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**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR
DISCOVERY WEST**

**Declarant: NWX2 LLC,
an Oregon limited liability company**

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Exhibits to Declaration

Exhibit A – Property Description

Exhibit B – Bylaws of the Association

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR DISCOVERY WEST

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR DISCOVERY WEST is made and executed on this 30th day of December 2019 by NWX2 LLC, an Oregon limited liability company ("Declarant").

Declarant is the owner of the real property located in the City of Bend, Deschutes, Oregon and legally described on the attached **Exhibit A**. Declarant desires to establish a planned community on the property known as "Discovery West."

NOW THEREFORE, Declarant hereby declares that the real property described on the attached **Exhibit A**, and any property subsequently annexed into this Declaration (collectively, the "Property") shall be held, sold and conveyed subject to the covenants, conditions, restrictions, and easements declared below, which shall run with the real property and shall benefit and be binding upon all parties having or acquiring any right, title or interest in the real property or any part thereof.

1. DEFINITIONS

The terms specified below shall have the following meanings when used in this Declaration:

1.1 "Alley Residential Lot"

"Alley Residential Lot" means any Lot designated on a Plat, in a Supplemental Declaration or in a Declaration of Annexation as an "Alley Residential Lot".

1.2 "ALRC"

"ALRC" means the Architectural and Landscape Review Committee established pursuant to Section 17.

1.3 "Architectural Guidelines"

"Architectural Guidelines" shall mean and refer to any or all of the following, as the context indicates: Multiple-Family Architectural Guidelines, Residential Architectural Guidelines, Commercial Architectural Guidelines, and Residential Mixed-Use Architectural Guidelines.

1.4 "Architectural Review"

"Architectural Review" means all architectural, design and landscaping review pursuant to Section 17 of this Declaration and all other actions or activities of the ALRC pursuant to this Declaration.

1.5 "Articles"

"Articles" mean the Articles of Incorporation of the Association filed with the Corporation Division of the Oregon Secretary of State, as amended from time to time.

1.6 "Assessment"

"Assessment" means any assessment levied against one or more Owners by the Association for payment of expenses relating to the Property and shall include Regular Assessments, Special Assessments, Corrective Assessments, LCE Assessments, Reserve Assessments and Working Fund Assessments as those terms are defined herein.

1.7 "Association"

"Association" means Discovery West Owners Association, an Oregon nonprofit mutual benefit corporation, formed for the purposes set forth in this Declaration, the Bylaws and the Articles.

1.8 "Association Landscaping"

"Association Landscaping" means all landscaping and all irrigation systems and all utilities pertaining to landscaping located in the Common Areas, including all grass, sod, ground cover, flower and plant beds, planter strips, trees, shrubs, bushes and other plantings.

1.9 "Board"

"Board" means the duly elected (or appointed, as applicable) Board of Directors of the Association.

1.10 "Building"

"Building" means a building other than a Home, and which is constructed on a Commercial Lot, a Multiple-Family Lot, or a Residential Mixed-Use Lot.

1.11 "Bylaws"

"Bylaws" mean the Bylaws of the Association, as amended from time to time. The initial Bylaws are attached hereto as **Exhibit B**.

1.12 "City"

"City" means the City of Bend, Oregon.

1.13 "Commercial Architectural Guidelines"

"Commercial Architectural Guidelines" means the Architectural Guidelines described in Sections 8.7.1 and Section 17 for Commercial Lots.

1.14 "Commercial Lot"

"Commercial Lot" means any Lot designated on a Plat, in a Supplemental Declaration, or in a Declaration of Annexation as a "Commercial Lot."

1.15 "Common Areas"

"Common Areas" mean the real property, to be owned by the Association for the common benefit of the Owners. The Common Areas will be designated as such in a Supplemental

Declaration, a Declaration of Annexation, or on a Plat. The Declarant has the right to designate such Common Areas as Declarant may elect without limitation.

1.16 "Common Maintenance Areas"

"Common Maintenance Areas" mean the Common Areas and any other property that the Association is required to maintain pursuant to this Declaration, a Supplemental Declaration, a Declaration of Annexation, or that the Board deems necessary or appropriate for the Association to maintain for the common benefit of the Owners, including without limitation, those areas described in Section 11.1.

1.17 "Conversion Date"

"Conversion Date" means the date upon which Class E membership shall cease and be converted to Class A, Class B, Class C, or Class D, membership, as applicable. Such date shall be upon election in writing by Declarant, recorded in the official records of Deschutes County, Oregon. The property that may be annexed into Discovery West is identified in Section 15.1.1.

1.18 "Corrective Assessment"

"Corrective Assessment" means an assessment levied against an Owner by the Association for costs and expenses incurred by the Association for corrective action performed pursuant to this Declaration that is required as a result of the willful or negligent actions or omissions of the Owner or the Owner's tenants, family members, guests, contractors, or invitees.

1.19 "Declarant"

"Declarant" means NWX2 LLC, an Oregon limited liability company, and its successors or assigns who acquire any of the rights reserved for Declarant in this Declaration or the Bylaws or assume any of the duties or obligations of Declarant under this Declaration or the Bylaws. If less than all of Declarant's rights and obligations under this Declaration or the Bylaws are transferred to a successor or assign, then the successor or assign shall only be deemed a Declarant with respect to those rights or obligations that are specifically assigned or assumed by the successor or assign. One or more persons or entities may be a Declarant.

1.20 "Declarant Party"

"Declarant Party" means an individual or entity to whom Declarant conveys one or more Lots while such individual or entity holds an ownership interest, either directly or indirectly, in Declarant. Declarant may, but shall not be required to, designate an individual or entity as a Declarant Party in any deed, and such designation shall be definitive in determining whether the grantee qualifies as a Declarant Party. Declarant's failure to designate an individual or entity as a Declarant Party shall not prevent such individual or entity from receiving the benefit of the status.

1.21 "Declaration"

"Declaration" means this Declaration of Covenants, Conditions, Restrictions and Easements for Discovery West, and any amendments and supplements thereto made from time to time in accordance with its terms.

1.22 "Declaration of Annexation"

"Declaration of Annexation" shall have the meaning given to such term in Section 15.1.3 below.

1.23 "Declaration of Withdrawal"

"Declaration of Withdrawal" shall have the meaning given to such term in Section 16.2 below.

1.24 "Directors"

"Directors" means the duly elected and/or appointed members of the Board of Directors of the Association. The Directors shall include one (1) Commercial Director, who shall be elected by the Owners of the Commercial Lots; one (1) Multiple-Family Director, who shall be elected by the Owners of the Multiple-Family Lots; four (4) Residential Directors, who shall be elected by the Owners of the Residential Lots; and one (1) Residential Mixed-Use Director, who shall be elected by the Owners of the Residential Mixed-Use Lots, all in accordance with Section 3.7 and the Bylaws.

1.25 "Discovery West"

"Discovery West" means the planned community comprised of the Property and all Improvements located thereon.

1.26 "Guild Builder"

"Guild Builder" means one or more licensed builders designated in writing by Declarant as a "Guild Builder" with special rights defined by Declarant from time to time. Declarant may name additional Guild Builders or revoke Guild Builder status from time to time at Declarant's sole discretion.

1.27 "Home"

"Home" means a dwelling unit located on a Residential Lot and any associated Improvements.

1.28 "Improvement"

"Improvement" means every structure or improvement of any kind, including without limitation, Homes, Buildings, sidewalks, driveways, fences, walls, works of art, trees, hedges, exterior lighting, plantings and other landscaping, changes in exterior color or shape, site work (such as, without limitation, excavation, grading and utility improvements), and all other product of construction efforts (such as, without limitation, alterations, renovations and reconstruction) on or with respect to the Property or any portion thereof.

1.29 "Initial Term"

"Initial Term" has the meaning given it in Section 19.1.

1.30 "Limited Common Expense Assessments" or "LCE Assessments"

"Limited Common Expense Assessments" or "LCE Assessments" means an assessment levied for a common expense or any part of a common expense that benefits fewer than all of the Lots, as designated in a Supplemental Declaration or in a Declaration of Annexation, or as determined in the sole discretion of the Declarant (before Turnover) or the Board (after Turnover). LCE Assessments include the costs associated with Limited Common Elements.

1.31 "Limited Common Elements"

"Limited Common Elements" means those portions of the Common Maintenance Areas that benefit fewer than all categories of Lots, as determined by the Declarant in its sole discretion in a Supplemental Declaration or in a Declaration of Annexation, or as determined by the Board in its sole discretion. The costs and expenses for Limited Common Elements shall be assessed against the benefited Lots rather than against all Lots. The initial Limited Common Elements are the alleys. The cost of maintaining and repairing all alleys shall be assessed equally against all Alley Residential Lots; subject, however, to the right of the Board to assess individual Lots for costs incurred as a result of the gross negligence or willful misconduct of the Owner of the Lot or his or her respective family members, tenants or invitees.

1.32 "Lot"

"Lot" means each Lot, as depicted on any Plat, and any other platted or partitioned lot designated as a "Lot" in a Supplemental Declaration or in a Declaration of Annexation, and includes all Improvements located thereon. Lot includes Multiple-Family Lots, Commercial Lots, Residential Mixed-Use Lots, and Residential Lots. Neither Common Areas nor areas deeded to a governmental authority or utility shall constitute a "Lot."

1.33 "Member"

"Member" means each member of the Association and shall include every Owner of a Lot. There shall be at least four (4) classes of membership in the Association, Class A, Class B, Class C, and Class D, together with any additional classes established by Declarant pursuant to a Declaration of Annexation, as described in Section 3.3 below.

1.34 "Multiple-Family Architectural Guidelines"

"Multiple-Family Architectural Guidelines" means the Architectural Guidelines described in Sections 8.6.1 and 17 for Multiple-Family Lots.

1.35 "Multiple-Family Lot"

"Multiple-Family Lot" means any Lot designated on a Plat, in a Supplemental Declaration, or in a Declaration of Annexation as a "Multiple-Family Lot".

1.36 "Non-Alley Residential Lot"

"Non-Alley Residential Lot" means any Residential Lot designated on a Plat, in a Supplemental Declaration or in a Declaration of Annexation as a "Non-Alley Residential Lot".

1.37 "Nonprofit Corporation Act"

"Nonprofit Corporation Act" means the Oregon Nonprofit Corporation Act (ORS 65.001 to 65.990), as amended from time to time.

1.38 "Owner"

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

1.39 "Phase"

"Phase" means a portion of the Property that has been partitioned or subdivided pursuant to a plat approved by the City of Bend and recorded in the official records of Deschutes County, Oregon, regardless of whether the Phase was partitioned/subdivided before or after it became a portion of the Property.

1.40 "Planned Community Act"

"Planned Community Act" means the Oregon Planned Community Act (ORS 94.550 to 94.783), as amended from time to time.

1.41 "Plat"

"Plat" means any plat recorded in the official records of Deschutes County covering any real property subject to this Declaration, together with any amendments to any of the foregoing.

1.42 "Property"

"Property" means the real property located in the City of Bend, Deschutes County, Oregon and legally described on the attached **Exhibit A** and such additions thereto as may be brought within the jurisdiction of the Association and made subject to this Declaration pursuant to a Declaration of Annexation.

1.43 "Recreational Vehicle" or "RV"

"Recreational Vehicle" or "RV" means a motor vehicle or trailer that includes living quarters designed for accommodation. In the event of a dispute as to what constitutes an "RV", the determination of the Declarant (before Turnover) or the Board (after Turnover) shall be definitive.

1.44 "Regular Assessment"

"Regular Assessment" means an assessment by the Association against all Owners to provide for the payment of all estimated normal expenses of the Association for the performance of the Association's duties as provided in this Declaration or the Bylaws.

1.45 "Residential Architectural Guidelines"

"Residential Architectural Guidelines" means the Architectural Guidelines described in Sections 8.9.1 and 17 for Residential Lots.

1.46 "Residential Lot"

"Residential Lot" means any Lot designated on a Plat, in a Supplemental Declaration, or in a Declaration of Annexation as a "Residential Lot". A Residential Lot is not a Multiple-Family Lot, a Commercial Lot or a Residential Mixed-Use Lot. When used herein, "Residential Lot" shall mean and include Alley Residential Lots and Non-Alley Residential Lots, unless the language or context otherwise specifically indicates otherwise.

1.47 "Residential Mixed-Use Architectural Guidelines"

"Residential Mixed-Use Architectural Guidelines" means the Architectural Guidelines described in Sections 8.8.1 and 17 for Residential Mixed-Use Lots.

1.48 "Residential Mixed-Use Lots"

"Residential Mixed-Use Lots" means any Lot designated on a Plat, in a Supplemental Declaration, or in a Declaration of Annexation as a "Residential Mixed-Use Lot".

1.49 "Reserve Assessment"

"Reserve Assessment" means an assessment by the Association against all Owners to establish and maintain the reserve funds pursuant to Section 6.

1.50 "Rules and Regulations"

"Rules and Regulations" means the Rules and Regulations, if any, governing the use and operation of the Property adopted by the Board pursuant to this Declaration or the Bylaws, as amended from time to time. Each Lot is only subject to those Rules and Regulations that are applicable to other Lots in the same Class. For example, Commercial Lots are only subject to the Rules and Regulations duly adopted for the Commercial Lots.

1.51 "Special Assessment"

"Special Assessment" means an assessment against all Owners in the event that the Regular Assessment for any particular year is or will become inadequate to meet the expenses of the Association.

1.52 "Special Declarant Rights"

"Special Declarant Rights" mean those rights reserved for Declarant in Section 13.

1.53 "Supplemental Declaration"

"Supplemental Declaration" shall have the meaning given it in Section 2.2 below.

1.54 "Turnover Meeting"

"Turnover Meeting" means the meeting of the Owners called pursuant to the Bylaws for the purpose of turning over control of the Association from the Declarant to the Members other than the Class E Members.

1.55 "Working Fund Assessment"

"Working Fund Assessment" means an assessment due and payable to the Association upon the initial sale of each Lot to an Owner other than a Declarant, a Declarant Party, or a Guild Builder, in accordance with Section 5.7 below. Declarant shall have the right to impose or waive such Working Fund Assessment on a Phase-by-Phase basis.

2. DECLARATION

2.1 Property Covered.

The property that is covered by and is hereby made subject to this Declaration is the Property.

2.2 Development Plan; Supplemental Declarations.

2.2.1 The Property subject to this Declaration will be platted in Phases. No portion of the Property shall constitute a Lot or Common Area under this Declaration unless and until it is platted as part of a Phase, and Declarant has recorded a Supplemental Declaration (each, a "Supplemental Declaration") with respect to such Phase. Accordingly, such unplatted land will not have voting rights or be subject to Assessments, regardless of ownership. Declarant shall have the right to annex additional property to the "Property" subject to this Declaration pursuant to a Declaration of Annexation, then plat the same into a Phase, and then record a Supplemental Declaration to establish the same as Lots and/or Common Areas. (Or Declarant may plat land that is not part of the Property, and then subject such land to this Declaration pursuant to a Declaration of Annexation, and then record a Supplemental Declaration for it.) Unless and until Declarant has conveyed one or more Lots covered by a Supplemental Declaration to a third party other than a Declarant Party, Declarant shall have the right to unilaterally amend such Supplemental Declaration by recording an amendment in the official records of Deschutes County.

2.2.2 Pursuant to a Supplemental Declaration, Declarant will establish the following with respect to each Phase: identify all Lots by reference to the applicable Plat; identify all Common Areas by reference to the applicable Plat; designate the category of each Lot (Residential, whether Alley or not; Commercial; Residential Mixed-Use; Multiple-Family); establish the minimum, maximum, or range of, density for each Lot (and/or a specific number of units for one or more of the Lots); designate Limited Common Elements; and impose such other restrictions, and grant such other easements over the affected Phase as Declarant may determine in Declarant's sole discretion. Declarant's rights pursuant to this Section 2.2 shall expire after the Turnover Meeting.

2.2.3 In addition to the matters described in Section 2.2.2 above, a Supplemental Declaration with respect to any Phase may:

(a) establish such limitations, uses, restrictions, covenants, conditions, and easements with respect thereto as Declarant may deem to be appropriate for the development of the Phase;

(b) establish additional or different limitations, uses, restrictions, covenants and conditions as Declarant may deem to be appropriate for the development of such Phase; and/or

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

Without limitation of the meaning of the foregoing provisions of this Section 2.2.3, in any Supplemental Declaration, Declarant may, but shall not be obligated to, establish easements particular to different Lots and/or to create any such Sub-Associations as it may elect. A Supplemental Declaration and a Declaration of Annexation may cover the same matters with respect to the property covered by it, but the former is for property that is already subject to this Declaration, while the latter will, in addition to other matters, subject the applicable property to this Declaration.

2.2.4 Voting Rights; Allocation of Assessments. Upon recordation of the Supplemental Declaration, additional Lots within the applicable Phase shall be entitled to the voting rights as set forth in Section 3.3, and assessments shall be reallocated and reapportioned in the manner set forth in Section 5.9.

2.3 Purpose.

The purpose of this Declaration is to provide for the maintenance, restoration, repair, improvement and upkeep of the Common Maintenance Areas, to establish an attractive and consistent standard of design and maintenance, and to set forth other terms and conditions governing the use and enjoyment of the Property.

2.4 Declaration.

The Property shall be subject to all of the conditions, covenants, restrictions, and provisions contained in this Declaration, which shall benefit and burden each Lot and all other portions of the Property. Such conditions, covenants, restrictions, and provisions shall be binding on all parties having any right, title or interest in or to the Property, or any part thereof, and each of their respective heirs, personal representatives, successors and assigns. The Property shall be a Class I planned community as defined in the Planned Community Act and shall be subject to all of the terms and provisions of the Planned Community Act. The Property shall be known as "Discovery West".

2.5 Improvements.

Declarant does not agree to build any particular Improvements on the Property, but may elect, at Declarant's option, to build any such Improvements. Declarant elects not to limit Declarant's rights to add Improvements not described in this Declaration.

3. THE ASSOCIATION

3.1 Organization.

Declarant shall, concurrently with the execution and recording of this Declaration, organize the Association as a nonprofit mutual benefit corporation pursuant to the Nonprofit Corporation Act under the name "Discovery West Owners Association". The Articles shall provide for the Association's perpetual existence, but in the event the Association is at any time dissolved, whether inadvertently or deliberately, it shall automatically be succeeded by an unincorporated association of the same name. All of the property, powers and obligations of the Association existing immediately

prior to its dissolution shall thereupon automatically vest in the successor unincorporated association. Such vesting shall thereafter be confirmed as evidenced by appropriate conveyances and assignments by the Association to the successor unincorporated association. To the greatest extent possible, any successor unincorporated association shall be governed by the Articles and Bylaws as if they had been drafted to constitute the governing documents of the unincorporated association.

