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Karna R. Gustafson

Landye Bennett Blumstein LLP

1300 SW Fifth Avenue, Suite 3500

Portland, OR 97201

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR STONE CREEK**

Declarant: Lands Bend Corp., an Oregon corporation

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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR STONE CREEK**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR STONE CREEK ("Declaration") is created by Lands Bend Corp., an Oregon corporation ("Declarant").

Recitals, Intent and Purpose

Lands Bend Corp., an Oregon corporation ("Declarant"), is the owner in fee simple of the real property described on the attached Exhibit A.

Declarant intends to develop Stone Creek as a Class I planned community, to be used and owned in the manner provided by the Oregon Planned Community Act. Declarant desires to impose these mutually beneficial covenants, conditions, restrictions, easements, assessments and liens on the Property, under a comprehensive general plan of improvement and development for the benefit of all Lots and Common Area in Stone Creek.

Declarant has deemed it desirable for the efficient preservation of the values and amenities in Stone Creek to create a nonprofit corporation, to which will be delegated and assigned the powers and authority to own, maintain and administer the Common Area and Commonly Maintained Property and facilities, and to administer and enforce the covenants, conditions and restrictions of this Declaration, and to collect and disburse the assessments and charges hereinafter created.

NOW THEREFORE, IT IS HEREBY DECLARED that all Lots in Stone Creek shall be held, transferred, sold, conveyed and occupied subject to the Oregon Planned Community Act as may be amended from time to time (ORS 94.550 to 94.783) and subject to the following covenants, conditions, restrictions, easements, charges and liens, which shall run with the land, which shall be binding upon all parties having or acquiring any right, title or interest in the Property as defined in Article 1 or any part thereof, and which shall inure to the benefit of the Association and of each Owner.

**ARTICLE 1
DEFINITIONS**

1.1 "Architectural Review Committee" or "ARC" shall refer to that committee constituted and acting pursuant to Article 6 of this Declaration.

1.2 "Articles" shall mean the Articles of Incorporation for the nonprofit corporation, Stone Creek Homeowners' Association, as filed with the Oregon Secretary of State.

1.3 "Association" shall mean and refer to Stone Creek Homeowners' Association, its successors and assigns.

1.4 “Board” shall mean the Board of Directors of the Association.

1.5 “Bylaws” shall mean and refer to the Bylaws of the Association recorded in the Deschutes County, Oregon, deed records.

1.6 “Common Area” shall mean and refer to Tract B as shown on the plat of Stone Creek, including any improvements located thereon and any Common Area created by annexation of additional property and designation of all as a portion of such property as common area by a supplemental declaration and plat or by acquisition of any common property by the Association.

1.7 “Commonly Maintained Property” shall mean any property owned by a person or entity other than the Association for which the Association has the obligation to maintain, repair and replace. Commonly Maintained Property shall include, but not be limited to, the front yards of each Lot (but not the front yards of the Townhomes), the exteriors of the Townhomes as provided in Section 4.7 herein and the alleys accessing the garages of Homes. The front yard of a Lot shall consist of that portion of the Lot lying toward the street from the corners of the Home constructed on each such Lot. The front yard of a corner Lot shall be that portion of the Lot measured from the two corners of the Home lying closest to each street on which the Lot fronts.

1.8 “Declaration” shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration.

1.9 “Declarant” shall mean and refer to Lands Bend Corp., an Oregon corporation, and its successors or assigns, or any successor or assign to all or the remainder of its interest in the Property.

1.10 “General Plan of Development” shall mean Declarant’s general plan of development of the Property, as described herein and as approved by appropriate governmental agencies, as may be amended from time to time.

1.11 “Home” shall mean and refer to any portion of a structure situated on a Lot and designed and intended for use and occupancy as a residence by a single family or household, including Townhomes.

1.12 “Lot” shall mean and refer to each and any of Lots 1-29 of Stone Creek, a subdivision and planned community located in Bend, Deschutes County, Oregon, and any additional lots subsequently annexed to Stone Creek.

1.13 “Members” shall mean and refer to the Owners of Lots in Stone Creek Homeowners’ Association.

1.14 “Mortgage” means a recorded first mortgage, first trust deed, a first contract of sale that creates a first lien against a Lot, and “mortgagee” means the holder, beneficiary or vendor of such mortgage, trust deed or contract of sale, but only when such holder, beneficiary or vendor notifies the Association in writing of the existence of such mortgage and gives the Association a current name and mailing address.

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

1.16 “Owner” shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession of a Lot under a land sale contract. The foregoing does not include persons or entities that hold an interest in any Lot merely as security for the performance of an obligation.

1.17 “Party Wall” shall mean a Townhome wall which is intended to be constructed on a common Lot line and which functions as a structural component of the Townhomes on either side of a common Lot line.

1.18 “Plat” shall mean and refer to the Plat of Stone Creek recorded in the Plat Records of Deschutes County, Oregon, and any supplemental plat(s) subsequently recorded annexing additional Lots to Stone Creek.

1.19 “Property” shall mean and refer to all Lots and Common Area of Stone Creek existing on the date this Declaration is recorded and all such Lots and Common Area subsequently annexed to Stone Creek.

1.20 “Reserve Account(s)” shall mean and refer to an account set up by the Board to hold funds for construction, improvements or maintenance of any Common Area and the Commonly Maintained Property.

1.21 “Rules and Regulations” shall mean and refer to the documents containing rules and regulations and policies adopted by the Board or the Architectural Review Committee, as may be from time to time amended.

1.22 “Townhome” shall mean a Home constructed with at least one Party Wall located on a common Lot line. Duplexes and triplexes located wholly on one Lot shall not be considered Townhomes. There are no Townhomes in the first phase of Stone Creek. Townhomes may be on Lots in Additional Property annexed to Stone Creek.

ARTICLE 2

PROPERTY SUBJECT TO THIS DECLARATION

2.1 Initial Development. The Property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in Deschutes County, Oregon, and described in that certain Plat maps entitled “Stone Creek”, filed in the plat records of Deschutes County, Oregon. The initial development consists of Lots 1 through 29 and Tract B. Tract A will be retained by the Declarant, is not part of the Property and not subject to this Declaration. Declarant does not intend to build any Common Area improvements other than the clubhouse and pool located on Tract B.

2.2 Annexation of Additional Property. Additional Property may be added by Declarant to Stone Creek without the approval of any other Owner or the Association. Provided, however, such Additional Property must be residential Lots or Common Area, must abut to some portion of the Property or would abut except for intervening public streets or other publicly

owned real property, and must be annexed by a supplemental declaration not later than twenty (20) years from the date the Declaration is recorded. The annexation of such real property shall be accomplished as follows:

2.2.1 Supplemental Declaration. The Owner or Owners of such real property shall record a supplemental declaration which shall be executed by or bear the approval of Declarant and shall among other things, describe the real property to be annexed, establish land classifications for the Additional Property, establish any additional limitations, uses, restrictions, covenants and conditions which are intended to be applicable to such property, and declare that such property is held and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to this Declaration.

2.2.2 Annexed Property a Part of Stone Creek. The property included in any such annexation shall thereby become a part of Stone Creek and the Association shall accept and exercise administration of any supplemental declaration with respect to such property.

2.2.3 Voting Rights of Annexed Lots. Upon annexation, additional Lots so annexed shall be entitled to voting rights as set forth in Section 7.3 below.

