fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner. In addition, the reserves will be established for the exterior siding and trim painting and repair, gutters and roofs.

7.2 Reserve Study. The Board of Directors shall annually conduct a reserve study, or review and update an existing study, of the components that qualify for reserve funds to determine the requirements of the reserve fund described in Section 7.1 above. 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-year (30) plan with regular and adequate contributions, adjusted for estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule.

Section 8. Enforcement. In addition to the enforcement rights set forth in Article X, the Association shall have the authority to assess reasonable late charges and interest on any past due Annual or Special Assessments. The Association shall be entitled to impose a lien against any Owner's Lot on which assessments have not been paid as set forth in Section 1 above. The Association shall also have the authority to file and foreclose on Assessment Liens for Annual and Special Assessments including interest or late charges thereon. Each assessment or charge levied pursuant to the provisions of this Declaration shall be a separate and personal obligation of the Owner of the Lot against which the assessment is charged or levied and any sale, transfer or conveyance of the Lot shall neither release nor discharge such personal liability. The Association shall have the authority to proceed personally against an Owner if it cannot otherwise collect on any such assessments or charges levied.

Section 9. Foreclosure of Assessment Lien. The Association may initiate an action to foreclose its Assessment Lien in any manner provided by law or in equity. In any action to foreclose an Assessment Lien against any Lot for nonpayment or delinquency of assessments, any judgment rendered against the Owner of such Lot in favor of the Association shall include a reasonable sum for attorneys fees and all costs and expenses reasonably incurred in preparation for or in the prosecution of said action, both at trial, on appeal and on review and in addition to taxable costs permitted by law, such amount to be determined by the court before which the matter is heard. Such amount shall be added to the indebtedness of the Owner and shall be secured by the Assessment Lien related thereto.

ARTICLE XI

Enforcement

Section 1. Generally.

In the event any Owner shall violate any provision of this Declaration, the Bylaws, or any rules or regulations adopted by the Association governing the use of the Property, the Common Area or any other areas, then the Association, acting through the Board may notify the Owner in writing that the violations exist and that such Owner is responsible for them, and may, after affording the Owner reasonable notice and opportunity to be heard, do any or all of the following: (i) suspend the Owner's voting rights for the period that the violations remain unabated, or for any period not to exceed sixty (60) days for any infraction of its rules and

regulations, (ii) impose reasonable fines upon the Owner in the manner and amount the Board deems appropriate in relation to the violation, which fines shall be paid into the reserve fund account, or (iii) bring suit or action against such Owner to enforce this Declaration. Nothing in this Section, however, shall give the Association the right to deprive any Owner of access to and from such Owner's Lot.

Section 2. Nonqualifying Improvements and Violation of General Protective Covenants.

In the event any Owner constructs or permits to be constructed on such Owner's Lot an Improvement contrary to the provisions of this Declaration, or causes or permits any Improvement, activity, condition or nuisance contrary to the provisions of this Declaration to remain uncorrected or unabated on such Owner's Lot, then the Association, acting through the Board, may notify the Owner in writing of any such specific violations of this Declaration and may require the Owner to remedy or abate the same in order to bring the Owner's Lot, the Improvements thereon and the Owner's use thereof into compliance with this Declaration. If the Owner is unable or unwilling to comply with the Association's specific directives for remedy or abatement, or the Owner and the Association cannot agree on a mutually acceptable solution within the framework and intent of this Declaration, after the Owner has been afforded notice and opportunity to be heard, within sixty (60) days after such notice, then the Association, acting through the Board, shall have, in addition to any other rights or remedies provided in this Declaration, at law or in equity, the right to do any or all of the following:

2.1 Fines. Impose reasonable fines against such Owner in the manner and amount the Board deems appropriate in relation to the violation, but to be imposed reasonably and consistently on each Owner according to such standards and such advance notices as the Board may adopt from time to time;

2.2 Remove Cause of Violation. Enter the offending Lot or Residence (which entry shall not subject the Association, the directors of the Association or any agent or representative thereof to liability for trespass, conversion or any other claim for damages) and remove the cause of such violation, or alter, repair or change the item which is in violation of the Declaration in such a manner as to make it conform thereto, in which case the Association may assess such Owner for the entire cost of the work done, which amount shall be payable to the reserve account, provided that no items of construction shall be altered or demolished in the absence of judicial proceedings; and/or

2.3 Suit or Action. Bring suit or action against the Owner on behalf of the Association and other Owners to enforce this Declaration.

Section 3. Remedies cumulative. The remedies provided herein are cumulative, and the Association, the Board, or the ARC, as the case may be, may pursue them separately or

concurrently and may pursue any other remedies that may be available under law or in equity although not expressed herein. Failure to exercise any such remedy shall not be deemed a waiver of such remedy or of any other remedy.