3.2 Membership.

Every Owner of a Lot by virtue of ownership of such Lot, including Declarant for so long as Declarant owns a Lot, shall, immediately upon creation of the Association and thereafter during the entire period of such Owner's ownership of a Lot, be a Member of the Association. As provided in Section 3.3 below, there shall be five (5) classes of membership, Class A, Class B, Class C, Class D, and Class E. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

3.3 Voting Rights.

The Association shall have the following five (5) classes of voting membership; provided, however, to the extent that there are no members in any Class at any time, there shall be no votes for such Class. The Declarant reserves the right to establish additional Classes in a Supplemental Declaration or in a Declaration of Annexation, and to assign such Class(es)' voting rights, assessment obligations, the right to elect one or more Board members, and such other rights and obligations as Declarant may determine.

3.3.1 Class A Members. Class A Members shall be all Owners of Residential Lots other than Declarant (except that beginning on the date on which the Class E membership of Owners of Residential Lots is converted to Class A membership, and thereafter, Class A Members shall be all Owners of Residential Lots, including Declarant). When voting on matters for which all Owners vote, Class A Members shall have one (1) vote per Lot owned. When voting on matters that are only to be voted on by Class A Members, each Class A Member shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in a Lot, all such persons shall be Members. However, only one (1) vote shall be exercised for the Lot. The vote for a Residential Lot shall be exercised as the Owners of the Lot determine among themselves. If the Owners of the Lot cannot agree upon how to exercise the vote, then the vote for that Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

3.3.2. Class B Members. Class B Members shall be all Owners of Commercial Lots other than Declarant (except that beginning on the date on which the Class E membership of Owners of Commercial Lots is converted to Class B membership, and thereafter, Class B Members shall be all Owners of Commercial Lots, including Declarant). When voting on matters for which all Owners vote, Class B Members shall have one (1) vote per Lot owned. When voting on matters that are only to be voted on by Class B Members, each Class B Member shall be entitled to one (1) vote for each square foot of land in the Commercial Lot owned by such member. When more than one (1) person holds an interest in a Lot, all such persons shall be Members. However, only one (1) vote shall be exercised for the Lot. The vote for a Commercial Lot shall be exercised as the Owners of the Lot determine among themselves. If the Owners of the Lot cannot agree upon how to exercise the vote, then the vote for that Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

3.3.3 Class C Members. Class C Members shall be all Owners of Residential Mixed-Use Lots other than Declarant (except that beginning on the date on which the Class E membership of Owners of a Residential Mixed-Use Lot is converted to Class C membership, and thereafter, Class C Members shall be all Owners of Residential Mixed-Use Lots, including Declarant). When voting on matters for which all Owners vote, Class C Members shall have one (1) vote per Lot owned. When voting on matters that are only to be voted on by Class C Members, each Class C Member shall be entitled to one (1) vote for each square foot of land in the Residential Mixed-Use Lot owned by such member. When more than one (1) person holds an interest in a Lot, all such persons shall be Members. However, only one (1) vote shall be exercised for the Lot. The vote for a Residential Mixed-Use Lot shall be exercised as the Owners of the Lot determine among themselves. If the Owners of the Lot cannot agree upon how to exercise the vote, then the vote for that Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

3.3.4 Class D Members. Class D Members shall be all Owners of Multiple-Family Lots other than Declarant (except that beginning on the date on which the Class E membership of Owners of a Multiple-Family Lot is converted to Class D membership, and thereafter, Class D Members shall be all Owners of Multiple-Family Lots, including Declarant). When voting on matters for which all Owners vote, Class D Members shall have one (1) vote per Lot owned. When voting on matters that are only to be voted on by Class D Members, each Class D Member shall be entitled to one (1) vote for each square foot of land in the Multiple-Family Lot owned by such member. When more than one (1) person holds an interest in a Lot, all such persons shall be Members. However, only one (1) vote shall be exercised for the Lot. The vote for a Multiple-Family Lot shall be exercised as the Owners of the Lot determine among themselves. If the Owners of the Lot cannot agree upon how to exercise the vote, then the vote for that Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

3.3.5 Class E Members. The Class E Member shall be Declarant. When voting on matters for which all Owners vote, the Class E Member shall be entitled to one thousand (1,000) votes for each Lot owned. When a matter is to be voted upon by fewer than all Classes of Members, the Declarant shall have the right to vote for any Lot it owns that is within the category that is voting. (By way of example, if the Class B Owners are voting on a matter affecting or related to the Commercial Lots, and the Class E Member owns a Commercial Lot, then the Class E Member shall have the right to vote for its Commercial Lot). When voting on matters for which fewer than all Classes of Members vote, the Class E Member shall have voting rights for each Lot it owns equal to one thousand (1,000) times the votes that any other individual or entity would have if it owned such Lot. On the Conversion Date, the Class E membership shall cease and be converted to Class A membership for Residential Lots, to Class B membership for Commercial Lots, to Class C membership for Residential Mixed-Use Lots, and to Class D membership for Multiple-Family Lots.

3.4 Suspension.

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

3.5 Powers and Obligations.

The Association shall have, exercise and perform all of the following powers, duties and obligations:

3.5.1 Governing Documents. The powers, duties and obligations granted to the Association by this Declaration, the Bylaws or the Articles, including, without limitation, the authority to levy Assessments against the Owners for the costs of operating and managing the Association and performing the Association's responsibilities under this Declaration, the Bylaws or the Articles.

3.5.2 Statutory Powers. The powers and obligations of a nonprofit corporation pursuant to the Nonprofit Corporation Act, and of an owners association pursuant to the Planned Community Act, as either may be amended from time to time, except as provided otherwise by this Declaration or the Bylaws.

3.5.3 General. Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Association pursuant to this Declaration and the Bylaws or otherwise promoting the general benefit of the Members. The powers and obligations of the Association may from time to time be amended, repealed, enlarged or restricted by changes to this Declaration made in accordance with the provisions herein, accompanied by changes to the Articles or Bylaws made in accordance with such instruments, as applicable, and with the Planned Community Act and Nonprofit Corporation Act.

3.6 Liability.

Neither the Association, members of the Board, officers of the Association nor members of committees established under or pursuant to the Bylaws shall be liable to any Owner for any damage, loss, injury or prejudice suffered or claimed on account of any action or failure to act by the Association or any Board member, officer or committee member, provided that the Association, Board member, officer or committee member acted or failed to act, in good faith, within the scope of his or her authority, and in a manner reasonably believed to be in the best interest of the Association and its Members, with regard to the act or omission at issue.

3.7 Board.

Declarant shall have the right to appoint an interim Board consisting of three (3) to five (5) Directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting as provided in the Bylaws. Following the Turnover Meeting, the Board shall consist of seven (7) directors elected by the Owners in accordance with the Bylaws; provided, however, one (1) of the directors shall be the Commercial Director, elected by the Owners of the Commercial Lots; one (1) of the directors shall be a Multiple-Family Director, elected by the Owners of the Multiple-Family Lots; one (1) of the directors shall be the Residential Mixed-Use Director, elected by the Owners of the Residential Mixed-Use Lots; and the remaining four (4) directors shall be Residential Directors, elected by the Owners of Residential Lots. If at any time, there are no Commercial Lot Owners and/or Multiple-Family Lot Owners, and/or Residential Mixed-Use Lot Owners, the size of the Board shall be reduced accordingly unless and until there are Commercial Lot Owners and/or Multiple-Family Lot Owners, and/or Residential Mixed-Use Lot Owners, as applicable.

3.8 Transitional Advisory Committee.

Declarant shall form a transitional advisory committee as provided in the Bylaws and the Oregon Planned Community Act to provide for the transition of administrative responsibility for the Association from Declarant to the Class A, Class B, Class C, and Class D Members.

3.9 Turnover Meeting.

Declarant shall call the Turnover Meeting within ninety (90) days following the Conversion Date for the purpose of turning over control of the Association to the Owners; provided, however, Declarant shall retain control over the Architectural Review process after the Turnover Meeting pursuant to Section 17 until Declarant elects to formally relinquish control. The Turnover Meeting shall be conducted in accordance with the Bylaws and applicable Oregon law, including the Planned Community Act.

3.10 Association Rules and Regulations.

The Board from time to time may adopt, modify, or revoke such Rules and Regulations (the "Rules and Regulations") governing the conduct of persons and the operation and use of the Lots and Common Areas as it may deem necessary or appropriate for the safe and peaceful and orderly use and enjoyment of the Property, without unduly infringing on the privacy or enjoyment of any Owner or occupant of any part of the Property. Any Rules and Regulations may include separate Rules and Regulations for each of the Multiple-Family Lots, Residential Lots, Commercial Lots, and the Residential Mixed-Use Lots; provided, however, after the Turnover Meeting, any new or amended Rules and Regulations for any Class of Lots shall not take effect unless and until approved by Owners holding 75% of the total voting rights for that Class of Lots; provided, however, any Rules and Regulations applicable solely to Residential Lots may be adopted, amended or repealed by the Board without any vote of the Class A Members. There may be separate Rules and Regulations for Alley Residential Lots and Non-Alley Residential Lots. 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 affected Owner and shall be binding upon all applicable Owners and occupants of all applicable Lots upon the date of delivery. Until the Turnover Meeting, the Declarant will have the sole right to adopt, amend or repeal Rules and Regulations for any category of Lots, and it may do so without the consent of any Owners.

3.11 Powers of the Board of Directors.

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

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

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

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

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

(e) Subject to the terms of Section 3.10, to make reasonable Rules and Regulations for Discovery West, including the operation of the Common Areas, if any, and to amend or repeal them from time to time.

(f) Within ninety (90) days after the end of the fiscal year, to distribute to each Owner and, upon written request, any mortgagee of a Lot, a copy of the annual financial statements consisting of a balance sheet and income and expenses statement for the preceding fiscal year.

(g) To make all books and records of the Association available for inspection by Owners at reasonable times and intervals; provided, that the Association may withhold from disclosure those documents permitted by the Planned Community Act.

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

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

(j) To collect all assessments and enforce all penalties for non-payment including the filing of liens and institution of legal proceedings.

(k) To grant easements, licenses and concessions through or over the Common Areas, as permitted by the Planned Community Act.

3.11.2 Board Powers Exclusive. The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the maintenance fund or the reserve fund (or any other Association fund), and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

3.11.3 Member Contracts and Agreements. The Board, on behalf of the Association, may enter into contracts by which the Association agrees to perform services that the Association is not otherwise required to perform. Such contracts may be with any Owner or other person or entity and shall be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association.

3.12 Professional Management.

The Association may be professionally managed. In the event that the Board elects to use a professional manager, the same shall be selected and hired by the Board. After the Turnover Meeting, the Board shall not engage any professional manager if any member of the Board has any financial (whether direct or indirect) or familial relationship with such manager unless such member (the "Interested Member") has disclosed the relationship and a majority of the Board other than the Interested Member has approved the contract. As used herein, familial relationship shall mean and include the following (whether natural or adopted): spouses, parents (including in-laws), siblings (including in-laws), children, grandparents, grandchildren, aunts, uncles, nieces, nephews, and first cousins. If a professional manager is engaged, the Board shall annually review the scope of and compensation provided by the management contract.

4. ALLOCATION OF COMMON PROFITS AND EXPENSES

4.1 Method of Allocation.

The common profits of the Association shall be distributed among, and the common expenses of the Association shall be charged to, the Lots on an equal basis, except as provided in Sections 5.4 and 5.5 below. The common expenses of the Association may be assessed on a monthly, quarterly or annual basis as determined by the Board.

4.2 No Exemption.

No Owner may claim exemption from liability for contribution toward the common expenses of the Association by waiving his or her use or enjoyment of the Common Areas or by abandoning his or her Lot. No Owner may claim an offset against such liability for failure of the Association or the Board to perform its obligations.

5. ASSESSMENTS

5.1 Creation of Lien and Personal Obligation of Assessments.

Declarant, for each Lot it owns, does hereby covenant, and each Owner of a Lot by acceptance of a conveyance thereof, whether or not so expressed in the conveyance, shall be deemed to covenant to pay to the Association all Assessments and other charges as may be fixed, established and collected from time to time in the manner provided in this Declaration or the Bylaws. Such Assessments and charges, together with any interest, expenses or attorneys' fees imposed pursuant to Section 7.4, shall be a charge on the land and shall be a continuing lien upon the Lot against which the Assessment or charge is made. Assessments, charges and other costs shall also be the personal obligation of the person who was the Owner of the Lot at the time when the Assessment or charge becomes due. Such liens and personal obligations shall be enforced in the manner set forth in Section 7 below.

5.2 Regular Assessments.

5.2.1 Commencement. Regular Assessments for each Lot shall commence upon the sale of the Lot to an Owner other than the Declarant, Declarant Party, or a Guild Builder. A Lot owned by a Declarant Party or a Guild Builder shall become subject to Regular Assessments upon the earlier to occur of: (i) one year from the date of closing of acquisition of the Lot; or (ii) the date on which a certificate of occupancy is issued with respect to a Home or Building on the Lot. Regular Assessments shall not be levied against Declarant-owned Lots; or (iii) the date on which Declarant elects to impose Regular Assessments on such Lot, which it may do in its sole discretion.

5.2.2 Amount of Regular Assessments. The Regular Assessments shall be based upon an annual budget prepared by the Board with respect to projected expenses of the Association, including, without limitation, the following:

(a) costs related to the maintenance, repair, replacement, and upkeep of the Common Maintenance Areas;

(b) premiums for all insurance policies that the Association is required or permitted to maintain pursuant to the Bylaws;

- (c) any deficits remaining from the previous fiscal year of the Association;
- (d) costs related to the preparation, review and update of the reserve study and maintenance plan described in Section 6;
- (e) reserves for the major maintenance, repair and replacement of the Common Maintenance Areas and the Improvements located thereon for which the Association has maintenance responsibility and such other reasonable contingency reserves as may be established from time to time at the discretion of the Board; provided such expenses shall not be a part of the Regular Assessments to the extent they are included in the Reserve Assessments;
- (f) operating reserves as the Board deems prudent;
- (g) such other and further costs, expenses, obligations, and liabilities as the Board, in its discretion, may incur for the management, operation, and maintenance of the Property and the Association in accordance with this Declaration and the Bylaws.

In preparing the annual budget, the Board shall separately track expenses for Limited Common Elements so that the costs of such items may be allocated to the appropriate Lots.

5.2.3 Allocation of Regular Assessments. For all Lots subject to Regular Assessments at any given time (pursuant to Section 5.2.1 and 5.9), the Regular Assessments shall be allocated based upon voting rights (meaning that assessments that are spread among all Owners are allocated on an equal assessment for each Lot owned).

5.3 Special Assessments.

In addition to the Regular Assessments, the Association shall have the authority to levy Special Assessments to satisfy any actual or projected deficiency between the expenses of the Association and the amounts realized through Regular Assessments. Special Assessments shall be allocated in the same manner as Regular Assessments (so that all Owners pay for everything on a one-lot, one-assessment basis, except for Limited Common Elements. Special Assessments for Limited Common Elements shall be allocated as provided in Section 5.5). Special Assessments are payable as the Board may from time to time determine, but no sooner than thirty (30) days after mailing notice thereof to the Owners. Special Assessments shall not be levied against Declarant-owned Lots unless otherwise approved in writing by Declarant in accordance with Section 13.1.6.

5.4 Corrective Assessments.

The Association shall have the authority to levy against any Owner a Corrective Assessment equal to the costs and expenses incurred by the Association, including legal fees, for corrective action performed pursuant to this Declaration or the Bylaws that is required as a result of the willful or negligent actions or omissions of the Owner or the Owner's tenants, family members, guests, contractors, or invitees, as determined in the sole discretion of the Board. Corrective Assessments shall not be levied against Declarant-owned Lots.

5.5 Limited Common Expense Assessments.

The Association shall have the authority to levy against any Owner a Limited Common Expense Assessment (or LCE Assessment) equal to the costs and expenses incurred by the

Association, for a common expense or any part of a common expense that benefits a particular Lot or Lots rather than all the Lots, as determined in the sole discretion of the Board. LCE Assessments shall not be levied against Declarant-owned Lots. In general, unless the Board determines otherwise, LCE Assessments against Residential Lots shall be assessed equally among the Lots that are subject to such assessment. For instance, all Alley Residential Lots will pay an equal share of the cost of maintaining and repairing the alleys. In general, unless the Board determines otherwise, LCE Assessments against any Class of Lots other than Residential shall be allocated based upon the respective square footage of the benefited Lots.

5.6 Reserve Assessments.

The Association shall have the authority to levy Reserve Assessments necessary to fund the reserve account created under Section 6. The Reserve Assessments for each Lot shall commence upon the sale of the first Lot to an Owner other than Declarant. Declarant shall be exempt from Regular Assessments. Declarant-owned Lots will be subject to Reserve Assessments; provided, however, Declarant may defer payment of Reserve Assessments for any Lot it owns until such Lot is sold to a third party. The Reserve Assessments shall be allocated in the same manner as Regular Assessments as among Lots that are subject to assessment pursuant to this Section 5.6. The amount of the Reserve Assessments shall be based upon the reserve study described in Section 6.2 and other sources of reliable information. The Board may adjust the amount of the Reserve Assessments to reflect changes in current maintenance, repair or replacement costs over time as indicated by the reserve study or update and may provide for other reserve items that the Board, in its sole discretion, deems appropriate. If, after reviewing the reserve study or reserve study update, the Board determines that the reserve account will be adequately funded for the following year, then the Board may vote to reduce or eliminate Reserve Assessments for that particular year. Additionally, following the Turnover Meeting, on an annual basis, the Board, with the approval of one hundred percent (100%) of the Owners, may elect not to fund the reserve account for the following year regardless of whether or not the reserve account is fully funded.