2.2.4 Annexed Lot Owners as Members. After complying with the procedures for annexation and upon conveyance of the first Lot in the annexed property to an Owner, Owners of Lots in the annexed property shall be Members, shall be subject to this Declaration and shall be entitled to the use and enjoyment of all Common Area and Commonly Maintained Property in Stone Creek in the manner and for the purpose for which such Common Areas and/or Commonly Maintained Property are intended to be used and enjoyed. The Association shall reallocate the assessments to assess each Owner of a Lot in Stone Creek as provided in Article 10.

2.3 Amendment. After the conversion of Class B membership to Class A membership, this Article may not be amended without the consent of Declarant as long as the Declarant owns a Lot or has a right to annex Additional Property to Stone Creek.

2.4 Annexation With Approval of Membership. In addition to the rights of Declarant pursuant to Section 2.2, the Association or Declarant may subject any real property to the provisions of this Declaration with the consent of the Owner of such property, the affirmative vote of holders of at least seventy-five percent (75%) of the Class A voting power of the Association, and the written consent of the Class B Member, if any. Such annexation shall be accomplished by filing a supplemental declaration in the official records of Deschutes County, Oregon describing the property to be annexed and specifically subjecting it to the terms of this Declaration. Any such supplemental declaration shall be signed by the President and Secretary of the Association and by the Owner of the annexed property. Any such annexation shall be effective upon the filing for record of such supplemental declaration, unless otherwise provided therein.

ARTICLE 3
OWNERSHIP AND EASEMENTS

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

3.2 Ownership of Lots. Title to each Lot in Stone Creek shall be conveyed in fee to an Owner. If more than one person and/or entity owns an undivided interest in the same Lot, such persons and/or entities shall constitute one Owner.

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

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

3.4.1 Easements on Plat. The Lots are subject to the easements and rights-of-way shown on the Plat and on any supplemental plat(s).

3.4.2 Easements for Common Area. Subject to the restrictions contained herein, every Owner shall have a non-exclusive right and easement of use and enjoyment in and to any Common Area. Such easement is subject to ORS 94.665 as may be amended from time to time.

3.4.3 Easements Reserved by Declarant. So long as Declarant owns any Lot, Declarant reserves an easement over, under and across any Common Area and Commonly Maintained Property in order to carry out sales activities necessary or convenient for the sale of Lots. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress to, from, over, in, upon, under and across any Common Area and Commonly Maintained Property and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the improvements on the Property in such a way as not to interfere unreasonably with the occupancy, use, enjoyment or access to an Owner's Lot by such Owner or such Owner's family, tenants, employees, guests or invitees.

3.4.4 Additional Utility and Drainage Easements. Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted or

acquired by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of Stone Creek. No structure, planting or other material that may damage or interfere with the installation or maintenance of utilities, that may change the direction of flow of drainage channels in the easements, or that may obstruct or retard the flow of water through drainage channels in the easement areas shall be placed or permitted to remain within any easement area.

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

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

3.4.7 Perimeter Easement Benefiting Association. Declarant grants to the Association and its duly authorized agents and representatives an easement over that perimeter portion of each Lot that is included within the building setbacks set by applicable ordinances for the purposes of installation, maintenance, repair, and replacement of utilities, communication lines, and drainage. The Board may grant or convey the easements reserved herein to any governmental body or agency and/or any public or private utility company or provider, upon a two-thirds (2/3) vote of the Board members at a duly called and held Board meeting.

3.4.8 Perimeter Easement Benefiting Owners. Every Owner shall have an easement over that perimeter portion of other Lots that is included within the building setbacks set by applicable ordinances as may be reasonably necessary to reach such Owner's Lot for purposes of exterior maintenance and repair of the Owner's Home and for maintaining the landscaping on the Owner's Lot which is not Commonly Maintained Property.

3.4.9 Side Yard Easements. Lots 1 through 29 shall be subject to the following Side Yard Easement: A designation of Active Lot or Passive Lot has been recorded under a Declaration of Side Yard Easement for each of these Lots. The Passive Lot and the Active Lot are adjoining Lots with a common boundary. The Active Lot shall have a perpetual, exclusive easement for the purposes set forth in this Declaration over and upon a strip of land on the Passive Lot ____ feet in width along and adjacent to the common boundary to the rear Lot line of the Passive Lot, but excluding any area between the front Lot line and any fence installed on the Passive Lot with the approval of the Architectural Review Committee (the Easement Area). The Easement Area, however, shall exclude any fireplace chimney chases located with such ____ foot strip and any projections for building roof overhangs or minor building projections.

The Easement Area may be used by the Active Owner as a private yard in conjunction with the Active Lot Owner's side yard, subject to the following restrictions:

(a) No permanent structure of any kind may be placed within Easement Area other than fencing. Patio and parking slabs, if constructed, shall be no closer than three (3) feet from the wall of the Home on the Passive Lot and other than ordinary landscaping features.

(b) The Active Lot Owner may not attach anything to the wall of the Home located on the Passive Lot.

(c) The Active Lot Owner may not engage in any activity that might damage or be detrimental to the Home located on the Passive Lot.

(d) The Active Lot Owner may not change the grade of the Easement Area nor disturb the downspouts or drain tiles located on the Easement Area.

Notwithstanding any other provision of this Side Yard Easement, the Passive Lot Owner shall be entitled to access upon the Easement Area for the purpose of constructing, repairing and maintaining the Home constructed or to be constructed on the Passive Lot. In addition, the Passive Owner shall not be deemed to be in breach of this Side Yard Easement as a result of minor construction encroachments. The Passive and Active Lot Owner shall cooperate in the scheduling of maintenance by Passive Lot Owner within the Easement Area. Access requested by the Passive Lot Owner shall not be unreasonably withheld by the Active Lot Owner. The Active Lot Owner shall be responsible for maintaining the Easement Area in a neat and trimmed condition as part of the Active Owner's Active Side Yard.

In the event of any disputes between the Owners regarding either Owner's use of the Side Yard Easement Area, such dispute shall be submitted to the Board of Directors of the Association, whose determination shall be final.

3.5 Declarant's Right to Dedicate Common Area and Grant Easements; Board's Authority After Title Transferred to Association. Declarant reserves the right and power to dedicate and/or convey any portion or all of the Common Area to any governmental body or agency. Declarant further reserves the right and power to grant an easement over the Common Area to any governmental body or agency or any public or private utility company or provider. Declarant's rights and power under this Section 3.5 shall expire as to each Tract when it is conveyed to the Association. Thereafter, the Board shall have the same powers reserved to Declarant and may exercise such power upon a two-thirds (2/3) or greater vote of the Board members at any duly called and held Board meeting. The provisions of this Section 3.5 shall control over any provisions to the contrary contained in any other Section of the Declaration.

ARTICLE 4

LOTS AND HOMES

4.1 Residential Use. Lots shall only be used for residential purposes. Except with the Board's consent no trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any Lot or in any Home, and no goods, equipment, vehicles, materials or supplies used in connection with any trade, service or business shall be kept or stored on any Lot or in any Home. Nothing in this Section shall be deemed to prohibit (a) activities relating to the sale of residences, (b) the right of Declarant or any contractor or homebuilder to construct

residences on any Lot, to store construction materials and equipment on such Lots in the normal course of construction, and to use any residence as a sales office or model home for purposes of sales in Stone Creek, and (c) the right of the Owner of a Lot to maintain such Owner's personal business or professional library, keep such Owner's personal business or professional records or accounts, handle such Owner's personal business or professional telephone calls or confer with business or professional associates, clients or customers in such Owner's residence. The Board shall not approve commercial activities otherwise prohibited by this Section unless the Board determines that only normal residential activities would be observable outside of the residence and that the activities would not be in violation of applicable local government ordinances.