Section 4. Right of Cure and Entry by Association. If an Owner fails to perform maintenance and/or repair that such Owner is obligated to perform pursuant to this Declaration, and if the Board determines, after notice, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of the Property, the Board may cause such maintenance and/or repair to be performed and may enter any such Building Lot whenever entry is necessary in connection with the performance thereof. An Owner may request, and the Board shall conduct, a hearing on the matter. The Owner's request shall be in writing delivered within five (5) days after receipt of the notice, and the hearing shall be conducted within not less than five (5) days nor more than twenty (20) days after the request for a hearing is received. Entry shall be made with as little inconvenience to an Owner as practicable and only after advance written notice of not less than forty-eight (48) hours, except in emergency situations. The costs of such maintenance and/or repair shall be chargeable to the Owner of the Building Lot, which may be collected and enforced as a Limited Assessment.

Section 5. Default in Payment of Assessments: Enforcement of Lien. If an Assessment or other charge levied under this Declaration is not paid within thirty (30) days after its due date, such Assessment or charge shall become delinquent and shall bear interest from the due date until paid at the rate of 12% per annum and, in addition, the Association may exercise any or all of the following remedies:

5.1 Suspension of Rights: Acceleration. The Association may suspend such Owner's voting rights until such amounts, plus other charges under this Declaration, are paid in full and may declare all remaining periodic installments of any Assessment or any other amounts owed by such Owner to the Association immediately due and payable. In no event, however, shall the Association deprive any Owner of access to and from such Owner's Lot.

5.2 Lien. The Association shall have a lien against each Lot for any Assessment levied against such Lot and any fines or other charges imposed under this Declaration or the Bylaws against the Owner of the Lot from the date on which the Assessment, fine or charge is due. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 87.352 to 87.382 shall apply to the Association's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The Association, through its duly authorized agents, may bid on the Lot at such foreclosure sale, and may acquire and hold, lease, mortgage and convey the Lot. If any Assessment is payable in installments, the full amount of the Assessment is a lien from the date the first installment of the Assessment becomes due.

5.3 Suit or Action. The Association may bring an action to recover a money

judgment for unpaid Assessments, fines and charges under this Declaration without foreclosing or waiving the lien described in Section 5.2. Recovery on any such action, however, shall operate to satisfy the lien or the portion thereof, for which recovery is made.

Section 6. Fines. The Board, or the Board acting through the ARC, shall have the authority to levy reasonable fines against an Owner if the Owner fails to remedy a violation of the Declaration after first being requested in writing by Association to comply with the Declaration. Any such fines shall be levied as Special Assessments against the Owner's Lot.

Section 7. ARC Enforcement. Notwithstanding the issuance of any prior ARC approval, if any condition exists that, in the opinion of the majority of the ARC, must be remedied, then the ARC shall issue a notice notifying the Owner of the condition and the requested corrective action ("Compliance Notice"). In the event that prior ARC approval was never obtained, the ARC may issue a Compliance Notice requiring immediate cessation of any unapproved construction or alteration of any Improvement ("Stop Work Order"). If issued a Stop Work Order, the Owner shall immediately comply. If issued any other Compliance Notice, the Owner shall comply in a timely manner, request a meeting with the ARC ("Meeting"), or submit the matter to arbitration. If the Owner does not timely request a meeting or arbitration or fails to timely comply with the Compliance Notice, the ARC shall have the right to perform or authorize performance of the work specified in the Compliance Notice to the Owner and the cost of the work shall be specially assessed to the Owner in the manner provided herein in Article X.

7.1 ARC meetings. The Meeting before the ARC shall be an informal meeting to allow the Owner to discuss the action of the ARC with the ARC. If the Owner chooses to request a Meeting, the Owner shall notify the ARC of its intention to meet with the ARC within five (5) days after the Compliance Notice was given. Such a Meeting may be held in person or as a telephone conversation. The ARC shall have the authority to reduce or waive any fine imposed or to modify the corrective action requested if the Owner demonstrates that it is otherwise in compliance or demonstrates mitigating circumstances that, in the ARC's reasonable discretion, so warrant reduction or modification.

7.2 Arbitration. If the Owner chooses to submit the matter to arbitration, the Owner shall notify the Board of the intention to arbitrate within ten (10) days after the date the Compliance Notice was given. Arbitration initiated pursuant to this Section shall be before three (3) arbitrators each of whom shall be an architect specializing in residential design. Each party shall submit its position to the arbitrators, and the jurisdiction of the arbitrators shall be limited to selecting one of the positions as the prevailing position. The losing party shall pay to the prevailing party its reasonable costs and attorneys fees incurred in any such arbitration. The arbitration shall be in accordance with the rules selected by the parties. By purchasing a Lot subject to this Declaration, the Owner agrees to pay all fees and costs of the arbitration if the Owner loses.