5.7 Working Fund Assessments.

Except to the extent that the Declarant elects to exempt a phase of Lots, upon the sale of each Lot to the initial Owner other than Declarant, a Declarant Party, or a Guild Builder, the purchaser of the Lot shall pay to the Association a Working Fund Assessment equal to one-half of the annual Regular and Reserve Assessments then applicable to the Lot; provided, however, the Board shall have the right to change such amount by providing not less than thirty (30) days advance written notice to Owners, which notice may be posted on the Association's "owner's webpage," if available. The Board may deposit the Working Fund Assessments either in the operating account or reserve account of the Association, at the discretion of the Board. The Working Fund Assessments shall be used by the Association in a manner that provides a direct benefit to the Owners, including without limitation, funding the maintenance, repair, upkeep and replacement of the Common Maintenance Areas and/or capital improvements or upgrades to the Common Maintenance Areas.

5.8 Statement of Account.

Upon the request of an Owner or an Owner's agent, for the benefit of a prospective purchaser, the Board shall make and deliver a written statement of any unpaid Assessments against the Owner's Lot through the date specified in the statement and the purchaser in that case shall not be liable for any unpaid assessments against the Lot that are not included in the statement provided

by the Board. The Association is not required to provide a statement of outstanding Assessments if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

5.9 Reallocation upon Recording of Supplemental Declarations and/or Declarations of Annexation.

When (and if) additional property is annexed to the Property and constitutes Lots and/or Common Maintenance Areas, or when portions of the Property are platted and the subject of a Supplemental Declaration, the Association shall, as the Board deems advisable, recompute the budget based upon the additional Lots, and Common Maintenance Areas, if any, and re-compute all applicable Assessments for each Lot. Each newly annexed Lot shall be subject to assessment (including, without limitation, Reserve Assessments) upon the sale of the Lot to an Owner other than Declarant, a Declarant Party, or a Guild Builder. A Lot owned by a Guild Builder shall become subject to Regular Assessments as provided in Section 5.2.1. Regular Assessments shall not be levied against Declarant-owned Lots. The Association shall send notice of any applicable Assessment to the Owners of newly annexed Lots not later than sixty (60) days after the Lot(s) becomes subject to assessment or with the next occurring Regular Assessment, whichever is sooner. Assessments shall be due and payable on or before a date set forth in the notice which shall be not less than thirty (30) days after the date the notice is mailed or at such other time or times as the Association may specify in the notice in accordance with this Declaration or the Bylaws. If the Association elects to adjust Assessments pursuant to this Section 5.9 during the Association's fiscal year, the Association shall send notice of and shall collect adjustments to Assessments for Lots which were assessed pursuant to the previous budget. Notice of the adjustment in the Assessments shall be sent to such Owners not later than sixty (60) days after calculation or with the next occurring Regular Assessment, whichever is sooner. To the extent that any adjustment results in a credit with respect to Assessments payable by an Owner, such credit shall be applied toward the next occurring payment or payments of the applicable Assessment.

6. RESERVE ACCOUNT; RESERVE STUDY AND MAINTENANCE PLAN

6.1 Reserve Account.

The Association shall maintain a reserve account for the major maintenance, repair and replacement, in whole or in part, of the Common Maintenance Areas and any Improvements located in, on, or under the Common Maintenance Areas for which the Association has maintenance responsibility pursuant to this Declaration, in a Supplemental Declaration, or in a Declaration of Annexation, including exterior painting, if the Common Maintenance Areas include any exterior painted surfaces, that will normally require major maintenance, repair or replacement in more than one (1) year and fewer than thirty (30) years. The reserve account need not include those items that could reasonably be funded from the maintenance fund. The reserve account shall be funded by the Reserve Assessments. The Reserve Assessments shall be kept separate from other funds of the Association and may be used only for maintenance, repair, and replacement of the Common Maintenance Areas for which reserves have been established as specified in this Section 6.1. However, after the Turnover Meeting, the Board may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other unexpected increases in expenses. Funds borrowed to meet unexpected increases in expenses under this Section shall be repaid from Regular or Special 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 of the borrowed funds within a reasonable period. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner.

6.2 Reserve Study.

The Board shall annually conduct a reserve study, or review and update an existing study, of the Common Maintenance Areas and other reserve items set forth in Section 6.1 to determine the requirements of the reserve fund described in Section 6.1. The reserve study shall: (a) identify all items for which reserves are or will be established; (b) include the estimated remaining useful life of each item as of the date of the reserve study; and (c) include for each item, as applicable, an estimated cost of maintenance, repair and replacement at the end of the item's useful life.

6.3 Maintenance Plan.

The Board shall prepare a maintenance plan for the maintenance, repair and replacement of all property for which the Association has maintenance, repair or replacement responsibility under this Declaration, the Bylaws or the Planned Community Act. The maintenance plan shall: (a) describe the maintenance, repair and replacement to be conducted; (b) include a schedule for the maintenance, repair and replacement; (c) be appropriate for the size and complexity of the maintenance, repair and replacement responsibility of the Association; and (d) address issues that include, but are not limited to, warranties and the useful life of the items for which the Association has maintenance, repair and replacement responsibility. The Board shall review and update the maintenance plan as necessary. If the Association fails to follow the maintenance plan, then the Association shall be deemed to have waived any claim it might otherwise have against the Declarant and its design professionals, contractors and subcontractors for loss or damage to the extent the same results from such failure to follow the maintenance plan, and the Association shall indemnify such persons and entities from and against claims by Owners or other persons or entities for loss or damage resulting from such failure.

7. ENFORCEMENT

7.1 Owner Default; Enforcement of Lien.

If an Assessment or any other charge levied under this Declaration or the Bylaws is not paid within ten (10) days after its due date, such Assessment or charge shall become delinquent and shall bear interest from the due date until paid at the rate set forth in Section 7.4 below and, in addition, the Association may exercise any or all of the following remedies as allowed under the Planned Community Act. In the event of any other default by an Owner hereunder, the Association may exercise any or all of the following remedies as allowed under the Planned Community Act:

7.1.1 Fines. In addition to any other remedies available to the Association hereunder and subject to the requirements of ORS 94.630(1)(n), the Association shall have the right to impose reasonable fines upon an Owner who violates the Declaration, Bylaws or any Rules and Regulations of the Association, in the manner and amount the Board deems appropriate in relation to the violation.

7.1.2 Lien. The Association shall have a lien against each Lot for any Assessment levied against the Lot and any fines or other charges imposed under this Declaration or the Bylaws

against the Owner of the Lot from the date on which the Assessment, fine or charge is due. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.709 shall apply to the Association's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS 94.709 through 94.719. The Association, through its duly authorized agents, may bid on the Lot at a foreclosure sale, and may acquire and hold, lease, mortgage and convey the Lot.

7.1.3 Suit or Action. The Association may bring an action to recover a money judgment for unpaid Assessments, fines and charges under this Declaration without foreclosing or waiving the lien described in Section 7.1.2. Recovery on any such action, however, shall operate to satisfy the lien, or the portion thereof, for which recovery is made.

7.1.4 Other Remedies. The Association shall have any other remedy available to it by law or in equity.

7.2 Notification of First Mortgagee.

Upon the advance written request of the first mortgagee of any Lot, the Board shall notify the first mortgagee of any default in the performance of the terms of this Declaration by the Lot's Owner that is not cured within sixty (60) days.

7.3 Subordination of Lien to First Mortgages.

The Association's lien for the Assessments and other charges provided for in this Declaration shall be subordinate to the lien of any first mortgage or deed of trust of record. The sale or transfer of any Lot shall not affect the Association's lien. However, the sale or transfer of a Lot pursuant to the foreclosure of a first mortgage lien or the execution of a deed in lieu of foreclosure of a first mortgage lien shall extinguish the Association's lien with respect to Assessments and other charges that became due prior to such sale or transfer. No sale, foreclosure or transfer of a Lot shall extinguish the personal obligation of the Owner who owned the Lot at the time the Assessment or other charge became due.

7.4 Interest, Expenses and Attorneys' Fees.

Any amount not paid to the Association when due in accordance with this Declaration shall bear interest from the due date until paid at a rate of twelve percent (12%) per annum, or at such other rate as may be established by the Board, but not to exceed the lawful rate of interest under the laws of the State of Oregon. A late charge may be charged for each delinquent Assessment in an amount established from time to time by resolution of the Board. If the Association files a notice of lien, the lien amount shall also include the recording fees associated with filing the notice, and a fee for preparing the notice of lien established from time to time by resolution of the Board. If the Association brings any suit or action to enforce this Declaration, or to collect any money due hereunder or to foreclose a lien, the defaulting Owner shall pay to the Association all costs and expenses incurred by the Association in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable as attorneys' fees at trial and upon any appeal or petition for review thereof.

7.5 Nonexclusiveness and Accumulation of Remedies.

An election by the Association to pursue any remedy provided in this Section 7 for a violation of this Declaration shall not prevent the concurrent or subsequent exercise of any other remedy permitted hereunder. The remedies provided in this Declaration are not exclusive, but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, that are available under applicable law to the Association. In addition, any aggrieved Owner may bring an action against another Owner or the Association to recover damages or to enjoin, abate, or remedy any violation of this Declaration by appropriate legal proceedings.

8. PROPERTY RIGHTS AND EASEMENTS

8.1 Owners' Use and Occupancy.

Except as otherwise expressly provided in this Declaration, a Supplemental Declaration, a Declaration of Annexation, the Bylaws, a Plat or any easement, covenant or any other instrument of record, the Owner of a Lot shall be entitled to the exclusive use and benefit of his or her Lot. Declarant and any representative of the Association authorized by the Association may, at any reasonable time and upon reasonable notice to the Owner, enter upon any Lot for the purpose of determining whether or not the use of and/or the Improvements on the Lot are then in compliance with this Declaration, the Bylaws, or the Rules and Regulations of the Association. No such entry shall be deemed to constitute a trespass or otherwise create any right of action in the Owner of the Lot.

8.2 Owners' Easements of Enjoyment.

Subject to any restrictions contained in this Declaration, a Supplemental Declaration, a Declaration of Annexation, the Bylaws, a Plat or any easement, covenant or other instrument of record, every Owner and every Owner's family members, tenants, guests, and invitees shall have a right and easement of enjoyment in and to the Common Areas, which easement shall be appurtenant to and shall pass with the title to every Lot. Use of the Common Areas shall not result in unreasonable disturbance of the Owners and occupants of the other Lots and shall be subject to the Rules and Regulations as may be adopted by the Board from time to time pursuant to Section 3.10.

8.3 Title to Common Areas.

Declarant shall convey fee title to the Common Areas to the Association free and clear of monetary liens no later than the Turnover Meeting. Declarant shall use a statutory bargain and sale deed to convey the Common Areas to the Association.

8.4 Extent of Owners' Rights.

The rights and use of enjoyment in the Property shall be subject to the following easements and all other provisions of this Declaration:

8.4.1 Association's and Declarant's Easements. Declarant reserves for itself and grants to the Association and the Board and their duly authorized agents and representatives the following easements:

(a) An easement under and upon the Common Areas and the unimproved portions of the Lots, for installation and maintenance of power, gas, electric, sewer, water and other utility and communication lines and services installed by Declarant or with the approval of the Board;

(b) An easement under and upon the Common Areas, for construction, maintenance, repair, and use of the Common Areas and any Improvements existing or to be constructed thereon;

(c) The right to have access to the Common Areas and to all Lots as may be necessary for the installation, maintenance, repair, upkeep or replacement of the Common Maintenance Areas, for determining whether or not the use of and/or the Improvements on a Lot are then in compliance with this Declaration, the Bylaws, or the Rules and Regulations of the Association, or to make emergency repairs thereon necessary for the public safety or to prevent damage to the Common Maintenance Areas or to another Lot, Home, or Building. In case of an emergency originating in or threatening any Lot, Home, or Building or the Common Maintenance Areas, each Owner hereby grants the right of entry to any person authorized by the Board or the Association, whether or not the Owner is present at the time. In addition, the Association shall have the right to enter upon a Lot to do non-emergency work reasonably necessary for the proper maintenance and operation of the Lot after providing five (5) days' written notice to the Owner. In each case that notice is required, such notice may be made by posting on the front door of the Building or Home located on that Lot. Entry upon the Lot as provided herein shall not be deemed a trespass, and the Association shall not be liable for any damage so created unless such damage is caused by the Association's willful misconduct or gross negligence;

(d) An easement for the ALRC and the Board over all Lots and the Common Areas as necessary to enable the ALRC and the Board to carry out their respective designated functions.

(e) Such easements as are necessary to perform the duties and obligations of the Association set forth in this Declaration, the Bylaws and Articles, as the same may be amended or supplemented; and

(f) In addition to those easements provided herein and of record, each Lot and the Association shall have those easements granted to it pursuant to ORS 94.733.

8.4.2 Declarant's Easements. So long as Declarant owns any Lot, and in addition to any other easements to which Declarant may be entitled, Declarant reserves an easement over, under and across the Property in order to carry out development, construction, sales and rental activities necessary or convenient for the development of the Property or the sale or rental of Lots and for such other purposes as may be necessary or convenient for discharging Declarant's obligations or for exercising any of Declarant's rights under this Declaration, any warranty provided by Declarant to the Association or any Owner, or any other agreement to which Declarant is bound. In addition, the Declarant hereby reserves for the benefit of Declarant a blanket easement on, over and under the ground within the Property to permit Declarant, if it chooses, to maintain and control drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and Declarant shall be entitled, if it so chooses, to remove trees or vegetation, without liability for replacement or damages, as may be necessary to provide adequate drainage facilities; provided, however, the maintenance or repair of drainage shall be the obligation of the Association and/or the Owners rather than the Declarant, and, therefore, the blanket

easement shall give Declarant the right, but not the obligation to perform any of the foregoing work. Nothing herein shall be interpreted to impose any duty upon Declarant to correct or maintain any drainage facilities within the Property. Declarant further hereby grants and reserves an exclusive easement for the encroachment by any structure installed by Declarant upon a Lot or any Common Area.

8.4.3 Utility and Other Municipal Easements. Declarant or the Association may (and, to the extent required by law, shall) grant or assign easements to municipalities or other utilities performing utility services and to communications companies, and the Association may grant free access thereon to police, fire, and other public officials and to employees of utility companies and communications companies serving the Property.

8.4.4 Transfer of the Common Areas. The Association may not sell, transfer or grant a security interest in any portion of the Common Areas unless: (i) approved by the Owners holding at least eighty percent (80%) of the total votes of the Association, including eighty percent (80%) of the votes not held by Declarant, and (ii) approved in writing by the Class E Member, if any. A sale, transfer or grant of security interest in any portion of the Common Areas in accordance with this Section 8.4.4 may provide that the Common Areas so conveyed shall be released from any restrictions imposed on such Common Areas by this Declaration or the Bylaws. No such sale, transfer, or grant of security interest may, however, deprive any Lot of such Lot's right of access or support without the written consent of the Owner of such Lot.

8.4.5 Authority to Grant Easements and Other Property Interests in Common Areas. The Association may execute, acknowledge and deliver leases, easements, rights of way, licenses, and other similar interests affecting the Common Areas and consent to vacation of roadways within and adjacent to the Common Areas. Except for those matters described in ORS 94.665(4)(b), which the Board may approve without Owner consent, the granting of any interest pursuant to this Section 8.4.5 must be approved by at least seventy-five percent (75%) of the Owners present at a meeting of the Association or with the consent of at least seventy-five percent (75%) of all Owners solicited by any means the Board determines is reasonable. If a meeting is held to conduct the vote, the meeting notice shall include a statement that the approval of the granting of an interest in the Common Areas will be an item of business on the agenda of the meeting.

8.5 Maintenance and Reconstruction Easements.

An easement is hereby reserved in favor of the Association and its successors, assigns, contractors, agents, and employees over and across each Lot, for purposes of accomplishing the repair and restoration of the Common Maintenance Areas pursuant to Section 11.

8.6 Multiple-Family Lots.

A Multiple-Family Lot shall be subject to all of the terms of this Declaration and treated the same as all other Lots, except as otherwise provided in this Declaration and as provided below:

8.6.1 Improvements on Multiple-Family Lots shall not be subject to the same Architectural Review as non-Multiple-Family Lots. Multiple-Family Lots shall only be subject to Architectural Review to the extent that the Declarant adopts Architectural Guidelines specific to the Multiple-Family Lots (the "Multiple-Family Architectural Guidelines") or to the extent the Board adopts Multiple-Family Architectural Guidelines. Prior to Turnover, the Declarant may unilaterally adopt or amend the Multiple-Family Architectural Guidelines. After turnover, any new Multiple-

Family Architectural Guidelines shall require the consent of Owners owning one hundred percent (100%) of the voting rights held by all Multiple-Family Lots, and any revisions to the Multiple-Family Architectural Guidelines shall require the consent of Owners owning seventy-five percent (75%) of the voting rights held by all Multiple-Family Lots. If and when Multiple-Family Architectural Guidelines are adopted, the Architectural Review process for Multiple-Family Lots shall be as set forth in Section 17, except that the Multiple-Family Architectural Guidelines, rather than the Residential Architectural Guidelines, the Residential Mixed-Use Architectural Guidelines, or the Commercial Architectural Guidelines, shall apply.

8.6.2 No amendment to this Declaration that would have a material, negative impact on the Multiple-Family Lots shall be effective against the Multiple-Family Lots unless the Owners holding 75% or more of the voting rights held by all Multiple-Family Lots vote in favor of such amendment. Prior to Turnover, the determination of what constitutes a material, negative impact shall be determined by the Declarant.

8.7 Commercial Lots.

Commercial Lots shall be subject to all of the terms of this Declaration and treated the same as all other Lots, except as otherwise provided in this Declaration and as provided below:

8.7.1 Improvements on Commercial Lots shall not be subject to the same Architectural Review as non-Commercial Lots. Commercial Lots shall only be subject to Architectural Review to the extent that the Declarant adopts Architectural Guidelines specific to the Commercial Lots (the "Commercial Architectural Guidelines") or to the extent the Board adopts Commercial Architectural Guidelines. Prior to Turnover, the Declarant may unilaterally adopt or amend the Commercial Architectural Guidelines. After turnover, any new Commercial Architectural Guidelines shall require the consent of Owners owning one hundred percent (100%) of the voting rights held by all Commercial Lots, and any revisions to the Commercial Architectural Guidelines shall require the consent of Owners owning seventy-five percent (75%) of the voting rights held by all Commercial Lots. If and when Commercial Architectural Guidelines are adopted, the Architectural Review process for Commercial Lots shall be as set forth in Section 17, except that the Commercial Architectural Guidelines, rather than the Residential Architectural Guidelines, the Residential Mixed-Use Architectural Guidelines, or the Multiple-Family Architectural Guidelines, shall apply.