4.2 Construction of Homes. No construction of a Home or any other structure shall occur on a Lot unless the approval of the ARC is first obtained pursuant to Article 6. Consideration such as siting, shape, size, color, design, height, solar access, or material may be taken into account by the ARC in determining whether or not to consent to any proposed work. The following restrictions are minimum standards applicable to all Lots:

4.2.1 Height. All Homes within Stone Creek shall be subject to the height requirements as set by the Master Plan approved by the City of Bend;

4.2.2 Floor Area. The square footage area of a Home shall not be less than the minimum standards as provided in the ARC Architectural Standards, which shall be exclusive of unfinished basements, attics, patios, decks, porches, balconies and garages;

4.2.3 Setbacks. All Homes within Stone Creek shall be subject to the setback requirements as set by the Master Plan approved by the City of Bend.

4.3 Completion of Construction. The construction of any building on any Lot, including painting and all exterior finish, shall be completed within twelve (12) months from the beginning of the construction so as to present a finished appearance when viewed from any angle. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval from the ARC. If construction has not commenced within three (3) months after the project has been approved by the ARC, the approval shall be deemed revoked unless the Owner has applied for and received an extension of time from the ARC.

4.4 Construction Debris. Every contractor building any improvement upon any Lot or any Common Area shall furnish trash containers and at all times shall keep the premises free from accumulation of trash and scrap caused by construction. Trash shall not be allowed outside a designated trash and scrap area and any that does intrude beyond shall be cleaned up immediately. Upon completion of the work, all remaining trash and scrap shall be disposed of legally. Tools, construction equipment, machinery, and surplus materials shall be removed from the site. The Association, ARC or Declarant shall be entitled to enter upon any construction site within Stone Creek and to clean up, remove and dispose of materials on-site, to charge the contractor for any costs incurred by the Association, ARC or Declarant in performing such acts, and to recover such costs and attorneys' fees and costs whether or not a legal action against the contractor is filed. Such costs incurred by the Association, ARC or Declarant shall be lienable as an assessment as elsewhere provided herein.

4.5 Construction Activities and Noise. Construction activities shall not take place before 10:00 a.m. or after 4:00 p.m. on Sundays and the following holidays: New Year's Day, Memorial Day, 4th of July, Labor Day, Thanksgiving Day and Christmas Day. Holiday hours shall be announced by the Association. Radios are not allowed on construction sites. Pets shall not be permitted on any construction site.

4.6 Landscaping. Landscaping for all portions of the Lot shall commence within one hundred twenty (120) days after sale of a Home from the developer or builder to a third party, and shall be completed within six (6) months after such sale. Each Owner other than Declarant shall obtain the ARC's prior approval of all landscaping plans before commencing installation of any landscaping. This Section shall apply to Lots with finished Homes being held for sale as well as to other Lots. The Association shall maintain the front yards of each detached, duplex or triplex Home, but not for any Townhomes Lot. Provided, however, Owners are responsible for plant replacement and irrigation repairs and replacement. Townhome Lot Owners shall be responsible for all landscaping on their Lot, including plant replacement and irrigation repairs and replacement. Owners shall irrigate their entire yard to keep lawns green and other landscaping fresh. The Association may irrigate from hose bibs connected to individual Homes of Owners who fail to properly irrigate their yards. If plantings on any Lot have died or are dying, the Owner shall replace them. If the Owner fails to do so, the Association may replace the plantings and may assess the Owner for the cost as an assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.7 Maintenance.

4.7.1 Detached Homes, Duplexes and Triplexes. Except for those improvements that are the responsibility of the Association to maintain as elsewhere provided herein, each Owner shall maintain, repair and replace such Owner's Home, Lot and all improvements thereon. Such improvements shall be kept in a clean and attractive condition, in good repair and in such fashion as not to create a fire hazard. Such maintenance by the Owner shall include, without limitation, maintenance of windows, doors, screens, garage doors, siding, roofs, accessory buildings, driveways, walks, patios, chimneys, back yard landscaping, trees, irrigation systems and other exterior improvements and glass surfaces. All repainting or restaining and exterior remodeling shall be subject to prior review and approval by the ARC.

4.7.2 Townhomes. Except as provided herein, each Owner shall maintain, repair and replace such Owner's Townhome, Lot and all improvements thereon. Such improvements shall be kept in a clean and attractive condition, in good repair and such fashion as not to create a fire hazard. The Association's responsibility for maintenance, repair and replacement is limited to: (i) roof shingles, gutters, and downspouts located on the exterior of Townhomes; and (ii) exterior siding and trim surface paint (but not glass, locks, doors, windows, or the mechanical operation of doors, garage doors or windows, or replacement of siding or trim). Each Townhome Lot Owner shall, at his/her sole expense, provide all other maintenance, repair and replacement supplies, materials and services, including without limitation: (i) window and door (including garage doors) maintenance, paint, mechanical operation, glass repair, locks, and lock repair; (ii) repair and/or replacement of siding and/or trim; (iii) mechanical, electrical, fire suppression sprinkler systems, and plumbing systems maintenance, repair and replacement; and (iv) asphalt, stone, concrete and flatwork maintenance and repair. Without intention to limit

the generality of the foregoing in any respect, each Owner shall promptly make or perform, or cause to be made or performed, all maintenance work, repairs and replacements that shall be necessary or desirable in order to accomplish the foregoing. Nothing shall be altered or constructed on or removed from the exterior of a Townhome except with the consent of the ARC.

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

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

4.8.2 Minimum Rental Period. The period of the rental or lease is not less than thirty (30) days;

4.8.3 Tenant Must be Given Documents. The Owner gives each tenant a copy of the Declaration, Bylaws and Rules and Regulations.

4.9 Animals. No animals, livestock or poultry (except not more than two (2) hen laying chickens, but no roosters shall be permitted) of any kind, other than a reasonable number of household domestic pets domestic (dogs and cats) that are not kept, bred or raised for commercial purposes and that are reasonably controlled so as not to be a nuisance, shall be raised, bred, kept or permitted within any Lot. Any chickens shall be kept in a clean enclosure in the back yard of a Lot. Excluded from the foregoing restriction shall be birds, fish, small reptiles and small animals which are kept in cages or tanks which are permanently kept within the interior of a Home. Any Lot Owner who maintains any pet upon any portion of Stone Creek shall be deemed to have agreed to indemnify and hold the Association, each of its members and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet. Such Owner shall further abide by all governmental sanitary laws and regulations, leash and other local and state laws relating to pets and rules or regulations of the Association created by the Board of Directors. The Board of Directors shall have the right to order any person whose pet is a nuisance or a danger to others to remove such pet from the premises upon the delivery of the third notice in writing of a violation of any rule, regulation or restriction governing pets within Stone Creek. All pets shall be registered and inoculated as required by law.

4.10 Nuisance. No noxious, harmful or offensive activities shall be carried on upon any Lot or any Common Area. Nor shall anything be done or placed on any Lot or any Common Area that interferes with or jeopardizes the enjoyment of, or that is a source of annoyance to, the Owner or other Occupants. No outside burning of leaves, debris, trash, garbage or household refuse shall be permitted. Owners and Occupants shall exercise extreme care about creating disturbances, making noises or using musical instruments, radios, televisions and amplifiers that may disturb other Owners and Occupants. Owners and Occupants shall keep all parts of their respective Lots in a clean and sanitary condition, free of any accumulation of rubbish, refuse or

garbage and free of any fire hazard and shall not cause any accumulation of rubbish, refuse or garbage or any fire hazard on any other part of the Property. Owners and Occupants shall place all of their rubbish, refuse and garbage inside disposal containers. No Owner shall make or permit any use of such Owner's Lot or of any Common Area that will increase the cost of insurance upon any Common Area. Subject to compliance with existing laws and regulations and provided no damage to Common Area or Commonly Maintained Property occurs and no cost to the Association is incurred, Owners may grow marijuana plants within the interior of their Homes. No marijuana plants may be grown, in pots or otherwise, outside of a Home and no marijuana plants may be placed or planted on the exterior of the Home or Lot for any period of time. Smoking of marijuana is prohibited on Common Area and Lots except within the interior of a Home.

