



AFTER RECORDING, RETURN TO:

Arrowood Tetherow, LLC
250 NW Franklin Ave., Suite 201
Bend, OR 97701

**DECLARATION OF ANNEXATION TO
TETHEROW
(Heath Homesites, Phase 2)**

THIS DECLARATION OF ANNEXATION TO TETHEROW is made as of this 19th day of December 2007, by **ARROWOOD TETHEROW, LLC**, an Oregon limited liability company ("**Declarant**"), and **TD CASCADE HIGHLANDS, LLC**, an Oregon limited liability company ("**Neighborhood Declarant**").

Recitals

A. Declarant is the declarant under the Declaration of Covenants, Conditions, Restrictions and Easements for Tetherow recorded October 3, 2007 in the Records of Deschutes County, Oregon, as Document No. 2007-53418 (the "**Master Declaration**"). The definitions contained in the Master Declaration are hereby adopted by reference. Further, Declarant is the declarant and Neighborhood Declarant is the neighborhood declarant under that certain Declaration of Annexation to Tetherow (Heath Homesites, Phase 1) recorded October 3, 2007 in the Records of Deschutes County, Oregon, as Document No. 2007-53419 by which Heath Homesites was designated a Neighborhood for purposes of the Master Declaration.

B. Neighborhood Declarant has now caused the plat of Tetherow Phase 3 to be recorded. Pursuant to Section 2.2 of the Master Declaration, Declarant wishes to annex a portion of the property thereof as described in "**Exhibit A**" attached hereto, to Tetherow as "Additional Property" and subject the same to the Master Declaration, and to designate the Additional Property as Phase 2 of the Neighborhood known as "Heath Homesites." Neighborhood Declarant is the owner and will be the developer of the Additional Property. This Declaration shall be a Neighborhood Declaration for purposes of the Master Declaration.

NOW, THEREFORE, Declarant and Neighborhood Declarant hereby declare as follows:

1. **PROPERTY ANNEXED.** Declarant and Neighborhood Declarant hereby declare that all of the Additional Property described in Exhibit A shall be annexed to Tetherow and the Master Declaration as Additional Property and that such Additional Property is held and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to the Master Declaration.

Recorded by Western Title as an
accommodation only. No liability
accepted for condition of title or
validity, sufficiency or affect of
document. B

2. **LAND CLASSIFICATIONS.** All of the land within the Additional Property annexed hereby is included in one or another of the following classifications:

(a) Units, which shall consist of Lots 115 through 128, Lots 130 through 148, and Lots 154 through 202 of the plat of Tetherow Phase 3.

(b) Common Areas which shall include CA Tract J as shown on the plat of Tetherow Phase 3.

(c) Neighborhood Common Areas, which shall be CA Tract M, CA Tract N, CA Tract P, and all private roads within the plat of Tetherow Phase 3. In addition, the Walk Easement on Lot 186 as shown on the plat of Tetherow Phase 3 shall be Neighborhood Common Area. Such easement shall be maintained by the Association as provided in Section 5.12 of the Master Declaration, and no Improvement shall be erected or maintained by any Owner so as to trespass or encroach upon such easement.

3. **NEIGHBORHOOD DESIGNATION.** Pursuant to Section 3.1 of the Master Declaration, the Additional Property is hereby designated as Phase 2 of the Neighborhood known as "Heath Homesites."

4. **ADDITIONAL RESTRICTIONS.** In addition to the restrictions contained in the Master Declaration, the Additional Property shall be subject to the following restrictions:

4.1 **Single Family Residential Restriction.** The use of all Units within the Additional Property is restricted exclusively to single family residences.

4.2 **Social/Athletic Membership in Club.** Pursuant to Section 3.11 and 4.3 of the Master Declaration, all Owners within the Additional Property must maintain at least a Social/Athletic Membership in the Club.