8.7.2 No amendment to this Declaration that would have a material, negative impact on the Commercial Lots shall be effective against the Commercial Lots unless the Owners holding 75% or more of the voting rights held by all Commercial Lots vote in favor of such amendment. Prior to Turnover, the determination of what constitutes a material, negative impact shall be determined by the Declarant.

8.8 Residential Mixed-Use Lots.

Residential Mixed-Use Lots shall be subject to all of the terms of this Declaration and treated the same as all other Lots, except as otherwise provided in this Declaration and as provided below:

8.8.1 Improvements on Residential Mixed-Use Lots shall not be subject to the same Architectural Review as non-Residential Mixed-Use Lots. Residential Mixed-Use Lots shall be subject to Architectural Review pursuant to the Architectural Guidelines adopted by the Declarant for the Residential Mixed-Use Lots, as amended by the Declarant or, after Turnover, the Board (the "Residential Mixed-Use Architectural Guidelines"). Prior to Turnover, the Declarant may unilaterally

adopt or amend the Residential Mixed-Use Architectural Guidelines. After turnover, any new Residential Mixed-Use Architectural Guidelines shall require the consent of Owners owning one hundred percent (100%) of the voting rights held by all Residential Mixed-Use Lots, and any revisions to the Residential Mixed-Use Architectural Guidelines shall require the consent of Owners owning seventy-five percent (75%) of the voting rights held by all Residential Mixed-Use Lots. If and when Residential Mixed-Use Architectural Guidelines are adopted, the Architectural Review process for Residential Mixed-Use Lots shall be as set forth in Section 17, except that the Residential Mixed-Use Architectural Guidelines, rather than the Residential Architectural Guidelines, Commercial Architectural Guidelines, or the Multiple-Family Architectural Guidelines, shall apply.

8.8.2 No amendment to this Declaration that would have a material, negative impact on the Residential Mixed-Use Lots shall be effective against the Residential Mixed-Use Lots unless the Owners holding 75% or more of the voting rights held by all Residential Mixed-Use Lots vote in favor of such amendment. Prior to Turnover, the determination of what constitutes a material, negative impact shall be determined by the Declarant.

8.9 Residential Lots.

Residential Lots shall be subject to all of the terms of this Declaration and treated the same as all other Lots, except as otherwise provided in this Declaration and as provided below:

8.9.1 Improvements on Residential Lots shall not be subject to the same Architectural Review as non-Residential Lots. Residential Lots shall be subject to Architectural Review pursuant to the Architectural Guidelines adopted by the Declarant for the Residential Lots, as amended by the Declarant or, after Turnover, the Board (the "Residential Architectural Guidelines"). The Architectural Review process for Residential Lots shall be as set forth in Section 17.

8.9.2 No amendment to this Declaration that would have a material, negative impact on the Residential Lots shall be effective against the Residential Lots unless the Owners holding a majority of the voting rights held by all Residential Lots vote in favor of such amendment. Prior to Turnover, the determination of what constitutes a material, negative impact shall be determined by the Declarant.

9. GENERAL PROVISIONS FOR AND RESTRICTIONS ON USE OF LOTS

9.1 Multiple-Family Lots.

The following provisions of Section 9.1 shall be applicable only to Multiple-Family Lots:

9.1.1 Maintenance Standard for Lots. Each Multiple-Family Lot, including the Building and all other Improvements located thereon, shall be maintained in a clean and attractive condition, in good repair, and in such a manner as not to create a fire hazard.

9.1.2 Use. Each Multiple-Family Lot shall be used for multi-family housing and amenities that are accessory and subordinate to the multi-family use. Multi-family housing shall mean and refer to two or more residential units on a single Lot. Declarant may establish specific densities or density limitations (minimums, maximums, or ranges) for specific Multiple-Family Lots in any Supplemental Declaration, in a Declaration of Annexation or in any other addendum to this Declaration.

9.1.3 Screening. All garbage, trash, cuttings, refuse, garbage and refuse containers, oil tanks, clothes lines or other service facilities on Multiple-Family Lots shall be screened from the view of neighboring Homes and Buildings and from the Common Areas in a manner approved by the ALRC. Vans with total dimensions of no greater than six (6) feet, ten (10) inches wide by ten (10) feet tall (in closed position of pop-top) by twenty-five (25) feet long (exclusive of antennas, roof racks, mirrors and other protrusions) and utilized for daily driving needs (as opposed to sleeping or operating a business) may be parked on a Lot without need for screening or enclosures. No other RVs (including Class A or Class C motor homes), snowmobiles, all-terrain vehicles, and other non-street-legal vehicles, commercial vehicles, trailer of any kind, truck with a rated load capacity greater than one ton, or any boat shall be kept, placed, maintained or parked for more than forty-eight (48) hours except in an enclosed garage or screened from view from the street and alley in a manner approved by the Architectural and Landscape Review Committee.

9.1.4 Noxious Activities. No noxious or offensive activity shall take place on any Multiple-Family Lot, nor shall anything be done or placed on any Multiple-Family Lot that materially interferes with or materially jeopardizes enjoyment of other Lots or within the Property. In the event of a dispute as to whether an activity or condition constitutes a violation of this Section 9.1.4, the determination of the Declarant, before Turnover, (in Declarant's sole discretion) shall be definitive. After Turnover, an activity or condition shall not constitute a violation of this Section 9.1.4 unless Multiple-Family Owners holding 75% of the voting rights of all Multiple-Family Lot Owners agree that it does.

9.1.5 Fences, Walls, Hedges, Landscaping. All fences, walls, hedges, landscaping and other Improvements installed on any Lot shall, in addition to the Architectural Guidelines, comply with the City Development Code, including, without limitation any clear vision requirements and height restrictions. Prior to construction, design of all fences, hedges, landscaping, or walls must be approved in writing by the ALRC.

9.1.6 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Multiple-Family Lot except in accordance with this Section 9.1.6. Subject to applicable codes and ordinances, an occupant of an individually-leased or owned unit in a Building may have up to four (4) domestic pets, which may include cats, dogs or other generally recognized household pets, provided such animals are not kept, bred, or maintained for any commercial purpose. In the event of a dispute, the Board shall make the final decision as to what is permitted under this Section 9.1.6. All such animals shall be kept on the Lot and in strict accordance with all applicable laws and ordinances (including leash laws) and in accordance with all rules established by the Association. Each Owner is solely responsible for the pets on his or her Lot, shall assure that such pets do not create a nuisance or otherwise damage any portion of the Property, and shall be responsible for assuring the prompt cleanup of all animal waste.

9.1.7 Parking. All Owners of Multiple-Family Lots shall assure that residents and guests comply with City of Bend parking codes.

9.1.8 Security. Neither Declarant nor the Association shall be responsible for security of the Common Maintenance Areas or any Lot or Building and each Owner is exclusively responsible for the security of such Owner's Building, Lot and property.

9.1.9 Lot Line Adjustments. No Multiple-Family Lot boundaries may be adjusted with another Lot or otherwise without the consent of the Declarant (which may be granted or withheld in

Declarant's sole discretion) before the Conversion Date or the consent of the Board after the Conversion Date.

9.2 Commercial Lots.

The following provisions of Section 9.2 shall be applicable only to Commercial Lots:

9.2.1 Maintenance Standard for Lots. Each Commercial Lot, including the Building and all other Improvements located thereon, shall be maintained in a clean and attractive condition, in good repair, and in such a manner as not to create a fire hazard.

9.2.2 Use. Each Commercial Lot shall be used for purposes permitted in the Commercial Limited and/or Mixed Employment zones in the City Development Code. A Commercial Lot may not be rezoned without the prior approval of the Declarant before Turnover (which may be granted or withheld in Declarant's sole discretion) or the Board (after Turnover).

9.2.3 Screening. All garbage, trash, cuttings, refuse, garbage and refuse containers, oil tanks, clothes lines or other service facilities on Commercial Lots shall be screened from the view of neighboring Homes and Buildings and from the Common Areas in a manner approved by the ALRC.

9.2.4 Noxious Activities. No noxious or offensive activity shall take place on any Commercial Lot, nor shall anything be done or placed on any Commercial Lot that materially interferes with or materially jeopardizes enjoyment of other Lots or within the Property. In the event of a dispute as to whether an activity or condition constitutes a violation of this Section 9.2.2, the determination of the Declarant, before Turnover, (in Declarant's sole discretion) shall be definitive. After Turnover, an activity or condition shall not constitute a violation of this Section 9.2.2 unless Commercial Owners holding 75% of the voting rights of all Commercial Lot Owners agree that it does.

9.2.5 Fences, Walls, Hedges, Landscaping. All fences, walls, hedges, landscaping and other Improvements installed on any Commercial Lot shall, in addition to the Architectural Guidelines, comply with the City Development Code, including, without limitation any City vision clearance requirements and height restrictions. Prior to construction, design of all fences, hedges or walls must be approved in writing by the ALRC.

9.2.6 Animals. Animals shall be permitted on Commercial Lots to the extent permitted in the Commercial Limited and/or Mixed Employment zones pursuant to the City Development Code.

9.2.7 Parking. All Owners of Commercial Lots shall assure that residents and guests comply with City of Bend parking codes.

9.2.8 Security. Neither Declarant nor the Association shall be responsible for security of the Common Maintenance Areas or any Lot or Building, and the Owner is exclusively responsible for the security of such Owner's Building, Lot and property.

9.2.9 Lot Line Adjustments. No Commercial Lot boundaries may be adjusted with another Lot or otherwise without the consent of the Declarant (which may be granted or withheld in

Declarant's sole discretion) before the Conversion Date or the consent of the Board after the Conversion Date.

9.3 Residential Mixed-Use Lots.

The following provisions of Section 9.3 shall be applicable only to Residential Mixed-Use Lots:

9.3.1 Maintenance Standard for Lots. Each Residential Mixed-Use Lot, including the Building and all other Improvements located thereon, shall be maintained in a clean and attractive condition, in good repair, and in such a manner as not to create a fire hazard.

9.3.2 Use. No Residential Mixed-Use Lot shall be used for any purpose other than multi-family residential housing, townhomes, live/work townhomes and cluster housing (both mews housing and cottages), together with related garages or carports pursuant to the City Development Code; provided, however, nothing in this Declaration shall be deemed to prohibit accessory dwelling units (as defined in the City Development Code). The Buildings, and any other Improvements on a Residential Mixed-Use Lot shall comply with all applicable City height restrictions. As used herein, multi-family housing shall mean and refer to two or more residential units on a single lot. As used herein, the words townhomes, live-work townhomes, cluster housing, mews housing, and cottages shall have the meanings given them in the City Development Code.

9.3.3 Screening. All garbage, trash, cuttings, refuse, garbage and refuse containers, oil tanks, clothes lines or other service facilities on Residential Mixed-Use Lots shall be screened from the view of neighboring Homes and Buildings and from the Common Areas in a manner approved by the ALRC. Vans with total dimensions of no greater than six (6) feet, ten (10) inches wide by ten (10) feet tall (in closed position of pop-top) by twenty-five (25) feet long (exclusive of antennas, roof racks, mirrors and other protrusions) and utilized for daily driving needs (as opposed to sleeping or operating a business) may be parked on a Lot without need for screening or enclosures. No other RVs (including Class A or Class C motor homes), snowmobiles, all-terrain vehicles, dirt bikes and other non-street-legal vehicles, commercial vehicles, trailer of any kind, truck with a rated load capacity greater than one ton, or any boat shall be kept, placed, maintained or parked for more than forty-eight (48) hours except in an enclosed garage or screened from view from the street and alley in a manner approved by the Architectural and Landscape Review Committee.

9.3.4 Noxious Activities. No noxious or offensive activity shall take place on any Residential Mixed-Use Lot, nor shall anything be done or placed on any Residential Mixed-Use Lot that materially interferes with or materially jeopardizes enjoyment of other Lots or within the Property. In the event of a dispute as to whether an activity or condition constitutes a violation of this Section 9.3.4, the determination of the Declarant, before Turnover, (in Declarant's sole discretion) shall be definitive. After Turnover, an activity or condition shall not constitute a violation of this Section 9.3.4 unless Residential Mixed-Use Owners holding 75% of the voting rights of all Residential Mixed-Use Lot Owners agree that it does.

9.3.5 Fences, Walls, Hedges, Landscaping. All fences, walls, hedges, landscaping and other Improvements installed on any Residential Mixed-Use Lot shall comply, in addition to the Architectural Guidelines, comply with the City Development Code, including, without limitation any City vision clearance requirements and height restrictions. Prior to construction, design of all fences, hedges or walls must be approved in writing by the ALRC.

9.3.6 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Residential Mixed-Use Lot except in accordance with this Section 9.3.6. Subject to applicable codes and ordinances, an occupant of an individually-leased or owned unit in a Building may have up to four (4) domestic pets, which may include cats, dogs or other generally recognized household pets, provided such animals are not kept, bred, or maintained for any commercial purpose. In the event of a dispute, the Board shall make the final decision as to what is permitted under this Section 9.3.6. All such animals shall be kept on the Lot and in strict accordance with all applicable laws and ordinances (including leash laws) and in accordance with all rules established by the Association. Each Owner is solely responsible for the pets on his or her Lot, shall assure that such pets do not create a nuisance or otherwise damage any portion of the Property, and shall be responsible for assuring the prompt cleanup of all animal waste.

9.3.7 Parking. All Owners of Residential Mixed-Use Lots shall assure that residents and guests comply with City of Bend parking codes.

9.3.8 Security. Neither Declarant nor the Association shall be responsible for security of the Common Maintenance Areas or any Unit or Lot, and the Owner is exclusively responsible for the security of such Owner's Building, Lot, and Property.

9.3.9 Lot Line Adjustments. No Residential Mixed-Use Lot boundaries may be adjusted with another Lot or otherwise without the consent of the Declarant (which may be granted or withheld in Declarant's sole discretion) before the Conversion Date or the consent of the Board after the Conversion Date.

9.4 Residential Lots.

The following provisions of Section 9.4 shall be applicable only to Residential Lots:

9.4.1 Maintenance Standard for Lots. Each Residential Lot, including the Home and all other Improvements located thereon, shall be maintained in a clean and attractive condition, in good repair, and in such a manner as not to create a fire hazard.

9.4.2 Use. No Residential Lot shall be used for any purpose other than residential purposes; provided, however, home occupations, pursuant to the City Development Code shall be permitted; and, provided further, Declarant shall have the right to designate certain Residential Lots for duplexes or triplexes in a Supplemental Declaration or in a Declaration of Annexation. Except as provided herein (such as Lots designated by Declarant for duplexes or triplexes), no building shall be erected, altered, placed, or permitted to remain on any Residential Lot other than one detached single-family dwelling and a private garage or carport; provided, however, nothing in this Declaration shall be deemed to prohibit or accessory dwelling units (as defined in the City Development Code). The Home and any other Improvements on a Residential Lot shall comply with all applicable City height restrictions.

9.4.3 Screening. All garbage, trash, cuttings, refuse, garbage and refuse containers, oil tanks, clothes lines or other service facilities on Residential Lots shall be screened from the view of neighboring Homes and Buildings and from the Common Areas in a manner approved by the ALRC. Vans with total dimensions of no greater than six (6) feet, ten (10) inches wide by ten (10) feet tall (in closed position of pop-top) by twenty-five (25) feet long (exclusive of antennas, roof racks, mirrors and other protrusions) and utilized for daily driving needs (as opposed to sleeping or operating a business) may be parked on a Lot without need for screening or enclosures. No other

RVs (including Class A or Class C motor homes), snowmobiles, all-terrain vehicles, dirt bikes and other non-street-legal vehicles, commercial vehicles, trailer of any kind, truck with a rated load capacity greater than one ton, or any boat shall be kept, placed, maintained or parked for more than forty-eight (48) hours except in an enclosed garage or screened from view from the street and alley in a manner approved by the Architectural and Landscape Review Committee.

9.4.4 Noxious Activities. No noxious or offensive activity shall take place on any Residential Lot, nor shall anything be done or placed on any Residential Lot that materially interferes with or materially jeopardizes enjoyment of other Lots or within the Property. In the event of a dispute as to whether an activity or condition constitutes a violation of this Section 9.4.4, the determination of the Declarant, before Turnover, (in Declarant's sole discretion) shall be definitive. After Turnover, the determination of the Board shall be definitive.

9.4.5 Fences, Walls, Hedges, Landscaping. All fences, walls, hedges, landscaping and other Improvements installed on any Residential Lot shall, in addition to the Architectural Guidelines, comply with the City Development Code, including, without limitation any City vision clearance requirements and height restrictions. Prior to construction, design of all fences, hedges or walls must be approved in writing by the ALRC.

9.4.6 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Residential Lot except in accordance with this Section 9.4.6; provided, however, the Declarant will have the right to permit chickens on specific Lots by designating such Lots for chickens in a Supplemental Declaration or in a Declaration of Annexation. The Owner of a designated Lot may keep up to three (3) hens, subject to strict compliance with all Association rules, but may not keep a rooster. Subject to applicable codes and ordinances, an Owner may have up to four (4) domestic pets, which may include cats, dogs or other generally recognized household pets, provided such animals are not kept, bred, or maintained for any commercial purpose. In the event of a dispute, the Board shall make the final decision as to what is permitted under this Section 9.4.6. All such animals shall be kept on the Residential Lot and in strict accordance with all applicable laws and ordinances (including leash laws) and in accordance with all rules established by the Association. Each Owner is solely responsible for his or her pets, shall assure that such pets do not create a nuisance or otherwise damage any portion of the Property, and shall clean up after such pets.

9.4.7 Parking. All Owners of Residential Lots shall assure that residents and guests comply with City of Bend parking codes.

9.4.8 Security. Neither Declarant nor the Association shall be responsible for security of the Common Maintenance Areas or any Unit or Lot, and each Owner is exclusively responsible for the security of such Owner's Home, Lot, and property.

9.4.9 Lot Line Adjustments. No Residential Lot boundaries may be adjusted with another Lot or otherwise without the consent of the Declarant (which may be granted or withheld in Declarant's sole discretion) before the Conversion Date or the consent of the Board after the Conversion Date.