4.11 Parking. Boats, trailers, commercial vehicles, mobile homes, campers, and other recreational vehicles or equipment, regardless of weight, shall not be parked on any part of any Common Area, or on any streets on or adjacent to the Property at any time or for any reason, including loading or unloading, and may not be parked on any Lot, including the driveway, for more than seven (7) days unless they are fully enclosed in the garage or parked alongside the Home behind a six foot fully enclosed fence which may not extend beyond the front of the Home or garage. Owners must obtain prior approval to install such screening fence from the ARC.

4.12 Vehicles in Disrepair. No Owner shall permit any vehicle that is in a state of disrepair (e.g. including, but not limited to, fails to run, cannot be moved under its own power in current condition, flat tires, unpainted or body parts missing) or that is not currently licensed to be abandoned or to remain parked upon any Common Area or on any street on or adjacent to the Property at any time and may not permit them on a Lot for a period in excess of seven (7) days. A vehicle shall be deemed in a "state of disrepair" when the Board reasonably determines that its presence offends the occupants of the neighborhood. If an Owner fails to remove such vehicle within five (5) days following the date on which the Association mails or delivers to such Owner a notice directing such removal, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner as an assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.13 Signs. No signs shall be erected or maintained on any Lot except that not more than one (1) "For Sale" or "For Rent" sign placed by the Owner or by a licensed real estate agent, not exceeding twenty-four (24) inches high and thirty-six (36) inches long, may be temporarily displayed on any Lot. The restrictions contained in this Section shall not prohibit the temporary placement of "political" signs on any Lot by the Owner or Occupant. Provided, however, political signs shall be removed within three (3) days after the election day pertaining to the subject of the sign. Real estate signs shall be removed within three (3) days after the sale closing date.

4.14 Rubbish and Trash. No Lot or part of any Common Area shall be used as a dumping ground for trash or rubbish of any kind. All garbage and other waste shall be kept in appropriate containers for proper disposal and out of public view. Yard rakings, dirt and other material resulting from landscaping work shall not be dumped onto streets, any Common Area or any other Lots. If an Owner fails to remove any trash, rubbish, garbage, yard rakings or any similar materials from any Lot, any streets or any Common Area where deposited by such Owner or the Occupants of such Owner's Lot after notice has been given by the Board to the Owner, the Association may have such materials removed and charge the expense of such removal to the Owner. Such charge shall constitute an assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.15 Fences and Hedges. No fences or boundary hedges shall be installed or replaced without prior written approval of the ARC.

4.16 Service Facilities. Service facilities (garbage containers, fuel tanks, clotheslines, etc.) shall be screened such that such facilities are not visible at any time from the street. All telephone, electrical, cable television and other utility installations shall be placed underground in conformance with applicable law and subject to approval by the ARC. No on-site storage of gasoline, heating or other fuels or any flammable liquids or gases shall be permitted on any part of a Lot or the Property, including any Home, except that up to five (5) gallons of fuel may be stored in each Home for emergency purposes and for the operation of lawn mowers and similar tools or equipment.

4.17 Antennas and Satellite Dishes. Except as otherwise provided by law or this Section, no exterior antennas, satellite dishes, microwave, aerial, tower or other devices for the transmission or reception of television, radio or other forms of sound or electromagnetic radiation shall be erected, constructed or placed on any Home, Common Area or Lot. Exterior satellite dishes with a surface diameter of one (1) meter or less and antennas designed to receive television broadcast signals or multi-channel multi-point distribution (wireless cable), may be placed on an Owner's Home or Lot. They shall be screened from neighboring Lots to the extent possible. The Board or ARC may adopt reasonable rules and regulations governing the installation, safety, placement and screening of antennas, satellite dishes and other similar devices. However, this section and any rules adopted hereunder shall not unreasonably delay or increase the cost of installation, maintenance or use, or preclude reception of a signal of acceptable quality.

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

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

4.20 Grades, Slopes and Drainage. There shall be no interference with the established drainage patterns or systems over or through any Lot within Stone Creek so as to affect any other

Lot or any Common Area or any real property outside Stone Creek unless adequate alternative provision is made for proper drainage and is approved by the ARC. The term "established drainage" shall mean the drainage swales, conduits, inlets and outlets designed and constructed for Stone Creek.

4.21 Damage or Destruction to Home and/or Lot. If all or any portion of a Lot or Home is damaged by fire or other casualty, the Owner shall either (i) restore the damaged improvements or (ii) remove all damaged improvements, including foundations, and leave the Lot in a clean and safe condition. Any restoration proceeding under (i) above must be performed so that the improvements are in substantially the same condition in which they existed prior to the damage, unless the provisions of Article 6 are complied with by the Owner. The Owner must commence such work within sixty (60) days after the damage occurs and must complete the work within six (6) months thereafter.

4.22 Right of Maintenance and Entry by Association. If an Owner fails to perform maintenance and/or repair that such Owner is obligated to perform pursuant to this Declaration, and if the Board determines, after notice, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of Stone Creek, the Board may cause such maintenance and/or repair to be performed and may enter any such Lot whenever entry is necessary in connection with the performance thereof. An Owner may request that the Board arrange for 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 Lot as an assessment, which may be collected and enforced as any other assessments authorized hereunder.

4.23 Association Rules and Regulations. The Board from time to time may adopt, modify or revoke such Rules and Regulations governing the conduct of persons and the operation and use of Lots and any Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property and the administration and operation of the Association. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and occupants of all Lots upon the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws of the Association. Subject to approval or consent by the Board, the ARC may adopt rules and regulations pertinent to its functions.

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

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

4.26 Declarant Exemptions. The Declarant shall be exempt from the application of Sections 4.13 and 4.25.

4.27 Accessory Buildings. All accessory buildings and structures shall require prior approval of the ARC. All accessory buildings and structures shall be designed, constructed and maintained compatible with the exterior materials, character and style of the Home. The ARC may require the accessory buildings to be painted the same color as the Home.

ARTICLE 5

COMMON AREA AND COMMONLY MAINTAINED PROPERTY

5.1 Use of Common Area and Commonly Maintained Property. Use of any Common Area or Commonly Maintained Property is subject to the provisions of the Declaration, Bylaws, Articles and the Rules and Regulations adopted by the Board. There shall be no obstruction of any part of any Common Area or Commonly Maintained Property. Nothing shall be stored or kept in any Common Area or Commonly Maintained Property without the prior written consent of the Board. No alterations or additions to any Common Area or Commonly Maintained Property shall be permitted without the prior written consent of the Board.

5.2 Maintenance of Common Area and Commonly Maintained Property. The Association shall be responsible for maintenance, repair, replacement, and upkeep of any Common Area and Commonly Maintained Property. The Association shall keep any Common Area and the Commonly Maintained Property in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure maintenance thereof.