5. **NEIGHBORHOOD DECLARANT.** The Neighborhood Declarant for Heath Homesites is TD Cascade Highlands, LLC for purposes of the Master Declaration.

6. **NEIGHBORHOOD ASSESSMENTS.** The costs of maintenance of the Neighborhood Common Area, together with the costs of enforcing the restrictions contained in this Declaration, including reasonable administrative costs relating thereto, shall be Neighborhood Expenses and shall be assessed to each Unit within the Additional Property on an equal basis as Neighborhood Assessments and enforced as such under this Declaration.

7. **ASSESSMENT FOR GATES.** All costs for maintenance, repair or replacement of roadway gates within Heath Homesites shall be assessed equally to all Units served by gated roadways within Heath Homesites, which assessments shall be Individual Assessments, as defined in the Master Declaration.

8. **AMENDMENT.**

8.1 This Declaration may be amended by either of the following methods: (a) by amendment of the Master Declaration in accordance with the terms thereof, or (b) prior to the

date that all of the Units in the Additional Property have been conveyed to Owners other than a successor Declarant, by a vote or written consent of the Owners of 75 percent of the Units in the Additional Property, together with the written consent of the Class B member, if such Class B membership has not been terminated as provided in the Master Declaration.

8.2 In no event shall an amendment under this Section 8 create, limit or diminish special Declarant rights without Declarant's written consent, or change the boundaries of any Unit or any uses to which any Unit is restricted under this Declaration or change the method of determining liability for common expenses, the method of determining the right to common profits or the method of determining voting rights of any Unit unless the Owners of the affected Units unanimously consent to the amendment. Declarant may not amend this Declaration to increase the scope of special Declarant rights reserved in this Declaration after the sale of the first Unit of the Additional Property unless Owners representing 75 percent of the Units, other than Declarant, agree to the amendment.

8.3 Any such amendment shall become effective only upon recordation in the Deed of Records of Deschutes County, Oregon of a certificate of the president and secretary of the Association setting forth in full the amendment so approved and certifying that such amendment has been approved in the manner required by the Master Declaration or this Declaration, as applicable, and ORS 94.590, and acknowledged in the manner provided for acknowledgement of deeds.

IN WITNESS WHEREOF, Declarant and Neighborhood Declarant have executed this Declaration of Annexation as of the day first written above.

ARROWOOD TETHEROW, LLC,
an Oregon limited liability company

By: 

TD CASCADE HIGHLANDS, LLC,
an Oregon limited liability company

By: _____

date that all of the Units in the Additional Property have been conveyed to Owners other than a successor Declarant, by a vote or written consent of the Owners of 75 percent of the Units in the Additional Property, together with the written consent of the Class B member, if such Class B membership has not been terminated as provided in the Master Declaration.

8.2 In no event shall an amendment under this Section 8 create, limit or diminish special Declarant rights without Declarant's written consent, or change the boundaries of any Unit or any uses to which any Unit is restricted under this Declaration or change the method of determining liability for common expenses, the method of determining the right to common profits or the method of determining voting rights of any Unit unless the Owners of the affected Units unanimously consent to the amendment. Declarant may not amend this Declaration to increase the scope of special Declarant rights reserved in this Declaration after the sale of the first Unit of the Additional Property unless Owners representing 75 percent of the Units, other than Declarant, agree to the amendment.

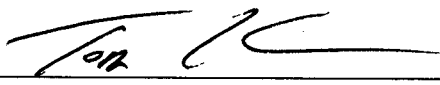
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IN WITNESS WHEREOF, Declarant and Neighborhood Declarant have executed this Declaration of Annexation as of the day first written above.