9.4.10 Rentals. Unless designated by Declarant in a Supplemental Declaration or in a Declaration of Annexation as a Lot which may be rented for transient rental purposes, a Lot may not be rented or leased for a period of time that is less than thirty (30) consecutive days. The foregoing prohibition shall include leasing arrangements that are made for consideration other than money,

such as home swaps or payment in alternative currencies or goods and services. In the event the Declarant does designate a Lot as one that may be used for transient rental purposes, such Lot will still be subject to, and must comply with, any applicable local ordinances that limit or prohibit such rentals.

9.5 Re-Zoning; Partition; Consolidation.

Notwithstanding anything contained in this Section 9.5, Declarant shall have the right to re-zone, partition or consolidate any portion(s) of the Property.

Except for Declarant, no Owner may do any of the following unless first approved in writing by the Declarant, acting in its sole and absolute discretion (if before the Turnover Meeting) or by the Board (if after Turnover Meeting):

- (a) seek a re-zoning of such Owner's Lot from the City;
- (b) seek to partition any Lot; or
- (c) seek to consolidate any Lots.

If an Owner has obtained the requisite consent from the Declarant or the Board, in order to partition or subdivide a Lot or consolidate two Lots, the Owner must obtain all necessary land use and other approvals from the City. Notwithstanding a consolidation, the Lot shall continue to accrue assessments and the Owner shall continue to have voting rights as if the Lot were two Lots. Upon the partitioning or subdividing of his or her Lot, the Owners of each new Lot shall have a proportionate share of the voting rights and responsibility for the assessments of the parent Lot; provided, however, in the event of a partitioning of a Residential Lot, each resulting Lot shall have one (1) vote and one assessment.

9.6 Fireworks.

The Board shall have the right to impose restrictions and rules regarding the use of fireworks on Lots or on Common Areas, or both, including, without limitation, the right to ban the use of fireworks altogether.

10. GENERAL RESTRICTIONS ON USE OF COMMON MAINTENANCE AREAS

10.1 Common Areas.

No person shall construct or reconstruct any Improvements, or alter or refinish any Improvements, make any excavation or fill, make any change in the natural or existing surface drainage, or install a utility line in the Common Areas without the prior written approval of the Declarant (if before the Conversion Date) or the Board, and, if required, the City.

10.2 Association Landscaping.

No person shall remove, alter, modify or replace any Association Landscaping without the prior written approval of the Declarant (if before the Conversion Date) or the Board, and, if required, the City.

11. MAINTENANCE OBLIGATIONS

11.1 Association Maintenance Obligations.

The Association shall be responsible for the maintenance, repair, upkeep and replacement of the following Common Maintenance Areas:

- (a) Common Areas (including Limited Common Elements), including all improvements located thereon;
- (b) All entry monument signage for the Property, including any landscaping, lighting and irrigation systems related thereto;
- (c) If the Board so elects, street lights and/or any ornamental features on the Property;
- (d) If the Board so elects, snow removal from streets and alleys;
- (e) If the Board so elects, cluster mailboxes serving the Lots, if any; and
- (f) Any other area determined by the Board to be in the interest of the Association to maintain.

The Association shall regularly inspect, maintain, repair and keep the Common Maintenance Areas in good condition and provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the proper maintenance of the Common Maintenance Areas. The Association shall perform all maintenance obligations set forth in this Declaration or the Bylaws, any maintenance manual provided by Declarant or the maintenance plan described in Section 6 above and shall employ all other commonly accepted maintenance practices intended to prolong the life of the materials and construction of Improvements within the Common Maintenance Areas.

11.2 Owner's Maintenance Obligations.

Each Owner shall maintain his or her Lot and the Home or Building, as applicable, and all other Improvements located thereon in a clean and attractive condition, in good repair and in such a fashion as not to create a hazard of any kind. Such maintenance shall include, without limitation, painting or staining, repair, replacement and care of roofs, gutters, downspouts, surface water drainage, walks, driveways, landscaping and other exterior Improvements. In addition, each Owner shall keep his or her Lot free of weeds, trash and other unsightly materials. The provisions of the preceding sentence include the areas between the property line of any Lot and the nearest curb, including sidewalks and street trees unless otherwise included in the Association Landscaping.

11.3 Damage or Destruction by Owner.

If damage to the Common Maintenance Areas, including any Improvements located thereon, beyond ordinary wear and tear is directly attributable to an Owner or the Owner's family members, invitees, licensee, or guest of an Owner, then that Owner shall be responsible for the cost of repairing the damage and the Association may levy a Corrective Assessment against the Owner for the repair cost.

11.4 Maintenance of Sewer and Water Service Lines.

By virtue of accepting a deed to a Lot, each Owner acknowledges and agrees as follows:

11.4.1 The City of Bend shall have no responsibility for the maintenance, repair or replacement of sewer or water service lines installed in the Common Areas or on Lots (except with respect to sewer and water mains installed and owned by the City) within the Property.

11.4.2 Except as provided in Section 11.4.4, the Association shall be responsible for the maintenance, repair and replacement of sewer and water service lines that are located within Common Areas and that serve individual Lots and/or any Common Area.

11.4.3 Except as provided in Section 11.4.4, each Lot Owner shall be responsible for the maintenance, repair and replacement of sewer and water service lines that are located on his or her Lot and that serve his or her Lot.

11.4.4 Notwithstanding the terms of Sections 11.4.2 and 11.4.3, in the event of damage to or destruction of a sewer or water service line that is caused by the negligence or willful misconduct of an Owner or that Owner's family members, tenants, employees, contractors, invitees or guests, that Owner shall be solely responsible for the repair or replacement, as necessary, of the sewer or water service line, using licensed contractors.

12. CASUALTY AND CONDEMNATION

12.1 Casualty.

The Owner of each Home or Building, as applicable, shall repair, reconstruct, and rebuild the damaged or destroyed portions of his or her Home or Building to substantially the same condition that existed prior to the damage or destruction. In the event of damage to or destruction of the Common Areas or Association Landscaping, the Association shall repair and restore the damaged portion of the Common Areas, unless the holders of at least 75% of the total votes of each of the Class A Members, the Class B Members, the Class C Members, and the Class D members, together with the Class E Member, if any, agree that the damaged or destroyed portions shall not be repaired or restored. All repair, reconstruction, rebuilding, or restoration shall begin within nine (9) months following the damage or destruction and shall be diligently pursued to completion within fifteen (15) months (27 months for a Multiple-Family Lot, Residential Mixed-Use Lot, or a Commercial Lot) following the damage or destruction, unless work is delayed by causes beyond the reasonable control of the Owner or the Association, as the case may be. If the proceeds of the insurance policies held by the Association are insufficient to fund the full cost of repair and/or restoration of the Common Areas or Association Landscaping, the difference between the amount of such proceeds and such cost shall be charged to the Owners by means of a Special Assessment.

12.2 Condemnation.

If any part of the Common Areas are taken by any authority having the power of condemnation or eminent domain (or shall be sold under threat of condemnation), each Owner shall be entitled to notice of such event. The Association shall represent the Owners in negotiations with the condemning authority. The condemnation award shall be applied first to restoration of the Common Areas not taken (unless holders of at least 75% of all of the votes of each of the Class A Members, Class B Members, Class C Members, and Class D Members, together with the Class E

Member, if any, agree that the remaining Common Areas shall not be restored) and then to such other purposes as the Board may determine in its discretion (including payment to the Owners).

13. SPECIAL DECLARANT RIGHTS

Notwithstanding any other terms of this Declaration, Declarant shall have the following Special Declarant Rights, which shall be in addition to, and not in lieu of, all other Declarant rights contained herein:

13.1.1 Responsibility and control of the Association until the Turnover Meeting, including the right to appoint, remove and replace members of the Board.

13.1.2 The right to maintain a sales and management office on the Property (including any Lot) and conduct marketing and sales activities on the Property (including any Lot) until the Turnover Meeting.

13.1.3 The right to reserve easement and access rights across the Common Areas for use in connection with future development until the Turnover Meeting.

13.1.4 Until the Turnover Meeting, the right to construct Improvements in the Common Areas and other portion of the Property, whether or not such Improvements are described in this Declaration, provided that Declarant has no obligation to construct any such Improvements.

13.1.5 The right to approve amendments to this Declaration and the Bylaws prior to the Turnover Meeting and for a period of ten (10) years thereafter regardless of whether Declarant still owns a Lot. Any approval granted by Declarant pursuant to this Section 13.1.5 shall mean only that Declarant has no objection to the amendment, and shall not constitute a representation or warranty about the amendment as to its effectiveness, legality or anything else. No such amendment shall be effective unless so approved in writing by Declarant.

13.1.6 The right to approve Special Assessments for capital improvements or additions for so long as Declarant owns a Lot or retains the right to annex property to the Property and this Declaration, whichever is later. No Special Assessment shall be levied against Declarant unless so approved in writing by Declarant.

13.1.7 The right to receive notice of and to attend all Owner meetings and Board meetings for a period of ten (10) years following the Turnover Meeting regardless of whether Declarant still owns a Lot. Meeting notices to Declarant shall be given in the same manner as notices to the Owners; provided, however, that any notice of a Board meeting that is posted at the Property pursuant to the Bylaws must also be given to Declarant by mail or any other delivery method described in Section 19.4 within the time period prescribed in the Bylaws.

13.1.8 The right to inspect the Common Maintenance Areas for a period of ten (10) years following the Turnover Meeting regardless of whether Declarant still owns a Lot, for purposes of determining whether the Association is performing appropriate and sufficient maintenance and repairs.

13.1.9 The right to review and make copies of all inspection, maintenance and other records of the Association regardless of whether the Turnover Meeting has occurred or Declarant still owns a Lot.

13.1.10 The right to apply for, process and obtain such land use permits and approvals as Declarant may elect on any portion of the Property, including, without limitation, subdivisions, partitions, conditional uses, and lot line adjustments. Without limiting the foregoing, Declarant shall have the right to adjust the boundaries of Common Areas, so long as the total size of such Common Areas is not reduced.

13.1.11 The rights of Declarant under the Planned Community Act, including but not limited to those under ORS 94.550(21), and all other rights reserved for Declarant elsewhere in this Declaration or in the Bylaws.

14. DISPUTE RESOLUTION.

14.1 Required Procedure.

To the fullest extent allowed by law, all claims, controversies, or disputes, whether they are statutory, contractual, tort claims, and/or counterclaims between or among Declarant, Declarant's successors and assigns, the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Property, the Lots, the Homes, the Buildings, the Planned Community Act, this Declaration, the Bylaws, the Articles, any of the Architectural Guidelines or the Rules and Regulations of the Association, or which relate to the interpretation or breach of the Planned Community Act, this Declaration or the Bylaws, the Articles, any of the Architectural Guidelines or the Rules and Regulations of the Association (collectively referred to as "Claims") shall be resolved in accordance with the procedures specified herein. Except as otherwise required by the Planned Community Act, the following matters are excluded from this dispute resolution clause and do not constitute Claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to enforce assessments, fines, interest or a trust deed, mortgage, Association lien, or land sale contract; (ii) a forcible entry and detainer action; (iii) actions by the Association or any Owner related to removal of a structure or other condition that violates this Declaration, the Bylaws, or any Rules and Regulations of the Association; (iv) actions for the appointment of a receiver; (v) provisional remedies such as injunctions or the filing of a lis pendens; or (vi) the filing or enforcement of a mechanic's lien. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

14.2 Negotiated Resolution.

The Parties will seek a fair and prompt negotiated resolution of Claims and shall meet at least once to discuss and seek to resolve such Claims, but if this is not successful, all Claims shall be resolved by mediation, in small claims court, or by binding arbitration as set forth in Sections 14.3, 14.4 or 14.5, as applicable.

14.3 Mediation.

Prior to mediation of any Claim, the Parties shall endeavor to resolve disputes through the process set forth in Section 14.2 above. All Claims that are not resolved by such process shall be subject to mediation as a condition precedent to arbitration or the filing of a small claims complaint. The request for mediation may be made concurrently with the filing of a demand for arbitration as set forth in Section 14.5 below, but, in such event, mediation shall proceed in advance of arbitration, which shall be stayed pending mediation for a period of sixty (60) days from the date of filing, unless stayed for a longer period by agreement of the parties. All mediation shall be in Deschutes County, Oregon with any dispute resolution program available that is in substantial compliance with the standards and guidelines adopted under ORS 36.175, as it may be amended. The foregoing requirement does not apply to circumstances in which irreparable harm to a Party will occur due to delay or litigation or an administrative proceeding initiated to collect assessments, other than assessments attributable to fines.

14.4 Small Claims.

All Claims that have not been resolved by mediation and which are within the jurisdiction of the Small Claims Department of the Circuit Court of the State of Oregon shall be brought and determined there, and all Parties shall be deemed to have waived their right to a jury trial with respect to such Claims.

14.5 Arbitration.

Prior to arbitration of any Claim, the Parties shall endeavor to resolve disputes through the processes set forth in Section 14.2, 14.3 and 14.4 above, as applicable. All Claims that have not been resolved by such processes shall be resolved by binding arbitration. Such arbitration shall be conducted by and pursuant to the then effective arbitration rules of Arbitration Service of Portland, Inc., or another reputable arbitration service selected by Declarant. If Declarant is not a Party to such dispute, the arbitration service shall be selected by the Board. Any judgment upon the award rendered pursuant to such arbitration may be entered in any court having jurisdiction thereof. Any arbitration pursuant to this Section 14.5 shall be conducted in Deschutes County, Oregon.

14.6 No Attorneys' Fees.

Unless otherwise specifically provided for in this Declaration, the Bylaws or the Planned Community Act, no party in the arbitration, mediation or other proceeding shall be entitled to recover costs or attorneys' fees in connection therewith. To the fullest extent allowed by law and except for Claims in an amount less than or equal to \$7,500, no Claim shall be initiated by the Association without approval from the Owners holding seventy-five percent (75%) of the total votes of the Association. The foregoing vote requirement shall not be required to institute or respond to the following: (i) actions to collect delinquent Assessments, fines or other charges under the Declaration, these Bylaws or any Rules and Regulations adopted by the Association; (ii) actions initiated by the Association prior to the Turnover Meeting; (iii) actions challenging ad valorem taxation or condemnation proceedings; (iv) actions initiated against any contractor or vendor hired by the Association or supplier of goods and services to the Association; (v) the defense of claims filed against the Association or the assertion of counterclaims in proceedings instituted against it (except for non-mandatory counterclaims); (vi) actions by the Association to appoint a receiver; or (vii) actions to summarily abate, enjoin and remove a structure or condition that violates this

Declaration, the Bylaws, the any of the Architectural Guidelines or any Rules and Regulations of the Association.

14.7 Confidentiality.

The Parties shall keep all discussions of disputes, all settlements and arbitration awards and decisions confidential and shall not disclose any such information, whether directly or indirectly, to any third parties unless compelled to do so by an order of a court of competent jurisdiction. The Parties agree that if a Party breaches its confidentiality obligation then the other Party or Parties to the dispute shall be entitled to seek and obtain any and all equitable remedies, including injunctive relief and specific performance and each Party hereby waives any claim or defense that the other Party has an adequate remedy at law for any such breach and the Parties agree that the aggrieved Party shall not be required to post any bond or other security in connection with any such equitable relief.

15. ANNEXATION

15.1 Annexation by Declarant.

At any time during the Initial Term of this Declaration, the Declarant may, at its sole option, annex additional property into the Association to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Declarant currently anticipates that there will be a total of approximately 565 Lots, including Lots intended for single-family residential, residential mixed use (mixed use with residential and commercial), multiple family and commercial uses in the planned community of Discovery West, including the Lots currently existing, and Lots expected to be created in property to be annexed to Discovery West, but this number may be adjusted at the sole discretion of Declarant, subject to the terms of Section 15.1.1. Declarant shall have no obligation of any kind to annex any additional property to the Property.

15.1.1 Eligible Property. Any or all of the real property in Deschutes County, Oregon, adjacent to ("adjacent" property shall include property on the other side of a public right of way, a public or private street or a river) or contiguous with the Property, as the same may exist from time to time, shall be eligible for annexation. There is no limitation on the amount of land that Declarant may annex to the Property, or the right of Declarant to annex common property, except as may be established by applicable ordinances, agreements, or land use approvals or as set forth herein.

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

15.1.3 Declaration of Annexation. Annexation shall be evidenced by a written Declaration of Annexation (the "Declaration of Annexation") executed by the Declarant, or (in the case of an annexation by action of members) by the Board and the owners of the property being annexed, setting forth the legal description of the property being annexed and any additional covenants, conditions and restrictions to be applied to such annexed property, and recorded in the Official Records of Deschutes County, Oregon. Notwithstanding any provision apparently to the contrary, a Declaration of Annexation with respect to any annexed property may:

(a) establish such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property;

(b) establish additional or different limitations, uses, restrictions, covenants and conditions as Declarant may deem to be appropriate for the development of such annexed property; and/or

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

Without limitation of the meaning of the foregoing provisions of this Section 15.1, in any Declaration of Annexation Declarant may, but shall not be obligated to, establish easements particular to different Lots and/or to create any such Sub-Associations as it may elect. A Supplemental Declaration and a Declaration of Annexation may cover the same matters with respect to the property covered by it, but the former is for property that is already subject to this Declaration, while the latter will, in addition to other matters, subject the applicable property to this Declaration.

15.1.4 Voting Rights; Allocation of Assessments. Upon annexation, additional Lots so annexed shall be entitled to the voting rights as set forth in Section 3.3, and assessments shall be reallocated and reapportioned in the manner set forth in Section 5.9.

15.2 Annexation by Action of Members.

At any time the Board may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved by at least seventy-five percent (75%) of the outstanding votes and by Declarant so long as Declarant owns at least one (1) Lot. Any property that is contiguous to existing property subject to this Declaration may be annexed hereto according to the foregoing requirements, provided however, that no such annexation shall be effective without the consent and joinder of the owners of the property to be annexed. Such annexation must be evidenced by a Declaration of Annexation as set forth in Subsection 15.1.3 above executed by the parties herein described.

15.3 No Duty to Annex.

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

16. WITHDRAWAL OF PROPERTY.

16.1 Withdrawal of Property by Declarant.

At any time during the Initial Term of this Declaration, the Declarant may, at its sole option, withdraw property from the Property, this Declaration, and the Association (in each such case, a "Withdrawal"), and upon such Withdrawal, the property withdrawn shall no longer be subject to the terms of this Declaration.