5.3 Funding. Expenditures for alterations, maintenance or repairs to an existing improvement for which a reserve has been collected shall be made from the Reserve Account. As provided in Section 10.5, the Board may levy a special assessment to fund any construction, alteration, repair or maintenance of an improvement (or any other portions of any Common Area and Commonly Maintained Property) for which no reserve has been collected or for which the Reserve Account is insufficient to cover the cost of the proposed improvement.

5.4 Landscaping. All landscaping on Common Area or Commonly Maintained Property shall be maintained and cared for in a manner that is consistent with Declarant's or the ARC's original approval of such landscaping. Weeds and diseased or dead lawn, trees, ground cover or shrubs shall be removed and replaced. All landscaping shall be irrigated in a horticulturally proper manner, subject to water use restrictions or moratoria by government bodies or agencies.

5.5 Condemnation of Common Area. If all or any portion of any Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain or by purchase in lieu of eminent domain, the entire award shall be received by and expended by the Board in a manner that, in the Board's discretion, is in the best interest of the Association and the Owners. The Association shall represent the interest of all Owners in any negotiations, suit, action or settlement in connection with such matters.

5.6 Damage or Destruction of Common Area or Commonly Maintained Property. If all or any portion of the Common Area or Commonly Maintained Property is damaged or destroyed by an Owner or any of Owner's guests, Occupants, tenants, licensees, agents or members of Owner's family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner hereby authorizes the Association to repair such damage. The Association shall repair the damage and restore the area in workmanlike manner as originally constructed or as may be modified or altered subsequently by the Association in the discretion of the Board. Reasonable costs incurred in connection with effecting such repairs shall become a special assessment upon the Lot and against the Owner who caused or is responsible for such damage.

ARTICLE 6

ARCHITECTURAL REVIEW COMMITTEE

6.1 Architectural Review. No improvement shall be commenced, erected, placed or altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the improvement have been submitted to and approved in writing by the ARC. This Article's purpose is to assure quality of workmanship and materials and harmony between exterior design and the existing improvements and landscaping and as to location with respect to topography and finished grade elevations. The ARC shall not be responsible for determining compliance with structural and building codes, solar ordinances, zoning codes or other governmental regulations, all of which are the applicant's responsibility. The procedure and specific requirements for review and approval of construction shall be set forth in design guidelines and standards adopted from time to time by the ARC. The provisions of this Article shall apply in all instances in which this Declaration requires the ARC's consent.

6.2 Architectural Review Committee, Appointment and Removal. Declarant reserves the right to appoint all members of the ARC and all replacements thereto until Stone Creek is one hundred percent (100%) built out, including all Lots that are or may be annexed by a supplemental declaration and plat. Each ARC member shall serve for one (1) year. After build out, or such earlier time as the Declarant may elect in writing, Declarant shall assign to the Board the right to appoint and remove members of the ARC. After the Declarant assigns the right to appoint the members of the ARC to the Board, the ARC shall consist of no fewer than three (3) members and no more than five (5) members, a majority of who must be Owners. Non-owner members of the ARC must have some special skill or experience that makes them helpful to the ARC process. The Board may appoint itself as the ARC or any of its members to the ARC. If an ARC has not been appointed, the Board shall serve as the ARC.

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

6.4 Duties. The ARC shall consider and act upon the proposals and/or plans submitted pursuant to this Article. The ARC, from time to time and at its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards").

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

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

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

6.8 Appeal. After Declarant has assigned to the Board the right to appoint ARC members, pursuant to Section 6.2, any Owner adversely impacted by action of the ARC may appeal such action to the Board. Such appealing Owner shall submit to the Board a written notice of appeal, setting forth specific objections or mitigating circumstances justifying the appeal, to the Board within ten (10) days after the ARC's action. The Board shall issue a final, conclusive decision within forty-five (45) days after receipt of such notice, and such decision shall be final and binding upon the appealing Owner and the ARC. Provided, however, the Board shall make reasonable efforts to reach a decision within twenty (20) days. If the Board is serving as the ARC, then such appeal shall be deemed a request for reconsideration.

6.9 Effective Period of Consent. The ARC's consent to any proposed work shall automatically expire three (3) months after issuance unless construction of the project has been commenced or the Owner has applied for and received an extension of time from the ARC.

6.10 Determination of Compliance. The ARC may inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of noncompliance and shall require the Owner to remedy the noncompliance.

6.11 Noncompliance. If the ARC determines that an Owner has not constructed an improvement consistent with the specifications of an ARC approval or has constructed an improvement without obtaining ARC approval, sends a notice of noncompliance to such Owner,

and such Owner fails to commence diligently remedying such noncompliance in accordance with such notice, then, effective at 5 p.m. on the third (3rd) day after issuance of such notice, the ARC shall provide notice of a hearing to consider the Owner's continuing noncompliance. The hearing shall be set not more than thirty (30) days from the date on which the notice of noncompliance was issued. At the hearing, if the ARC finds that there is no valid reason for the continuing noncompliance, the ARC shall determine the estimated costs of achieving compliance and may issue a fine against the noncomplying Owner for such amount. The ARC also shall require the Owner to remedy such noncompliance within ten (10) days after the date of the ARC's determination. If the Owner does not comply with the ARC's ruling within such period or any extension thereof granted by the ARC, at its sole discretion, the ARC may remove the noncomplying improvement, remedy the noncompliance, and/or record a notice of noncompliance in the county deed records. The costs of any such action shall be assessed against the Owner as an assessment either before or after any remedial action is taken.

6.12 Liability. Neither the ARC nor any member thereof shall be liable to any person or entity 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 ARC or the member has, in accordance with its or his actual knowledge, acted in good faith.

6.13 Fees. The ARC may charge applicants a reasonable application fee and additional costs incurred or expected to be incurred by the ARC to retain architects, attorneys, engineers and other consultants to advise the ARC concerning any aspect of the applications and/or compliance with any appropriate architectural criteria or standards. Such fees shall be collectible as assessments pursuant to Article 10.

6.14 Declarant and Successor Exempt From ARC. The Declarant or a successor to all of the unsold Lots shall be exempt from the requirement to submit and have plans approved by the ARC. However, the Declarant and its successor shall not be exempt from the provisions of Article 4 of the Declaration, except as set forth in Sections 4.26.

ARTICLE 7

MEMBERSHIP IN THE ASSOCIATION

7.1 Members. Each Owner shall be a member of the Association. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of any Lot. Transfer of ownership of a Lot shall transfer automatically membership in the Association. Without any other act or acknowledgment, Occupants and Owners shall be governed and controlled by this Declaration, the Articles, Bylaws, and the Rules and Regulations of the Association and any amendments thereof.

7.2 Proxy. Each Owner may cast such Owner's vote in person, by written ballot or pursuant to a proxy executed by such Owner. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one (1) year after its date, unless the proxy specifies a shorter term.

7.3 Voting Rights. The Association shall have two (2) classes of voting members:

7.3.1 Class A. Class A members shall be all Owners of Lots other than Declarant, and each Class A member shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote.

7.3.2 Class B. The Class B member shall be Declarant, its successors and assigns. The Class B member shall have three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the earlier of the following dates (the "Termination Date"):

- (a) Twenty (20) years after the date of this Declaration was recorded; and
- (b) At such earlier time as Declarant elects in writing to terminate Class B membership.

After the Termination Date, each Owner, including Declarant, shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots subject to this Declaration, initially or through annexation.

When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event shall fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum.

7.4 Procedure. All meetings of the Association, the Board, the ARC, and Association committees shall be conducted with such rules of order as may from time to time be adopted by the Board. Notwithstanding which rule of order is adopted, the President shall be entitled to vote on all matters, not merely to break a tie vote. A tie vote does not constitute a majority or approval of any motion or resolution.