ARROWOOD TETHEROW, LLC,
an Oregon limited liability company

By: _____

TD CASCADE HIGHLANDS, LLC,
an Oregon limited liability company

By: 
Manager

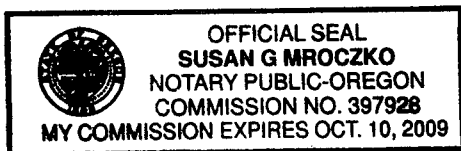
STATE OF)
)ss.
County of)

The foregoing instrument was acknowledged before me this ____ day of _____,
20____, by _____, _____ of Arrowood
Tetherow, LLC, an Oregon limited liability company, on its behalf.

Notary Public for Oregon

STATE OF Oregon)
County of Deschutes)ss.

The foregoing instrument was acknowledged before me this 20th day of December
2007, by DONALD N BAUMGARTER, MANAGER of Arrowwood
Tetherow, LLC, an Oregon limited liability company, on its behalf.



[Signature]
Notary Public for Oregon

My commission expires: 10-10-09

STATE OF _____)
County of _____)ss.

The foregoing instrument was acknowledged before me this _____ day of _____,
20____, by _____, _____ of TD Cascade
Highlands, LLC, an Oregon limited liability company, on its behalf.

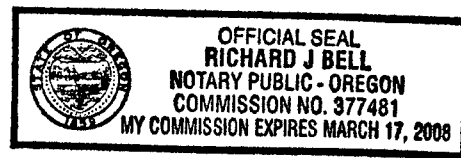
Notary Public for Oregon

My commission expires:

STATE OF Oregon)
)ss.
County of Lane)

The foregoing instrument was acknowledged before me this 20th day of December,
2007 by Thomas C. Connor Jr., Manager of TD Cascade
Highlands, LLC, an Oregon limited liability company, on its behalf.

Richard J. Bell
Notary Public for Oregon
My commission expires: March 17, 2008



CONSENT

iSTAR FM LOANS LLC, a Delaware limited liability company as the beneficiary under that certain Line of Credit Trust Deed Deed of Trust and Fixture Filing dated May 26, 2006 executed by TD Cascade Highlands, LLC, an Oregon limited liability company for the benefit of Fremont Investment & Loan, a California industrial bank and recorded on May 26, 2006, as Instrument No. 2006-36803 in Deschutes County Official Records (as amended, the "Deed of Trust") which Deed of Trust was assigned to iStar pursuant to that certain Assignment and Assumption Agreement recorded on July 6, 2007 as Document No. 2007-37867 in Deschutes County Official Records, hereby consents to the within Declaration and consents to the Additional Property being subject to the Master Declaration.

iSTAR FM LOANS LLC, a Delaware limited liability company

By [Signature]
Its Vice President

STATE OF California)
)ss.
County of Orange)

The foregoing instrument was acknowledged before me this 19th day of December, 2007, by Bert H. Houches, _____ of iSTAR FM LOANS, LLC, a Delaware limited liability company, on its behalf.

[Signature]
Notary Public for Orange County
My commission expires: 10-3-10

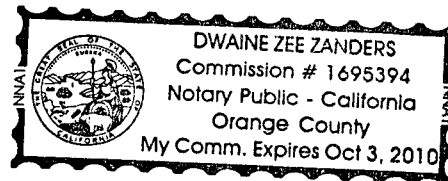


Exhibit A

Additional Property

Lots 115 through 128, Lots 130 through 148, and Lots 154 through 202, Common Area Tract "J", "N", "M" and "P", and all private roads as shown on the plat of Tetherow Phase 3 recorded in the Records of Deschutes County, Oregon on December 31, 2007 as Document No. 2007-66277.

Neighborhoods and Land Classifications Within Additional Property

Neighborhood: Heath Homesites

Units: Lots 115 through 128, Lots 130 through 148, and Lots 154 through 202

Common Areas: CA Tract "J"

Neighborhood Common Areas: CA Tract "M", CA Tract "N", CA Tract "P", all private roads within the plat of Tetherow Phase 3, and the Walk Easement on Lot 186 as shown on the plat of Tetherow Phase 3

Restricted Areas: None

Excluded Areas: None