ARTICLE XII

Special Declarant and Builder Rights

Section 1. Notwithstanding any provision herein to the contrary, and without limiting any other special Declarant and Builder rights conferred upon Declarant and Builder hereby, Declarant's and Builders special rights shall include the following:

1.1 Responsibility and control of the Architectural Review Committee and the Association until the turnover meeting described in Article IV, Section 7 and until Declarant and/or Builder no longer own any Lots.

1.2 The right to maintain a sales and management office on the Property on behalf themselves and the Association.

1.3 The right to reserve easement and access rights across the Common Areas for future uses.

1.4 The right to construct additional improvements at Declarant's sole expense in the Common Areas as required to fulfill its commitments herein.

1.5 The right to approve amendments to the Declaration and Bylaws.

1.6 The right to approve special assessments for capital improvements or additions.

ARTICLE XIII

General Provisions

Section 1. Non-Waiver. The Association or any Owner shall have the right to legally or equitably enforce all restrictions, conditions, covenants, reservations and easements now or hereafter imposed pursuant to this Declaration. Failure by the Association or by any Owner to enforce any covenant, condition or restriction contained in this Declaration shall not be deemed to constitute a waiver of the right to do so.

Section 2. Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions that shall remain in effect.

Section 3. Amendment. Prior to the Turnover Date, this Declaration and the Bylaws may be amended unilaterally from time to time by Declarant. Thereafter, this Declaration may be

amended only by an affirmative vote of 66% of the Owners of the Lots. This Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Association or the Owner of any Lot, their respective legal representatives, heirs, successors and assigns, for a term of twenty-five (25) years from the date of this Declaration first written above. After twenty-five (25) years, this Declaration shall be automatically extended for successive periods of ten (10) years each, unless canceled or modified by a recorded instrument signed by 66% of the then Owners of the Lots. For purposes of this Section 3, if there is more than one Owner of any Lot, such Owners shall together be considered a single Owner with respect to such Lot. So long as Declarant and/or Builder own any Lots, any amendment will require their approval prior to becoming effective.

Section 4. No Right of Reversion. Nothing in this Declaration, or in any form of deed which may be used by the Association, or its successors and assigns, in selling said property, or any part thereof, shall be deemed to vest or reserve in the Association any right of reversion or reentry for breach or violation of any one or more of the provisions hereof.

Section 5. Assignment of Rights. Any or all rights, powers and reservations of the Association may be assigned to any other organized corporation or association that will assume the duties of the Association hereunder pertaining to the particular rights, powers and reservations assigned; and upon any such corporation or association evidencing its intent in writing to accept such assignment and assume such duties it shall, to the extent of such assignment, have the same rights and powers and be subject to the same obligations and duties as are given to and assumed by the Association herein. Any such assignment shall not be valid unless approved by a majority of the Board.

Section 6. Notice. Any notices desired or required to be given to an Owner shall be in writing and shall be given personally or by mail postage prepaid, certified or registered mail, return receipt requested and addressed to the Owner. If given by mail, such notice shall be deemed to be given on the date of placing said notice in the mail.

Section 7. Attorneys Fees. In any legal proceeding involving the enforcement of any provision of this Declaration or an interpretation of the rights or liabilities of the Association, or an Owner or occupant, the losing party or parties shall pay the attorneys fees and other reasonable costs of litigation of the prevailing party or parties, both at trial, on appeal and on review, in such reasonable amount as shall be fixed by the court before which the matter is heard.

IN WITNESS WHEREOF, the Declarant has executed this Declaration on the 26 day of SEPTEMBER, 2002.

RIVER CANYON ESTATES LLC

STATE OF OREGON)
County of _____) ss.

This instrument was acknowledged before me this 25 day of Sept, 2002, by Jeff D Smith President of River Canyon, Manager.
Estates LLC



Judy K Harris
NOTARY PUBLIC FOR Oregon
My Commission Expires: 2-13-05

EXHIBIT 'A'

That portion of the East Half of the Northeast Quarter ($E \frac{1}{2} NE \frac{1}{4}$) of Section 13, Township 18 South, Range 11 East of the Willamette Meridian, Deschutes County, Oregon, and that portion of the Southeast Quarter of the Southeast Quarter ($SE \frac{1}{4} SE \frac{1}{4}$) of Section 12, Township 18 South, Range 11 East of the Willamette Meridian, Deschutes County, Oregon, lying between the top of the canyon rim and the Deschutes River.

ALSO, that portion of WAYWEST PROPERTIES, Lot 16, Deschutes County, Oregon, lying between the top of the canyon rim and the Deschutes River.

ALSO, that portion of the East Half of the Southwest Quarter ($E \frac{1}{2} SW \frac{1}{4}$), the Southeast of the Northwest Quarter ($SE \frac{1}{4} NW \frac{1}{4}$) of Section 7, Township 18 South, Range 12 East of the Willamette Meridian, Deschutes County, Oregon, lying between the top of the canyon rim and the Deschutes River.

RIVER CANYON ESTATES