7.5 Professional Management. The Board shall employ a professional manager to manage the affairs of the Association. A decision to establish self-management shall require prior approval of the Owners of Lots to which sixty-seven percent (67%) of the votes in the Association are allocated.

ARTICLE 8

DECLARANT CONTROL

8.1 Interim Board and Officers. Declarant hereby reserves administrative control of the Association. Declarant, in its sole discretion, shall have the right to appoint and remove members of an interim board (the "Interim Board"), which shall manage the affairs of the Association and be invested with all powers and rights of the Board until the Turnover Meeting (as hereinafter defined). The Interim Board shall consist of from one (1) to three (3) members. Notwithstanding the provision of this Section, at the Turnover Meeting, at least one (1) Director

shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all three (3) Directors.

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

8.2.1 Twenty Years. The date twenty (20) years from the date the Declaration is recorded;

8.2.2 Optional Turnover. At such time as Declarant has elected in writing to terminate Class B membership.

Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. If Declarant does not call the Turnover Meeting required under this Section, the Transitional Advisory Committee or any Owner may do so.

ARTICLE 9

DECLARANT'S SPECIAL RIGHTS

9.1 General. Declarant is undertaking the work of developing Lots and other improvements within Stone Creek. The completion of the development work and the marketing and sale of the Lots is essential to the establishment and welfare of the Property as a residential community. Until the Homes on all Lots on the Property, including Additional Property that may be annexed, have been constructed, fully completed and sold, with respect to any Common Area, Commonly Maintained Property and each Lot on the Property, Declarant shall have the special rights set forth in this Article 9.

9.2 Marketing Rights. Declarant shall have the right to maintain a sales office and model on one or more of the Lots which Declarant owns. Declarant and prospective purchasers and their agents shall have the right to use and occupy the sales office and models during reasonable hours any day of the week. Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, on any Common Area.

9.3 Declarant Easements. Declarant reserves easements over the Property as more fully described in Section 3.3 hereof.

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

9.5 Control of the ARC. Declarant shall have the right, but not the obligation, to control all aspects of the ARC, including the appointment of all ARC members and the approval, modification or adoption of the Architectural Standards as described in Article 6 herein.

ARTICLE 10
FUNDS AND ASSESSMENTS

10.1 Purpose of Assessments; Expenses. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, aesthetics and welfare of the Owners and Occupants of Stone Creek for the maintenance of the Townhome as provided in Section 4.7, for the improvement, operation and maintenance of any Common Area and the Commonly Maintained Property, for the payment of obligations of the Association, for the administration and operation of the Association and for property and liability insurance.

10.2 Covenants to Pay. Each Owner covenants and agrees to pay the Association the assessments and any additional charges levied pursuant to this Declaration or the Bylaws. All assessments for operating expenses, repairs and replacement and reserves shall be allocated among the Lots and their Owners as set forth in Section 10.4.2. Each Lot is subject to a contribution to working capital as set forth in the Bylaws.

10.2.1 Funds Held by Association. The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely as set forth in Section 10.1. The assessments are the property of the Association and are not refundable to Owners or Lots.

10.2.2 Offsets. No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

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

10.3 Basis of Assessment; Commencement of Assessments. The periodic assessment against the Lots and Owners thereof shall be based on the budget adopted by the Association pursuant to Section 10.4.1 below. All Lots shall be exempt from assessment until the first day of a calendar month after a Home has been constructed on the Lot and is first occupied for residential purposes.

10.4 Periodic Assessments. Assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. Assessments shall be levied on a periodic basis determined by the Declarant. The fiscal year shall be the calendar year unless another year is adopted by vote of the Association members. Unless otherwise specified by the Board, assessments shall be due and payable on the first day of the period for which they are assessed.

10.4.1 Budgeting. Regardless of the number of Members or the amount of assets of the Association, each year the Board shall prepare, approve and make available to each Member a pro forma operating statement (budget) containing: (i) estimated revenue and expenses; (ii) the amount of the total cash reserves of the Association currently available for replacement or major repair of any Common Area, Commonly Maintained Property and for contingencies; (iii) an itemized estimate for the remaining life of, and the methods of funding to

defray repair, replacement or additions to major components of any Common Area and Commonly Maintained Property as provided in Section 10.6.2; and (iv) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of any Common Area and Commonly Maintained Property. For the first fiscal year, the budget shall be approved by the Board no later than the date on which the assessments are scheduled to commence. Thereafter, the Board shall annually prepare and approve the budget and distribute a copy thereof to each Member, together with written notice of the amount of the period assessments to be levied against the Owner's Lot, not less than thirty (30) days after adoption of such budget.

10.4.2 Allocation of Assessments.

10.4.2.1 General Assessments. General assessments shall be all Association expenses and reserves except those which are exclusive to the Townhomes as provided in Section 10.4.2.3 or that constitute alley assessments as provided in Section 10.4.2.2. The Townhomes shall be subject to the general assessments in addition to the Townhome assessments. General assessments shall be charged equally against all Lots subject to assessment. A Lot is not subject to assessment until the first day of a calendar month after a Home has been constructed on the Lot and is first occupied for residential purposes.

10.4.2.2 Alley Assessments. Alley assessments are in addition to general assessments and shall be all Association expenses and reserves related to the maintenance, repair and replacement of the alleys serving Homes (not Townhomes). Certain Homes are served by an alley which constitutes Commonly Maintained Property. Only those Homes which are served by such alley shall be subject to the alley assessment, which shall be charged equally to all such Lots subject to assessment. A Lot is not subject to assessment until a Home is constructed and is first occupied for residential purposes.

10.4.2.3 Townhome Assessments. Townhome assessments are in addition to general assessments and shall be charged equally against all Townhome Lots subject to assessment. Townhome assessment shall be for expenses and reserves relating to maintenance, repair or replacement of the Townhome for which the Association has responsibility, the alleys serving only the Townhomes, insurance for the Townhome as provided in the Bylaws and any other Association expense related solely to the Townhomes. A Townhome Lot is not subject to assessment until the first day of the calendar month after a Townhome has been constructed on a Lot and first occupied for residential purposes.

10.4.2.4 Declarant Contribution Optional. The Declarant, in its sole discretion, may contribute funds to the Association to reduce assessments to Lots that are subject to assessment. If it does so, the Declarant shall provide at least sixty (60) days' notice to the Association before it discontinues such contributions.

10.4.2.5 Reallocation Upon Annexation of Property. In the event Additional Property is made subject to this Declaration, the expenses and reserves shall be reallocated to those Lots subject to assessment as set forth herein.

10.4.3 Nonwaiver of Assessments. If before the expiration of any fiscal year the Association fails to fix annual assessments for the next fiscal year, the assessments established for the preceding year shall continue until a new assessment is fixed.