16.2 Declaration of Withdrawal.

Withdrawal shall be evidenced by a written Declaration of Withdrawal (the "Declaration of Withdrawal") executed by the Declarant and the owner(s) of the property being withdrawn, setting forth the legal description of the property being withdrawn, and recorded in the Official Records of Deschutes County, Oregon.

16.3 Eligible Property.

Declarant may Withdraw any portion of the Property that has been subjected to this Declaration; provided, however, Declarant may not Withdraw any portion of the Property that has been designated as Common Area on a Plat, in this Declaration, in a Supplemental Declaration, or in a Declaration of Annexation.

16.4 Voting Rights; Allocation of Assessments.

Upon Withdrawal of any portion of the Property, any withdrawn Lots shall no longer have any voting rights and shall have no obligation to pay assessments. When (and if) any portion of the Property is withdrawn pursuant to this Section 16, the Association shall, as the Board deems advisable, recompute the budget based upon the reduced number of Lots, and Common Maintenance Areas, if any, and re-compute all applicable Assessments for each Lot. If the Association elects to adjust Assessments pursuant to this Section 16.4 during the Association's fiscal year, the Association shall send notice of and shall collect adjustments to Assessments for Lots which were assessed pursuant to the previous budget. Notice of the adjustment in the Assessments shall be sent to such Owners not later than sixty (60) days after calculation or with the next occurring Regular Assessment, whichever is sooner.

17. ARCHITECTURAL REVIEW

17.1 Architectural Review.

Except as specifically provided in this Section 17.1, no Improvement or portion thereof including fencing, patios, patio trellises, play structures, courtyards, walkways and driveways shall be commenced, erected, placed, altered, repaired or replaced 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 ALRC. It is the intent and purpose of this Declaration to promote quality of design and workmanship. Notwithstanding the foregoing, to the extent that an Owner repairs or replaces an exterior feature of a home, such as a door, shutter, fence or trellis, with a repair or replacement that is newer, but substantially identical (as determined by the ALRC), such replacement shall not require ALRC approval. The ALRC is not responsible for determining compliance with structural and building codes, solar ordinances, zoning codes or other governmental regulations. The procedure and specific requirements for review and approval of construction may be set forth in the applicable Architectural Guidelines adopted from time to time by the ALRC. Construction by the Declarant is presumed to have been approved and is thereby exempt from this review. In all cases for which the ALRC consent is required by this Declaration, the provision of this Section shall apply. The ALRC and the Board of Directors shall have such easements as are provided herein (including in Section 8.4) and pursuant to Oregon law, including ORS 94.

17.2 Architectural & Landscape Review Committee – Appointment and Removal.

The ALRC shall consist of no fewer than three (3) members and no more than five (5) members, as may be appointed from time to time. Until such time as Declarant relinquishes control over the Architectural Review process pursuant to Section 17.3, Declarant shall appoint and remove members of the ALRC, as Declarant may determine in its discretion. Thereafter, the Board shall appoint and remove members of the ALRC, as it may determine in its discretion. The terms of office for each member of the ALRC shall be for one (1) year unless lengthened by the Declarant or the Board, as applicable, at the time of appointment or unless the Board serves as the ALRC in which event the terms of the ALRC members shall be the same as their terms as Board members. After Declarant has relinquished control of Architectural Review, the Board may appoint any or all of its members for the ALRC, and there should be no requirement for non-Board members on the ALRC. The Declarant or the Board, as applicable, may appoint one or more members to the ALRC who are not Owners, but who have special expertise regarding the matters, which come before the ALRC. In the sole discretion of the Declarant or Board, as applicable, such non-Owner members of the ALRC may be paid and that cost paid by applicants or the Association. Notwithstanding the foregoing terms of this Section 17.2, the Declarant or the Board, as applicable, may elect to make one of the ALRC member positions a rotating term of one year or less.

17.3 Declarant Control.

The Declarant shall control the Architectural Review process, including the drafting and amending of all Architectural Guidelines, and the appointment and removal of ALRC members until such time as Declarant formally relinquishes control over the Architectural Review process, which may occur, if at all, after the Turnover Meeting. To relinquish control over the Architectural Review process, the Declarant shall record an instrument in the real property records of Deschutes County, expressly relinquishing such control.

17.4 Majority Action.

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

17.5 Duties.

The ALRC shall consider and act upon the proposals and/or plans submitted pursuant to this Section. After the Declarant has relinquished control over the Architectural Review process pursuant to Section 17.3, the ALRC, from time to time and at its sole discretion, may adopt design rules, regulations and guidelines for the Residential Lots ("Residential Architectural Guidelines"). After the Declarant has relinquished control over the Architectural Review process pursuant to Section 17.3, the ALRC may, from time to time, adopt Multiple-Family Architectural Guidelines, Commercial Architectural Guidelines, or Residential Mixed-Use Architectural Guidelines, subject, however, in each case, to the terms of Sections 8.6, 8.7 or 8.8, as applicable. Each set of Architectural Guidelines shall establish guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features which may be used within the Property.

17.6 ALRC Decision.

The ALRC shall render its approval or denial decision with respect to the construction proposal after it has received and reviewed all material required by it with respect to the application. All decisions shall be in writing. Approval by the ALRC does not imply government approval, which is solely the responsibility of the Owner. Review and approval of any application pursuant to this Section 17 is made on the basis of aesthetic considerations only and the ALRC shall not bear any responsibility for ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes, solar ordinances, zoning codes and other governmental requirements, all of which are the sole responsibility of the applicant, nor for ensuring that all dwellings are of comparable quality, value, or size, or of similar design. Declarant, the Association, the Board, the ARC, any other committee, or member of any of the foregoing shall not be held liable for soil conditions, drainage or other general site work, any defects in plans revised or approved hereunder, or any injury, damages, or loss arising out of the manner or quality of approved construction on or modifications to any Lot.

17.7 ALRC Discretion.

The ALRC may, at its sole discretion, withhold consent to any proposed work if the ALRC finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards established pursuant to the applicable Architectural Guidelines. In reviewing each submission, the ALRC may consider any factors it deems relevant, including, without limitation, harmony of external design with surrounding structures and environment. Decisions may be based on purely aesthetic considerations. Each Owner acknowledges that determinations as to such matters are purely subjective and opinions may vary as to the desirability and/or attractiveness of particular improvements. Considerations such as siting, shape, size, color, design, height, solar access, impairment of the view from other Lots or other effect on the enjoyment of other Common Areas, disturbance of existing terrain and vegetation, and any other factors which the ALRC believes to be relevant, may, but do not have to, be taken into account by the ALRC in determining whether or not to consent to any proposed work.

17.8 Non-waiver.

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

17.9 Appeal.

At any time after the Board of Directors has assumed responsibility for appointment of the members of the ALRC pursuant to Section 17.2, any Owner whose application has been denied or modified by action of the ALRC may appeal such action to the Board of Directors or the Board's designee. Appeals shall be made in writing within ten (10) days of the ALRC's action and shall contain specific objections or mitigating circumstances justifying the appeal. If the Board is already acting as the ALRC, the appeal shall be treated as a request for a rehearing, but in such case the Board must actually meet and receive evidence and argument. A final, conclusive decision shall be made by the Board of Directors. The determination of the Board shall be final.

17.10 Effective Period of Consent.

The ALRC's consent to any proposed work shall automatically be revoked twelve (12) months after issuance unless construction of the work has been commenced or the Owner has applied for and received an extension of time from the ALRC.

17.11 Determination of Compliance.

The ALRC shall inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ALRC finds that the work was not performed in substantial conformance with the approval granted, or if the ALRC finds that the approval required was not obtained, the ALRC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of any noncompliance and shall require the Owner to take the necessary action to bring the work into compliance with the approved project.

17.12 Non-compliance.

In the event that the ALRC determines that a Lot or Lot Owner is in violation of the Design Guidelines and/or the terms of Section 17 of this Declaration, the ALRC (or the Board) may, in its discretion, exercise any one or more of the remedies provided in this Section 17.12 or the Design Guidelines. That may include, without limitation, one or more of the following:

17.12.1 Consistent with the Design Guidelines, issue stop-work notices;

17.12.2 Impose fines;

17.12.3 If the ALRC determines that an Owner has constructed an improvement without ALRC approval or has not constructed an improvement consistent with the specifications on which approval is based, and if the Owner fails to diligently commence to remedy such non-compliance in accordance with the provisions of the notice of noncompliance, then at the expiration of the tenth (10th) day from the date of such notification, the ALRC may provide a 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 of the notice of non-compliance. At the hearing, if the ALRC finds that there is no valid reason for the continuing non-compliance, the ALRC shall determine the estimated costs of correcting it. The ALRC shall then require the Owner to remedy or remove the same within a period of not more than ten (10) days from the date of the ALRC's determination. If the Owner does not comply with the ALRC's ruling within such period or within any extension of such period as the ALRC, at its discretion, may grant, the Association may (a) remove the non-complying improvement, (b) remedy the non-compliance, or (c) file suit to compel compliance.

The costs of any actions taken by the ALRC or the Board pursuant to this Section 17.12 shall be assessed against the Owner and his/her Lot, including all attorneys' fees and other costs expended and incurred to enforce compliance, before suit or action is filed and at trial or on any appeal or review thereof.

17.13 Liability.

Neither the Declarant, the ALRC, the Board, any of the agents of any of the foregoing, nor any member thereof shall be liable to any Owner, occupant, or builder for any damage, loss or prejudice suffered or claimed to be suffered arising from any action by the Declarant, the ALRC, the

Board, their agents or a member thereof or failure of the Declarant, the ALRC, the Board, their agents or a member thereof, provided only that the member has acted in good faith in accordance with the actual knowledge possessed by him/her. Each Owner shall be solely responsible for assuring that all improvements on his or her Lot comply with all applicable laws and building codes; approval pursuant to Section 17 shall be limited to compliance with the applicable Architectural Guidelines and the terms of this Declaration only.

17.14 Estoppel Certificate.

Within fifteen (15) working days after written request is delivered to the ALRC by an Owner, and upon payment to the ALRC of a reasonable fee fixed by the ALRC to cover costs, the ALRC shall provide such Owner with a certificate executed by the ALRC, and acknowledged, certifying with respect to any Lot owned by the Owner, that as of the date thereof either (a) all improvements made or done upon or within such Lot by the Owner comply with this Declaration, the applicable Architectural Guidelines or any Rules and Regulations either promulgated by the Board or the ALRC, or (b) such improvements do not so comply, in which event, the certificate shall also identify the non-complying improvements and set forth with particularity the nature of such noncompliance. The Owner, his/her heirs, devisees, successors and assigns shall be entitled to rely on the certificate with respect to the matters set forth. The certificate shall be conclusive as between the Declarant, the ALRC, the Association and all Owners, and all such persons deriving an interest through any of them.

17.15 Fees.

The Declarant or the ALRC may charge applicants a reasonable application fee and additional costs incurred or reasonably expected to be incurred by the ALRC to retain architects, attorneys, engineers and other consultants to advise the ALRC concerning any aspect of the applications described herein or compliance with any appropriate design criteria or standards. Such fees shall be collectible as assessments pursuant to Section 5.

17.16 Declarant Exempt from ALRC Review.

The Declarant shall be exempt from the requirement for ALRC review and approval of any kind, regardless of who owns the Lot or property on which the Improvements are installed or constructed.

18. SUB-ASSOCIATIONS.

Declarant shall have the right to establish sub-associations, if any, on such terms as Declarant shall elect. If Declarant elects to establish such sub-associations, it shall so specify in the applicable Supplemental Declaration or in the Declaration of Annexation that subjects the sub-association Lots to this Declaration, and it shall record a separate declaration of covenants, conditions and restrictions establishing the sub-association. At Declarant's option, a sub-association declaration may require the board of directors of the sub-association to exercise the vote of its Owners under this Declaration as a block, rather than having Owners in the sub-association separately exercise their votes under this Declaration.

19. MISCELLANEOUS

19.1 Term.

The covenants, conditions and restrictions of this Declaration shall run for a term of thirty (30) years from the date this Declaration is recorded (the "Initial Term"), after which time they shall be automatically extended for successive periods of ten (10) years each, unless amended, modified or terminated by a vote of the Owners holding at least seventy-five percent (75%) of the total votes of the Association.

19.2 Amendment and Repeal.

19.2.1 This Declaration, or any provision thereof, as from time to time in effect with respect to all or any part of the Property, may be amended or repealed by the vote or written consent of Owners holding at least seventy-five percent (75%) of the total votes of the Association and the written consent of Declarant prior to the Turnover Meeting and for a period of ten (10) years thereafter. To the extent any amendment would have a material negative impact on the Multiple-Family Lots, or the Commercial Lots, or the Residential Mixed-Use Lots, or the Residential Lots, the applicable terms of Sections 8.6.2, 8.7.2, 8.8.2, or 8.9.2 shall apply.

19.2.2 Upon approval of an amendment as provided herein, the president and secretary of the Association shall execute an instrument amending this Declaration and certifying that the amendment was adopted in accordance with this Declaration and ORS 94.590, which certification shall be properly acknowledged in the manner of acknowledgment of deeds, and the Board, or other duly appointed and authorized persons, shall record the instrument amending this Declaration.

19.2.3 In no event shall an amendment to this Declaration create, limit or diminish any Special Declarant Rights without Declarant's written consent. Additionally, no amendment to this Declaration shall change the boundaries of a Lot, any uses to which a Lot is restricted, the method for determining liability for common expenses, the method for determining the right to common profits or the method of determining voting rights unless the Owners of the affected Lots unanimously consent to the amendment.

19.3 Regulatory Amendments.

Notwithstanding the provisions of Section 19.2, until the Turnover Meeting, Declarant shall have the right to amend this Declaration or the Bylaws without any other Owner approval in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community.

19.4 Notices.

Any notices permitted or required to be delivered as provided herein shall be in writing and may be delivered by: (i) messenger service (or hand delivery); (ii) overnight courier service; (iii)

regular U.S. Mail; or (iv) electronic mail, facsimile transmission or any other form of electronic communication acceptable to the Board and permissible under the Planned Community Act. Notices delivered by messenger service (or hand delivery), overnight courier service or regular U.S. Mail shall be sent to each Member's mailing address last appearing on the books of the Association. Notices delivered by facsimile or email shall be sent to the Member's email address or facsimile number last appearing on the books of the Association. Notwithstanding the foregoing, electronic mail, facsimile or other form of electronic communication may not be used to give notice of: (i) failure to pay an assessment; (ii) foreclosure of an Association lien under ORS 94.709; or (iii) an action the Association may take against a Member. Additionally, a Member may decline to receive notice by electronic mail, facsimile or other form of electronic communication by giving written notice thereof to the Board. Notices shall be deemed given on the date the notices are sent in accordance with the procedures outlined herein.

19.5 Right of Enforcement.

Except as otherwise provided herein, each Owner of a Lot shall have the right to enforce any or all of the provisions of this Declaration and may do so by appropriate proceedings at law or in equity.

19.6 Remedies Cumulative.

Each remedy provided herein is cumulative and not exclusive.

19.7 Joint Owners.

If two or more persons share the ownership of any Lot, regardless of the form of ownership, the responsibility of such persons to comply with this Declaration shall be a joint and several responsibility and the act or consent of any one or more of the co-Owners shall constitute the act or consent of the entire ownership interest; provided, however, that if the co-Owners disagree among themselves as to the manner in which any vote or right of consent held by them shall be exercised with respect to a pending matter, any co-Owner may deliver written notice of such disagreement to the Association, and the vote or right of consent involved shall then be disregarded completely in determining the proportion of votes or consents given with respect to such matter.

19.8 Lessees and Other Invitees.

Lessees, invitees, contractors, family members and other persons entering the Property under rights derived from an Owner shall comply with all of the provisions of this Declaration restricting or regulating the Owner's use, improvement or enjoyment of such Owner's Lot and other areas within the Property. The Owner shall be responsible for ensuring such compliance and shall be liable for any failure of compliance by such persons in the same manner and to the same extent as if the failure had been committed by the Owner.

19.9 Non-Waiver.

The failure to enforce any of the provisions of this Declaration at any time shall not constitute a waiver of the right to subsequently enforce such provision.

19.10 Restrictions Construed Together.

All of the provisions of this Declaration shall be liberally construed together to promote and effectuate the general plan and scheme of the Property.

19.11 Restrictions Severable.

Each of the provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

19.12 Singular Includes Plural.

Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

19.13 Statutory References.

All references to particular statutory provisions in this Declaration shall be deemed to refer to such statutory provisions or their success provisions, if applicable.

19.14 Conflicts.

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

19.15 Captions.

All captions and titles used in this Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the date first written above.

DECLARANT:

NWX2 LLC,
an Oregon limited liability company

By:

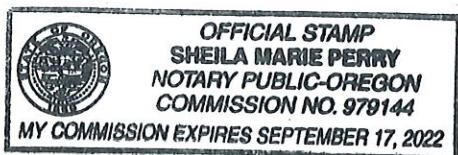
Name:

Title:

Jade Mayer
CFO Brooks Resources Corporation
the Managing Member of NWX2, LLC

STATE OF Oregon)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on this 31st day of December 2019, by Jade Mayer, the CFO of Brooks Resources Corporation, the Managing Member of NWX2 LLC, an Oregon limited liability company, on behalf of the company.



Sheila Marie Perry
Notary Public for Oregon
My Commission Expires: 9.17.22

EXHIBIT A
Legal Description of Property

That certain real property located in the City of Bend, Deschutes County, legally described as:

PARCEL 1:

That property described in Exhibit A of Statutory Warranty Deed to NWX2 LLC, recorded December 13, 2019 as Instrument Number 2019-48817, Deschutes County Official Records, located in the South Half of the Northeast Quarter and the Southeast Quarter of Section 35, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

PARCEL 2:

That property described in Exhibit A of Statutory Warranty Deed to NWX2 LLC, recorded December 13, 2019 as Instrument Number 2019-48806, Deschutes County Official Records, located in the Northwest Quarter and the South Half of Section 35, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

PARCEL 3:

That property described in Exhibit A of Statutory Warranty Deed to NWX2 LLC, recorded December 13, 2019 as Instrument Number 2019-48813, Deschutes County Official Records, located in the South Half of the North Half and the North Half of the South Half of Section 35, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

PARCEL 4:

That property described in Exhibit A of Statutory Warranty Deed to NWX2 LLC, recorded December 13, 2019 as Instrument Number 2019-48803, Deschutes County Official Records, located in the Southwest Quarter of Section 35, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

PARCEL 5:

That property described in Exhibit A of Statutory Warranty Deed to NWX2 LLC, recorded December 13, 2019 as Instrument Number 2019-48799, Deschutes County Official Records, located in the Southwest Quarter of Section 35, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

PARCEL 6:

That property described as CORRECTED PARCEL 6 of Statutory Warranty Deed to NWX2 LLC, recorded November 12, 2019 as Instrument Number 2019-43966, Deschutes County Official Records, located in the Southeast Quarter of Section 35, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

PARCEL 7:

ADJUSTED PARCEL 1 OF PARTITION PLAT NO. 2013-21:

That property described in Exhibit A of Statutory Bargain and Sale Deed to WEST BEND PROPERTY COMPANY LLC, recorded May 16, 2019 as Instrument Number 2019-15900, Deschutes County Official Records, located in the Northwest Quarter and the Southwest Quarter of Section 36, Township 17 South, Range 11 East of the Willamette Meridian, Deschutes County, State of Oregon.