10.5 Special Assessments. The Board and/or the Owners shall have the power to levy special assessments against an Owner or all Owners in the following manner for the following purposes:

10.5.1 Correct Deficit. To correct a deficit in the operating budget, by vote of a majority of the Board;

10.5.2 Special Obligations of an Owner. To collect amounts due to the Association from an Owner for breach of the Owner's obligations under this Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

10.5.3 Repairs. To collect additional amounts necessary to make repairs or renovations to any Common Area or Commonly Maintained Property if sufficient funds are not available from the operating budget or replacement reserve accounts, by vote of a majority of the Board;

10.5.4 Capital Improvements. To make capital acquisitions, additions or improvements, by vote of at least eighty percent (80%) of all votes allocated to the Lots; or

10.6 Accounts.

10.6.1 Types of Accounts. Assessments collected by the Association shall be deposited into at least two (2) separate accounts with a bank, which accounts shall be clearly designated as (i) the Current Operating Account and (ii) the Reserve Account. The Board shall deposit or cause to be deposited those portions of the assessments collected for current maintenance and operation into the Current Operating Account and shall deposit those portions of the assessments collected as reserves for major maintenance, repair, replacement and deferred maintenance of capital improvements into the Reserve Account. Withdrawal of funds for the Association's Reserve Account shall require the signatures of either two (2) Directors or one (1) Director and an officer of the Association who is not a Director. In its books and records, the Association shall account separately for operating expenses relating to any Common Area/Commonly Maintained Property and operating expenses relating to all other matters, as well as for necessary reserves relating to any Common Area/Commonly Maintained Property and necessary reserves relating to all other matters.

10.6.2 Reserve Account. Declarant shall establish a Reserve Account, in the name of the Association, which shall be kept separate from all other funds held by the Association. The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair or replacement of any Common Area property and Commonly Maintained Property that normally requires major maintenance, repair or replacement, in whole or in part, within one (1) to thirty (30) years and not for regular or periodic

maintenance and expenses. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes.

10.6.2.1 Calculation of Reserve Assessment; Reserve Study. The reserve assessment is based on the estimated remaining life and current replacement cost of any Common Area property and Commonly Maintained Property which normally requires major maintenance, repair or replacement, in whole or in part, within one (1) to thirty (30) years. Not less often than annually, the Board of Directors shall inventory all items of any Common Area and Commonly Maintained Property and shall estimate the remaining life of each item and the current replacement cost of each of such items. The total Reserve Account assessment shall be equal to the sum of the estimated major maintenance repair or replacement cost of each item which has an estimated life of greater than one (1) but less than thirty (30) years, divided by the estimated number of years of life for such item. The Board of Directors shall establish a thirty (30)-year plan for maintenance, repair and replacement of any Common Area and Commonly Maintained Property with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair, and replacement schedule. The Board of Directors shall, within thirty (30) days after conducting the reserve study, provide to every Owner a written summary of the reserve study and of any revisions to the thirty (30)-year plan adopted by the Board of Directors or the Declarant as a result of the reserve study. The reserve account assessment shall be allocated pursuant to Section 10.4.2. The Board of Directors shall annually conduct a reserve study and a maintenance plan for the common elements, or review and update an existing study of any Common Area or Commonly Maintained Property to determine the reserve account requirements.

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

10.6.2.3 Investment of Reserve Account. Nothing in this Section prohibits the prudent investment of Reserve Account funds, subject to any constraints imposed by the Board, the Bylaws, the Rules and Regulations or the Oregon Planned Community Act.

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

10.6.2.5 Reserves on Declarant Owned Lots. If a Lot owned by the Declarant becomes subject to assessment as provided in Section 10.4.2, the Declarant may accrue the reserve portion of the assessment until the Lot is sold to a third party not affiliated with the Declarant.

10.6.3 Current Operating Account. All costs other than those to be paid from the Reserve Account pursuant to Section 10.6.2 may be paid from the Current Operating Account.

10.7 Default in Payment of Assessments; Enforcement of Liens.

10.7.1 Personal Obligation. All assessments properly imposed under this Declaration or the Bylaws shall be the joint and several personal obligation of all Owners of the Lot to which such assessment pertains. In a voluntary conveyance (that is, one other than through foreclosure or a deed in lieu of foreclosure), the grantees shall be jointly and severally liable with the grantors for all Association assessments imposed through the recording date of the instrument effecting the conveyance. A suit for a money judgment may be initiated by the Association to recover such assessments without either waiving or foreclosing the Association's lien.

10.7.2 Association Lien. The Association shall have a lien against each Lot for any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof that is delinquent. The Association's lien shall accumulate all future assessments or installments, reimbursement assessments, interest, late fees, penalties, fines, attorneys' fees (whether or not suit or action is instituted), actual administrative costs, and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Recording of the Declaration constitutes record notice and perfection of the lien. Said lien may be foreclosed at any time pursuant to the Planned Community Act. The Association shall record a notice of a claim for assessments and other charges in the deed records of Deschutes County, Oregon, before any suit to foreclose may be filed. The lien of the Association shall be superior to all other liens and encumbrances except property taxes and assessments, any first mortgage, first deed of trust or land sale contract.

10.7.3 Interest; Fines; Late Fees; Penalties. The Board, in its reasonable discretion, may from time to time adopt resolutions to set the rate of interest and to impose late fees, fines and penalties on delinquent assessments or for violations of the provisions of this Declaration, the Bylaws, Architectural Standards and the Rules and Regulations adopted by the Board or the ARC. The adoption of such impositions shall be communicated to all Owners in writing not less than thirty (30) days before the effective date by a notice mailed to the assessment billing address of such Owners. Such impositions shall be considered assessments that are lienable and collectible in the same manner as any other assessments; provided, however, that fines or penalties for violation of this Declaration, the Bylaws or any rule and regulation, other than late fees, fines or interest arising from an Owner's failure to pay regular or special assessments may not be imposed against an Owner or such Owner's Lot until such Owner is given an opportunity for a hearing as elsewhere provided herein.

10.7.4 Acceleration of Assessments. If an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, upon not less than ten (10) days' written notice to the Owner, may accelerate the due date of the full annual assessment for that fiscal year and all future installments of any special assessments.

10.7.5 Association's Right to Rents; Receiver. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of such Owner's Lot or shall be entitled to the appointment of a receiver.

ARTICLE 11

PARTY WALL AND EASEMENTS

11.1 General Rules of Law to Apply. To the extent not inconsistent with the provisions of this Article 11, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply to each Party Wall that is built as part of the original construction of the Townhomes and any replacements thereof.

11.2 Easement. In the event that any Party Wall originally constructed by Declarant shall encroach upon or protrude over an adjoining Lot, the Lot Owner of such adjoining Lot shall be conclusively deemed to have granted a perpetual easement to the Lot Owner of such Party Wall for the maintenance and use of the structure in question. No Owner shall maintain any action for the removal of such a structure or any action for damages as a result of such encroachment or protrusion. The foregoing shall also apply to any replacements of any Party Wall, if the same are constructed in substantial conformance with the structure as originally constructed.

11.3 Sharing of Repair and Maintenance Costs. The reasonable cost of repair and maintenance of a Party Wall shall be shared equally by the Owners who make use of the structure in question.

11.4 Restoration of Damaged Wall. If a Party Wall is damaged by fire or other casualty or by physical deterioration, and such damage is not otherwise covered by insurance, each Owner who has used such structure shall be jointly and severally responsible for the restoration of the same, subject however, to the right of such Owners to call for a larger contribution from the others under any ruse of law regarding liability for negligent or willful acts or omissions.

11.5 Weatherproofing. Notwithstanding any other provision of this Article 11, a Lot Owner who, by his negligent or willful acts, causes any Party Wall to be exposed to the elements, shall bear the whole cost of furnishing the necessary protection against such elements. Either Lot Owner may restore it, and shall have an easement over the adjoining Lot for purposes of making such restoration. The Lot Owner sharing the exposed Party Wall shall contribute equally to the cost of restoration thereof, without prejudice, however to the right of either Lot Owner to call for a larger contribution from the other Lot Owner under any rule of law regarding liability for negligent or willful acts or omissions.

11.6 Destruction by Fire or Other Casualty. If a Party Wall is destroyed by fire or other casualty, the Lot Owners shall restore the improvements thereon to their condition as it existed immediately prior to destruction. Lot Owners shall submit plans for reconstruction for

plan review as provided in Article 6. Submitted plans shall be reviewed under the procedure set forth in Article 6.

11.7 No Right to Remove or Alter. No Lot Owner shall have the right to remove or alter any Townhome or Party Wall without the written consent of adjoining Party Wall Lot Owner(s), and the written consent of the Declarant, or if after the Turnover Meeting, written consent of the Association, acting through its Board.

11.8 Interior Alteration. No alteration of any Townhome shall occur that may affect any Party Wall, bearing wall, ceiling, roof, foundation, column, girder, beam, support, or main wall, without the express written permission of the Lot Owner of any Townhome with an adjoining Party Wall, and the written permission of the Declarant. No alteration is allowed that may impair the structural integrity or mechanical systems of any Townhome or lessen the support of any portion of any Townhome.

11.9 Easements of Subjacent Support and Necessity. Each Townhome shall have easements of subjacent support and necessity with respect to, and the same shall be subject to such easements in favor of, all of the other Townhomes.

ARTICLE 12

GENERAL PROVISIONS

12.1 Records. The Board shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board also shall keep detailed and accurate financial records, including individual assessment accounts of Owners, the balance sheet, and income and expense statements. Individual assessment accounts shall designate the name and address of the Owner or Owners of the Lot, the amount of each assessment as it becomes due, the amounts paid upon the account, and the balance due on the assessments. The minutes of the Association, the Board and Board committees, and the Association's financial records shall be maintained in the state of Oregon and reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

12.2 Delegation to a Master Association. The Association may, pursuant to a resolution adopted by the Board, delegate any of the powers of the Association under the Planned Community Act, the Declaration and/or Bylaws to a master association and the master association may exercise such power. The Association may contract with the master association to perform any obligations or duties of the Association, the cost of which shall be charged to the Association.

12.3 Indemnification of Directors, Officers, Employees and Agents. The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that such person is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses

(including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if such person acted in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that such person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe that such person's conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

12.4 Enforcement; Attorneys' Fees. The Association and the Owners and any mortgagee holding an interest on a Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens and charges now or hereinafter imposed by any of the provisions of this Declaration as may appertain specifically to such parties or Owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter. In the event suit or action is commenced to enforce the terms and provisions of this Declaration (including without limitations, for the collection of assessments), the prevailing party shall be entitled to its actual administrative costs incurred because of a matter or event which is the subject of the suit or action, attorneys' fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal, the cost of the appeal, together with reasonable attorneys' fees, to be set by the appellate court. In addition thereto, the Association shall be entitled to its reasonable attorneys' fees and costs incurred in any enforcement activity or to collect delinquent assessments, together with the Association's actual administrative costs, whether or not suit or action is filed.

12.5 Construction Defect Claim Procedure. No litigation shall be commenced against the Declarant, contractor or builder of the Home or any Owner of a Lot in respect to any alleged defect in a Home or on any Common Area except in compliance with the process set forth in ORS 701.560 to 701.595 and ORS 701.605.

12.6 Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall not affect the other provisions hereof and the same shall remain in full force and effect.

12.7 Duration. The covenants, conditions and restrictions of this Declaration shall run with and bind the land for a term of thirty-five (35) years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of ten (10)

years, unless rescinded by a vote of at least ninety percent (90%) of the Owners and ninety percent (90%) of the first mortgagees; provided, however, that amendments that do not constitute rescission of the planned community may be adopted as provided in Section 12.8.

12.8 Amendment. Except as otherwise provided in Section 12.7 or ORS 94.590, and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than seventy-five percent (75%) of the total votes. Any amendment must be executed, recorded and certified as provided by law; provided, however, that no amendment of this Declaration shall effect an amendment of the Bylaws or Articles without compliance with the provisions of such documents, and the Oregon Nonprofit Corporation Act and that no amendment affecting the general plan of development or any other right of Declarant herein contained may be effected without the express written consent of Declarant or its successors and assigns, including, without limitation, amendment of this Section.

12.9 Release of Right of Control. Declarant may give up its right of control in writing at any time by notice to the Association.

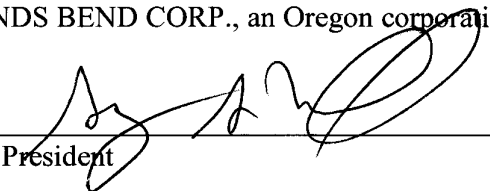
12.10 Unilateral Amendment by Declarant. In addition to all other special rights of Declarant provided in this Declaration, Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee or provide financing in connection with development of the Property and sale of Lots. Prior to the Turnover Meeting, no such amendment shall require notice to or approval by any Class A member.

12.11 Resolution of Document Conflicts. In the event of a conflict among any of the provisions in the documents governing Stone Creek, such conflict shall be resolved by looking to the following documents in the order shown below:

- (a) Declaration;
- (b) Articles;
- (c) Bylaws;
- (d) Rules and Regulations.

DATED this 14 day of April, 2016.

LANDS BEND CORP., an Oregon corporation

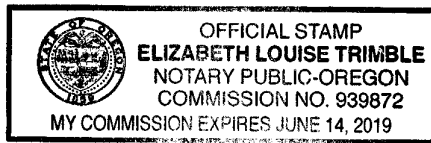
By: 
Its: President

STATE OF OREGON)
) ss.
County of Deschutes)

April 14, 2016

Personally appeared before me the above-named Gary Miller who, being duly sworn, did say that he is the President of Lands Bend Corp., an Oregon corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors; and they acknowledged said instrument to be its voluntary act and deed.

Elizabeth L Trimble
Notary Public for Oregon



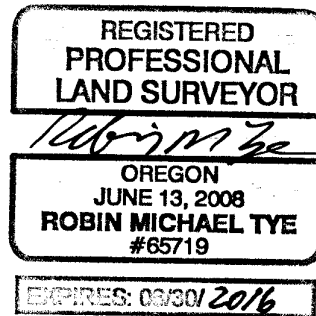
STONE CREEK, PHASE 1

EXHIBIT "A"

A portion of Parcel Three (3) of Partition Plat 2014-4 Located in the Northeast One-Quarter of the Northwest One-Quarter (NE 1/4 NW 1/4) of Section Nine (9), Township Eighteen (18) South, Range Twelve (12) East, Willamette Meridian, City of Bend, Deschutes County, Oregon, said portion being more particularly described as follows:

Commencing at the Southwest corner of said Parcel 3, said point being the TRUE POINT OF BEGINNING; thence along the West line of said Parcel 3 North 00°32'17" East 260.34 feet; thence leaving said West line East 80.00 feet; and North 00°32'16" East 45.00 feet; and South 89°27'44" East 60.00 feet; and North 00°32'16" East 55.23 feet; and East 415.02 feet to the Northwest corner of Stone Creek Lane right-of-way; thence along the said right-of-way South 00°32'16" West 360.02 feet to the most Southerly Southeast corner of said Parcel 3; thence leaving said right-of-way along the most Southerly South line of said Parcel 3 West 338.75 feet; and along the arc of a tangent 135.00 foot radius curve to the right 104.48 feet, the chord of which bears North 67°49'43" West 101.89 feet; and South 44°20'35" West 53.77 feet; and West 84.34 feet to the TRUE POINT OF BEGINNING.

Containing 4.29 acres, more or less.



Sun Country Engineering & Surveying, Inc.