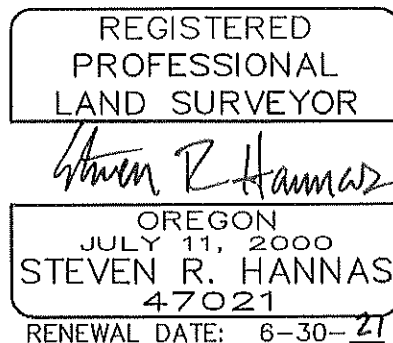


EXHIBIT B
BYLAWS
OF
THE DISCOVERY WEST OWNERS ASSOCIATION

1. DEFINITIONS

The terms specified below shall have the following meanings when used in these Bylaws:

1.1 "Articles" mean the Articles of Incorporation for the non-profit corporation, Discovery West Owners Association, or such similar name approved by and filed with the Oregon Secretary of State, corporations division, as amended from time to time in accordance with the provisions thereof.

1.2 "Association" means Discovery West Owners Association, an Oregon nonprofit mutual benefit corporation, formed for the purposes set forth in these Bylaws, the Declaration and the Articles.

1.3 "Board" or "Board of Directors" means the Board of Directors of the Association constituted in accordance with Section 5 of these Bylaws.

1.4 "Common Maintenance Areas" has the meaning given it in the Declaration.

1.5 "Declaration" means the Declaration of Covenants, Conditions, Restrictions and Easements for Discovery West, as amended from time to time in accordance with the provisions thereof.

1.6 "Director" means a member of the Board elected or appointed in accordance with Section 5.3 of these Bylaws.

1.7 "Improvement" has the meaning given it in the Declaration.

1.8 "Lot" means each Lot, as depicted on any Plat, and any other platted or partitioned lot designated as a "Lot" in a Supplemental Declaration or a Declaration of Annexation, and includes all Improvements located thereon. Lot includes Multiple-Family Lots, Commercial Lots, Residential Mixed-Use Lots, and Residential Lots. Neither Common Areas nor areas deeded to a governmental authority or utility shall constitute a "Lot."

1.9 "Member" means each member of the Association and shall include every Owner of a Lot. There shall be at least four (4) classes of membership in the Association, Class A, Class B, Class C, and Class D, together with any additional classes established by Declarant pursuant to a Declaration of Annexation, as described in Section 3.2 of these Bylaws.

1.10 "Officer" means an officer of the Association as described in and elected in accordance with Section 6 of these Bylaws.

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

1.12 "Plat" has the meaning given it in the Declaration.

1.13 "President" means the President of the Association as described in Section 6.5 of these Bylaws.

1.14 "Property" means the real property located in Deschutes County, Oregon and legally described on Exhibit A to the Declaration.

1.15 "Secretary" means the Secretary of the Association as described in Section 6.6 of these Bylaws.

1.16 "Treasurer" means the Treasurer of the Association as described in Section 6.7 of these Bylaws.

1.17 Other Defined Terms. All other capitalized terms not otherwise defined in these Bylaws shall have the meaning given to them in the Declaration.

2. OFFICES

2.1 Principal Office. The principal office of the Association in the State of Oregon shall be at a location determined by the Board. The Association may have such other offices as the Board may determine or as the affairs of the Association may require from time to time.

2.2 Registered Office and Agent. The Association shall have and continuously maintain in the State of Oregon a registered office, and a registered agent whose office is identical with such registered office, as required by the Nonprofit Corporation Act. The registered office of the Association may be, but need not be, identical with the principal office of the Association and the address of the registered office may be changed from time to time by the Board.

3. MEMBERSHIP, VOTING RIGHTS, AND POWERS AND OBLIGATIONS

3.1 Membership. Every Owner of a Lot by virtue of ownership of such Lot, including Declarant for so long as Declarant owns a Lot, shall, immediately upon creation of the Association and thereafter during the entire period of such Owner's ownership of a Lot, be a Member of the Association. Such membership shall commence, exist and continue simply by virtue of such ownership, shall expire automatically upon termination of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

3.2 Voting Rights. The Association shall have the classes of voting membership set forth in the Declaration; provided, however, to the extent that there are no members in any Class at any time, there shall be no votes for such Class; and provided further, the Declarant reserves the right to establish additional Classes in a Supplemental Declaration or in a Declaration of Annexation, and to assign such Class(es) voting rights, assessment obligations, the right to elect one or more Board members, and such other rights and obligations as Declarant may determine. If Declarant exercises such right, these Bylaws shall be deemed amended as necessary to be consistent with such Supplemental Declaration(s) and Declarations of Annexation.

3.3 Suspension of Voting Rights. All voting rights of a Member shall be suspended during any period in which the Member is delinquent in the payment of any Assessment or is otherwise in default under these Bylaws, the Declaration or any rules and regulations of the Association.

3.4 Powers and Obligations. The Association shall have, exercise and perform all of the following powers, duties and obligations:

3.4.1 Governing Documents. The powers, duties and obligations granted to the Association by these Bylaws, the Articles or the Declaration, including, without limitation, the authority to levy Assessments against the Owners for the costs of operating and managing the Association and performing the Association's responsibilities under these Bylaws and the Declaration.

3.4.2 Statutory Powers. The powers and obligations of a nonprofit corporation pursuant to the Nonprofit Corporation Act, and of an owners association pursuant to the Planned Community Act, as either may be amended from time to time, except as provided otherwise by these Bylaws or the Declaration.

3.4.3 General. Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Association pursuant to the Declaration and these Bylaws or otherwise promoting the general benefit of the Members. The powers and obligations of the Association may from time to time be amended, repealed, enlarged or restricted by changes in these Bylaws made in accordance with the provisions herein, accompanied by changes in the Articles or Declaration made in accordance with such instruments, as applicable, and with the Planned Community Act and Nonprofit Corporation Act.

4. MEMBER MEETINGS

4.1 Annual Meetings. A meeting of the Members shall be held annually. The first annual meeting of the Members shall be held not later than the first anniversary of the date of incorporation of the Association and each subsequent regular annual meeting of the Members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the Members or at such other time as is set by the Board. Subject to the foregoing, the date and time of the annual meeting shall be set by the Secretary. At the annual meeting, the President, and any other Officer or person whom the President may designate, shall report on the activities and financial condition of the Association.

4.2 Special Meetings. Special meetings of the Members may be called at any time by the President, by a majority of the Directors, or by the President or Secretary upon receipt of a written request of the Members holding at least twenty-five percent (25%) of the outstanding votes of the Association. If the Members request a special meeting as provided herein and notice of the meeting is not given to the Members within thirty (30) days after the date the written request for the meeting was delivered to the President or Secretary, then any Member who signed the request may set the date, time and place of the meeting and give the required notice. Business transacted at a special meeting shall be restricted to the purposes set forth in the notice for the meeting.

4.3 Place of Meetings. Meetings of the Members shall be held at the principal office of the Association or at such other suitable and convenient place within Deschutes County, Oregon, as may be designated in the notice for the meeting.

4.4 Notice of Meetings. Any meeting held pursuant to this Section 4 shall be held on such date, at such time, and at the principal office of the Association or such other place within Deschutes County, Oregon, as may be designated by the Secretary. Written notice of each meeting

of the Members under this Section 4 shall be given by, or at the direction of, the Secretary or other person authorized to call the meeting at least ten (10) days before the meeting, but not more than fifty (50) days before the meeting, to each Member entitled to vote at the meeting and to any mortgagee of a Lot having requested notice thereof in writing. A mortgagee of a Lot may designate a representative to attend a meeting called under this Section 4. The notices shall be given in accordance with the notice provisions set forth in Section 17.1 and shall specify the place, day, and hour of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director. Notice of any such meeting may be waived by a Member at any time. No Member who is present at a meeting may object to the adequacy or timeliness of the notice given.

4.5 Quorum. The presence at any Member meeting of a number of Members, whether in person, by proxy or by absentee ballot (if authorized by the Board), who are entitled to cast at least one-third (1/3) of the outstanding votes of the Association shall constitute a quorum for any action except as otherwise provided in the Articles, the Declaration, or these Bylaws. If a quorum is not constituted at a meeting, the Members who are present, either in person or by proxy, and entitled to vote shall have the power to adjourn the meeting until another date and time, without notice other than announcement at the meeting. The quorum requirement for any such subsequent meeting shall be reduced to a number of Members, whether in person, by proxy or by absentee ballot (if authorized by the Board), who are entitled to cast at least one-fifth (1/5) of the outstanding votes of the Association; provided that (i) the meeting is adjourned to a date that is at least forty-eight (48) hours from the time the original meeting was called or (ii) the original meeting notice states that the quorum requirement will be reduced if the meeting cannot be organized because of a lack of quorum and specifies the reduced quorum requirement. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

4.6 Majority Vote. A vote by the Members holding more than fifty percent (50%) of the voting power of the Association present in person, by proxy or by absentee ballot (if authorized by the Board) at a meeting at which a quorum is constituted shall be binding upon all Members for all purposes unless a higher voting percentage is specifically required by these Bylaws, the Articles, the Declaration, the Planned Community Act or any other applicable law, in which case such higher voting percentage shall apply.

4.7 Proxies and Absentee Ballots. At all meetings of the Members, each Member may vote in person, by proxy or, if authorized by the Board, by absentee ballot. All proxies shall be in writing, dated and signed by the Member, filed with the Secretary and in compliance with all other proxy requirements of the Planned Community Act. Proxies may only be revoked upon the giving of actual notice of revocation to the person presiding over the meeting or to the Board if a vote is being conducted by written ballot. Proxies shall automatically cease upon cessation of membership or restriction of the Member's voting rights. An absentee ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for absentee ballots shall include instructions for return delivery of the completed absentee ballot and information about whether or not the absentee ballot may be canceled if it is returned in accordance with the instructions. If an absentee ballot is delivered by a Member, the Member may vote in person at the meeting if the Member returned the absentee ballot and canceled the absentee ballot, if cancellation was permitted in the instructions included with the absentee ballot.

4.8 Turnover Meeting. Declarant shall call a Turnover Meeting within ninety (90) days following the Conversion Date, as defined in the Declaration, for the purposes of turning over

control of the Association to the Members; provided, however, Declarant shall retain control over the Architectural Review process after the Turnover Meeting pursuant to Section 17 of the Declaration of Covenants, Conditions, Restrictions and Easements until Declarant elects to formally relinquish control. The Turnover Meeting shall be conducted in accordance with Section 13 of these Bylaws.

4.9 Action Without A Meeting. Any action which applicable law, the Declaration or these Bylaws require or permit the Members to take at a meeting may be taken without a meeting by written or electronic ballot if the procedures set forth in ORS 94.647 and 94.661, as applicable, are followed. For votes of the Members by written or electronic ballot, the Board shall provide the Members with at least ten (10) days' notice before ballots are mailed or otherwise distributed. The notice shall state the general subject matter of the ballot vote, the right of Members to request secrecy procedures in accordance with ORS 94.647, the date after which ballots may be distributed, the date and time by which any petition requesting secrecy procedures must be received by the Board, and the address where such a petition may be delivered. If, at least three (3) days before the ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Members petition the Board requesting secrecy procedures, then the Board must comply with the secrecy procedures set forth in ORS 94.647. The secrecy procedures shall not apply to the ballot of a Member if the consent or approval of that particular Member is required under these Bylaws, the Declaration or the Planned Community Act. All ballots must set forth each proposed action and provide an opportunity to vote for or against each proposed action. All solicitations for votes by written or electronic ballot shall state the number of responses needed to satisfy any applicable quorum requirement, the required percentage of votes needed for approval, and the period during which the Association will accept ballots for counting. Electronic ballots include any ballots given by electronic mail, facsimile transmission, posting on a website or other means of electronic communication approved by the Board. Approval by written or electronic ballot shall be valid only when the number of votes cast by written or electronic ballot equals or exceeds any quorum required to be present if a meeting was held to authorize the action and the number of approvals equals or exceeds the number of votes required to approve the matter if a meeting was held to authorize the action. Notwithstanding the foregoing, action by written or electronic ballot may not substitute for: (i) the annual meeting of the Members; (ii) a meeting of the Members if the agenda includes a proposal to remove a Director; or (iii) a special meeting of the Members called at the request of the Members under ORS 94.650(2).

5. BOARD OF DIRECTORS

5.1 General. The affairs of the Association shall be managed by the Board, which shall be comprised of the number of Directors specified in Section 5.2 below. The Board shall have all requisite power, duty and authority to perform its obligations under the Declaration, the Articles, these Bylaws, the Nonprofit Corporation Act and the Planned Community Act, including, without limitation, the power, duty, and authority to enforce the provisions of the Declaration and these Bylaws and to acquire and pay for, out of the funds received from the collection of Assessments pursuant to the Declaration, all goods and services necessary or appropriate for the proper functioning of the Association in accordance with the Declaration and these Bylaws. In performing its duties, the Board shall be governed by ORS 94.640 and the applicable provisions of ORS 65.357, 65.361, 65.367, 65.369 and 65.377.

5.2 Number and Qualification. Declarant shall have the right to appoint an interim Board as described in Section 5.3. Following the Turnover Meeting, the Board shall consist of seven (7) directors elected by the Owners in accordance with these Bylaws; provided, however, one (1) of

the directors shall be the Commercial Director, elected by the Owners of the Commercial Lots; one (1) of the directors shall be a Multiple-Family Director, elected by the Owners of the Multiple-Family Lots; one (1) of the directors shall be the Residential Mixed-Use Director, elected by the Owners of the Residential Mixed-Use Lots; and the remaining four (4) directors shall be Residential Directors, elected by the Owners of Residential Lots. If at any time, there are no Commercial Lot Owners and/or Multiple-Family Lots Owners, and/or Residential Mixed-Use Lot Owners, the size of the Board shall be reduced accordingly unless and until there are Commercial Lot Owners and/or Multiple-Family Lots Owners, and/or Residential Mixed-Use Lot Owners, as applicable. Each Director shall be a Member; provided, however, if a corporation, limited liability company, partnership or trust owns a Lot or an interest in an entity that owns a Lot, then an officer, employee or agent of the corporation, member, manager, employee or agent of the limited liability company, partner, employee or agent of the partnership or trustee of the trust, as applicable, may serve as a Director. Additionally, an executor, administrator, guardian, conservator or other individual appointed by a court to serve in a fiduciary capacity for a Member, or an officer or employee of an entity if the appointee is an entity, may serve as a Director. Prior to election to the Board, any individual wishing to serve on the Board in the capacity as a representative or fiduciary of a Member pursuant to this Section 5.2 shall provide the Board with documentation satisfactory to the Board that the individual is qualified to represent the Member in compliance with the requirements of this Section 5.2. An individual serving on the Board as a representative or fiduciary of a Member in accordance with this Section 5.2 shall be disqualified from serving as a Director and his or her seat on the Board shall automatically be vacated if the individual no longer meets the requirements set forth in this Section 5.2.

5.3 Appointment by Declarant Prior to Turnover Meeting. Declarant shall have the right to appoint an interim Board consisting of three (3) to five (5) Directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting. Until the Turnover Meeting, Declarant shall appoint all Directors, and may remove and replace any Director, with or without cause, except that Declarant may revocably or irrevocably delegate the power to appoint, remove and replace Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Section 5.4 and Section 3. Voting for Directors shall not be cumulative.

5.4 Election of Directors. At the Turnover Meeting, the Members shall elect seven (7) Directors. Each Director shall serve for a term of three (3) years; provided, however, to minimize turnover of the Board in any one year, the initial terms of Directors elected by the Members (as opposed to appointed by the Declarant) shall be staggered as follows:

5.4.1 The initial Residential Director receiving the highest number of votes shall serve an initial term of three (3) years; the initial Residential Director receiving the second-highest number of votes shall serve an initial term of three (3) years; the initial Residential Director receiving the third-highest number of votes shall serve an initial term of two (2) years; and the initial Residential Director receiving the fourth-highest number of votes shall serve an initial term of one (1) year. Thereafter, each term for a Residential Director shall be three (3) years;

5.4.2 The initial Multiple-Family Director shall serve an initial term of three (3) years. Thereafter, each term for the Multiple-Family Director shall be three (3) years;

5.4.3 The initial Residential Mixed-Use Director shall serve an initial term of two (2) years. Thereafter, each term for the Residential Mixed-Use Director shall be three (3) years;

5.4.4 The initial Commercial Director shall serve an initial term of one (1) year. Thereafter, each term for the Commercial Director shall be three (3) years.

In voting for Directors, Members shall have the votes specified in the Declaration. Voting for Directors shall not be cumulative. A Director may serve more than one (1) term.

5.5 Resignation. A Director may resign at any time by sending a written notice of resignation to the Secretary. Unless otherwise specified in the resignation notice, a resignation shall take effect upon receipt of the notice by the Secretary.

5.6 Removal. Any Director may be removed, with or without cause, by the affirmative majority vote of the Members entitled to vote for such director, at any meeting of the Members at which a quorum is present. No removal of a Director is effective unless the matter of removal is included in the notice of the meeting. At such meeting, the Members entitled to vote for a replacement Director shall elect a replacement Director to serve the remainder of the removed Director's term.

5.7 Vacancies. Vacancies on the Board caused by the death, resignation, or disqualification of a Director shall be filled by the affirmative majority vote of the remaining Directors, even if they constitute less than a quorum; provided, however any replacement Director must be from the same category of Lot ownership as the Director being replaced. Any Director so elected shall serve the remainder of the replaced Director's term. Vacancies on the Board caused by the removal of a Director pursuant to Section 5.6 above shall be filled in accordance with the procedures set forth in Section 5.6 above.

5.8 Meetings of the Board.

5.8.1 The initial meeting of the Board shall occur within sixty (60) days after the date the Articles of the Association are filed. Thereafter, the Board shall meet at least annually, within thirty (30) days after each annual meeting of the Members. At each annual meeting, the Board shall adopt a budget for the following fiscal year and determine the amount of the Regular Assessment and Reserve Assessment for such year. Within thirty (30) days after adopting the annual budget, the Board shall provide a summary of the budget to all Owners. In addition, the Treasurer shall present to the Board a report on the financial condition of the Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year. If the Board fails to adopt a budget, the last adopted annual budget shall continue in effect.

5.8.2 Special meetings of the Board may be called at any time by the President or two (2) Directors. Such meetings shall be scheduled by the Secretary within thirty (30) days after the Secretary's receipt of a written request signed by the President or at least two (2) Directors; provided that if the purpose of a special meeting is to elect a successor Secretary or to consider removal of the Secretary, then such meeting may be scheduled by the President or, if the meeting is also for the purpose of electing a successor President or removing the President, any other Director.

5.8.3 Meetings of the Board shall be held at the principal office of the Association or such other place within Deschutes County, Oregon, as may be designated from time to time by the Board.

5.8.4 The Secretary shall give written notice to each Director of each Board meeting at least three (3) but not more than thirty (30) days prior to the date set for the meeting, stating the purpose, time, and place of the meeting. Notice shall be given in accordance with the notice provisions set forth in Section 17.1 below. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. Notwithstanding the foregoing, emergency meetings of the Board may be held without notice if the reason of the emergency is stated in the minutes of the meeting.

5.8.5 All meetings of the Board shall be open to the Members, except that at the discretion of the Board, the following matters may be considered in executive session, as provided by law: (a) consultation with legal counsel; (b) personnel matters, including salary negotiations and employee discipline; (c) the negotiation of contracts with third parties; (d) collection of unpaid Assessments; and (e) any other matters permitted by applicable law. For other than emergency meetings, notice of Board meetings shall be posted at the Property at least three (3) days prior to the meeting or shall be provided to the Members by another method reasonably calculated to inform the Members of the meeting. Except in an emergency, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the President shall state the general nature of the action to be considered and when and under what circumstances the deliberations can be disclosed to the Members. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. Only emergency meetings of the Board may be conducted by telephonic communication or by the use of other means of electronic communication permitted by ORS 94.640(10).

5.8.6 The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present. Each Director shall have one vote. So long as a quorum is constituted, the vote of a majority of the Directors present at the meeting shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law, these Bylaws or the Declaration. A Director who is present at a meeting of the Board at which action is taken on any Association matter is presumed to have assented to the action unless the Director votes against the action or abstains from voting on the action because the Director claims a conflict of interest. When action is taken on any matter at a meeting of the Board, the vote or abstention of each Director present shall be recorded in the minutes of the meeting. The Directors may not vote by proxy or by secret ballot at Board meetings, except that the Directors may elect Officers by secret ballot.

5.9 Action Without A Meeting. Any action which applicable law, the Declaration or these Bylaws permit the Board to take at a meeting may be taken without a meeting if a written consent setting forth the action so taken is signed by all of the Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Board, shall be filed in the records of the Association.

5.10 Compensation. No Director shall receive compensation for any service rendered to the Association. However, a Director may be reimbursed for the Director's actual expenses incurred in the performance of his or her duties.

6. OFFICERS

6.1 Enumeration and Qualifications. The Officers shall be the President, the Treasurer, and the Secretary, each of whom shall be elected by the Board. The Board may designate such additional Officers as it deems appropriate. All Officers must be individuals. The Officers shall be Members; provided, however, if a corporation, limited liability company, partnership or trust owns a Lot or an interest in an entity that owns a Lot, then an officer, employee or agent of the corporation, member, manager, employee or agent of the limited liability company, partner, employee or agent of the partnership or trustee of the trust, as applicable, may serve as an Officer. Additionally, an executor, administrator, guardian, conservator or other individual appointed by a court to serve in a fiduciary capacity for a Member, or an officer or employee of an entity if the appointee is an entity, may serve as an Officer. Any individual wishing to serve as an Officer in the capacity as a representative or fiduciary of a Member pursuant to this Section 6.1 shall provide the Board with documentation satisfactory to the Board that the individual is qualified to represent the Member in compliance with the requirements of this Section 6.1. Any Officer serving in a representative or fiduciary capacity of a Member in accordance with this Section 6.1 shall be disqualified from serving as an Officer and his or her office shall automatically be vacated if he or she no longer meets the requirements set forth in this Section 6.1. An Officer may not simultaneously hold more than one (1) office.

6.2 Election and Term of Office. The Officers shall be elected annually by the Board and shall hold office at the pleasure of the Board and until their successors are elected and qualified. If any office becomes vacant, the Board shall elect a successor to fulfill the unexpired term at a special meeting of the Board called for such purpose.

6.3 Removal. The Board may remove any Officer, at any time, with or without cause, and a successor may be elected at a special meeting of the Board called for such purpose.

6.4 Compensation. Other than reimbursement of out-of-pocket expenses incurred on behalf of the Association, no Officer shall receive any compensation from the Association for acting as an Officer, unless such compensation is authorized by the Board.

6.5 President. The President shall be a Director and shall be the chief executive officer of the Association. The President shall preside at all meetings of the Board and shall have all of the general powers and duties normally incident to the office of the chief executive officer of a corporation. The President shall perform all of such duties at the expense of the Association.

6.6 Secretary. The Secretary shall be a Director. The Secretary shall keep, or cause to be kept, the minutes of all proceedings of the Board and all other Association records and shall attend to the giving of all notices to the Board and Members and any other notices pursuant to these

Bylaws or the Declaration or required by law. The Secretary shall perform all other duties incident to the office of secretary of a corporation or as may be directed by the Board. The Secretary shall perform all of such duties at the expense of the Association.

6.7 Treasurer. The Treasurer shall be a Director and be responsible for Association funds and shall keep full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursements necessary for the preparation of all financial data and tax returns. The Treasurer shall be responsible for the deposit of all Association funds in such depositories as may from time to time be designated by the Board, and shall disburse Association funds for such purposes as may be permitted under these Bylaws or the Declaration. The Treasurer shall perform all other duties incident to the office of the Treasurer of a corporation or as may be directed by the Board. The Treasurer may retain outside professional services to assist in accomplishing such duties. The Treasurer shall perform all such duties at the expense of the Association.

7. SHARES OF STOCK AND DIVIDENDS PROHIBITED

The Association shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Association shall be distributed to its Directors or Officers, or to the Owners.

8. LOANS TO DIRECTORS AND OFFICERS PROHIBITED

8.1 No Loans to Directors or Officers. No loan shall be made by the Association to its Directors or Officers. The Directors who vote for or assent to the making of a loan to a Director or Officer and any Officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

8.2 Contribution; Subrogation. Any Director against whom a claim is asserted under or pursuant to this Section 8 shall be entitled to contribution from the other Directors who voted for the action upon which the claim is asserted. To the extent that any Director is required to pay such claim, he or she shall be subrogated to the rights of the Association against the debtor on the loan.

9. CONTRACTS, CHECKS, DEPOSITS AND FUNDS

9.1 Contracts. The Board may authorize any Officer or agent of the Association, in addition to the Officers so authorized in these Bylaws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances. Among other things, such contracts may provide for the employment of personnel necessary for the maintenance, upkeep, and repair of the Common Maintenance Areas.

9.2 Checks, Drafts, Etc. All checks, payment vouchers, drafts, or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the Association (including checks or vouchers for the payment of the expenses incurred in maintaining the Common Maintenance Areas), shall be signed by such Officers or agents of the Association and in such manner as shall from time to time be determined by the Board.

9.3 Deposits. All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies, or other depositories

as the Board may select. All Assessments shall be deposited in one or more separate accounts in the name of the Association. All expenses of the Association shall be paid from such accounts. Reserve Assessments shall be maintained in a segregated account.

10. COMMITTEES

10.1 Committees. The Board may appoint such committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, a Maintenance Committee to advise the Board on all matters pertaining to the maintenance, repair or improvement of the Common Maintenance Areas, if any, and to perform such other functions as the Board in its discretion determines.

10.2 Committee Function. It shall be a function of each committee to receive complaints from the Owners on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director or Officer as is further concerned with the matter presented. Complaints received and the disposition of the complaints shall be reported promptly to the Board by the committee.

11. ASSOCIATION BOOKS AND RECORDS; FINANCIAL MATTERS

11.1 General. The Association shall keep accurate and complete books and records of its activities and accounts as required by the Planned Community Act and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record of the names and addresses of the Members and Directors. All books and records of the Association (except for those items which are exempt from disclosure under ORS 94.670) may be inspected by any Member, or his or her agent or attorney, for any proper purpose at any reasonable time. Without limiting the generality of the foregoing, the Association shall maintain a copy, suitable for duplication, of the following: (a) the Declaration, these Bylaws, the Articles and any rules and regulations adopted by the Board; (b) the most recent financial statement of the Association prepared in accordance with Section 11.2 below; (c) the current operating budget of the Association; and (d) the reserve study for the Association (if any). The Board may adopt reasonable rules regarding the frequency, time, location, notice and manner of inspection and duplication of the Association's records and the imposition of a reasonable fee for furnishing copies of any documents. The fee may include reasonable personnel costs for furnishing such copies.

11.2 Financial Statements. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any mortgagee of a Lot, a copy of the annual financial statement of the Association, consisting of a balance sheet and income and expense statement for the preceding fiscal year. Additionally, if the annual assessments of the Association exceed Seventy-Five Thousand Dollars (\$75,000) for the year (or such other thresholds as may be established by Oregon law from time to time), then the Board shall cause the financial statements to be reviewed within one hundred eighty (180) days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, *provided, however*, the Board need not cause such a review to be performed if so directed by an affirmative vote of at least sixty percent (60%) of the Members. If the annual assessments of the Association are Seventy-Five Thousand Dollars (\$75,000) or less (or such other thresholds as may be established by Oregon law from time to time), then the Board shall cause

such review to be performed within one hundred eighty (180) days after receipt of a petition requesting such review signed by at least a majority of the Members. The terms of this Section 11.2 are intended to comply with the requirements of ORS 94.670, as the same may be amended and/or supplemented from time to time, and all other applicable Oregon laws and shall be deemed modified, as applicable, to comply therewith.

11.3 Tax Returns. The Board shall cause to be filed the necessary income tax returns for the Association.

11.4 Fiscal Year. The Association's fiscal year shall commence January 1 and shall end on December 31.

12. INSURANCE

12.1 By the Association. The Board shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon: (i) a policy or policies insuring the Association, its Board and the Owners individually against any liability to the public or the Owners and their invitees or tenants, incident to the ownership, supervision, control or use of the Property, excepting portions of the Property under an Owner's exclusive use or occupancy. Limits of liability under such insurance shall be per occurrence for bodily injuries and property damage liability in such amounts as the Board deems advisable; and (ii) workers' compensation insurance to the extent necessary to comply with any applicable laws. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. Any insurance policy obtained by the Association shall identify the Association as the named insured and shall, if possible, be written by an insurer with a "B" general policyholder's rating and a "III" financial size category in Best's "Key Rating Guide." The policies obtained by the Association may contain a reasonable deductible not to exceed the lesser of \$10,000 or one percent of the face value of the policy. The Board may adopt a resolution prescribing responsibility for payment of the deductible under the Association's insurance policy. Any policies obtained by the Association shall, if reasonably available, provide a waiver of subrogation by the insurance company as to any claims against the Board, any Owner, or any guest of an Owner.

12.2 By the Owners. Each Owner of a Lot shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot in an amount of not less than \$250,000.00 per person, per occurrence. Additionally, each Owner shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance with respect to the Home and other Improvements located on the Owner's Lot in an amount equal to 100% of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to the Owner's personal property. The Board of Directors shall have the right, from time to time, to increase the amount and type of insurance required pursuant to this Section 12.2 by providing Owners not less than ninety (90) days advance written notice.

12.3 Director and Officer Insurance and Fidelity Insurance. At the discretion of the Board, the Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Association, or is or was serving at the request of the Association, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the Articles of the Association. The Board

may also cause the Association to maintain fidelity insurance for Officers, Directors, trustees and employees of the Association and any other persons handling or responsible for funds of, or administered by, the Association. If the Association has retained a management agent, the Board may require the management agent to maintain fidelity insurance for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. The cost of such insurance, if any, may be borne by the Association. The total amount of fidelity insurance coverage, if any, shall be determined by the Board

12.4 General Provisions. Premiums for insurance obtained by the Board on behalf of the Association pursuant to this Section 12 shall be a common expense of the Association. At least annually, the Board shall review the insurance coverage of the Association. If reasonably available, the Board shall obtain insurance policies with the provisions specified in ORS 94.690 and with an "inflation guard" endorsement.

13. TRANSFER OF CONTROL; TURNOVER MEETING

Declarant shall call the Turnover Meeting within ninety (90) days following the Conversion Date for the purpose of turning over control of the Association to the Owners; provided, however, Declarant shall retain control over the Architectural Review process after the Turnover Meeting pursuant to Section 17 of the Declaration until Declarant elects to formally relinquish control.

Declarant shall give notice of the Turnover Meeting to each Member in accordance with Section 17.1 below. The notice shall state the time and place at which the meeting is to be held and the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association (except for Architectural Review) and the election of new Directors by the Members. If Declarant does not call the Turnover Meeting required by this Section 13 within the required period, any Member may call the Turnover Meeting and give notice of the Turnover Meeting as required by this Section 13. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association (except for Architectural Review) and the Members shall assume the control thereof; (b) the Directors then serving shall resign and, if a quorum of the Members is present, the Members shall elect new Directors in accordance with these Bylaws; and (c) Declarant shall deliver to the Association the books, records, and other materials belonging to the Association that are in Declarant's control (except for all records associated with Architectural Review).

14. RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations and to establish penalties for the infraction thereof as provided in the Declaration. The adoption and amendment of such rules and regulations must conform to the requirements of the Declaration. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Owner in accordance with the notice provisions set forth in Section 17.1 below. All rules and regulations adopted by the Board shall become binding upon the date of delivery. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

15. MAINTENANCE

The Association shall have the maintenance responsibilities set forth in the Declaration, including, without limitation, in Section 11.1. Costs and expenses incurred by the Association in

discharging its maintenance responsibilities shall be paid in the manner described in Section 9.2 of these Bylaws.

16. ASSESSMENTS

16.1 Generally. All Lots shall be subject to assessment in accordance with the provisions of the Declaration. All Assessments shall be due and payable on a monthly, quarterly, annual, or other basis as determined by the Board. Subject to amendment by the Board, the Association shall give written notice to each Member as to the amount of the Assessments (with the exception of Special, Corrective, Limited Common Element, or Working Fund, if any) with respect to each Lot on or before December 15 of each year for the calendar year commencing January 1 of the next year.

16.2 Request for Assessments Due. The Association shall provide, within ten (10) business days of receipt of a written request from a Member, a written statement that provides: (i) the amount of Assessments due from the Member and unpaid at the time the request was received, such as Regular, Reserve, Special, Corrective and Limited Common Expense Assessments, fines, accrued interest, late payment charges and other charges; (ii) the percentage rate at which interest accrues on unpaid Assessments; and (iii) the percentage rate or fixed charge for late payments. The Association is not required to provide a statement of outstanding Assessments if the Association has commenced litigation by filing a complaint against the Member and the litigation is pending when the statement would otherwise be due.

17. NOTICES

17.1 Notices. Unless another form of notice is specifically permitted in these Bylaws or under the Planned Community Act, all notices given hereunder shall be delivered by: (i) messenger service (or hand delivery); (ii) overnight courier service; (iii) regular U.S. Mail; or (iv) electronic mail, facsimile transmission or any other form of electronic communication acceptable to the Board and permissible under the Planned Community Act. Notices delivered by messenger service (or hand delivery), overnight courier service or regular U.S. Mail shall be sent to the mailing address last appearing on the books of the Association. Notices delivered by facsimile or email shall be sent to the email address or facsimile number last appearing on the books of the Association. Notwithstanding the foregoing, electronic mail, facsimile or other form of electronic communication may not be used to give notice of: (i) failure to pay an Assessment; (ii) foreclosure of an Association lien under ORS 94.709; or (iii) an action the Association may take against a Member. Additionally, a Member may decline to receive notice by electronic mail, facsimile or other form of electronic communication by giving written notice thereof to the Board. Notices shall be deemed given on the date the notices are sent in accordance with the procedures outlined herein.

17.2 Waiver. Whenever any notice is required to be given under the provisions of the Articles, the Declaration, these Bylaws or any applicable law or statute, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

18. DISPUTE RESOLUTION

To the fullest extent allowed by law, all claims, controversies, or disputes, whether they are statutory, contractual, tort claims, and/or counterclaims between or among the Association, and/or Owner(s) (collectively, the "Parties" and individually, a "Party") which arise out of or are related to the Property, the Lots, the Homes, the Buildings, the Planned Community Act, the Declaration,

these Bylaws, the Articles, or any rules and regulations of the Association, or which relate to the interpretation or breach of the Planned Community Act, the Declaration, these Bylaws, the Articles, or any rules and regulations of the Association (collectively referred to as "Claims") shall be resolved in accordance with the procedures specified in Article 14 of the Declaration. Except as otherwise required by the Planned Community Act, the following matters are excluded from these dispute resolution provisions and do not constitute Claims: (i) judicial or non-judicial foreclosure or any other action or proceeding to collect or enforce assessments, fines, interest or a trust deed, mortgage, Association lien, or land sale contract; (ii) a forcible entry and detainer action; (iii) actions by the Association related to removal of a structure or other condition that violates the Declaration, these Bylaws, or any rules and regulations of the Association; (iv) actions for the appointment of a receiver; (v) provisional remedies such as injunctions or the filing of a lis pendens; or (vi) the filing or enforcement of a mechanic's lien. The filing of a notice of pending action (lis pendens) or the application to any court having jurisdiction thereof for the issuance of any provisional process remedy described in Rules 79 through 85 of the Oregon Rules of Civil Procedure (or corresponding federal statutory remedies), including a restraining order, attachment, or appointment of receiver, shall not constitute a waiver of the right to mediate or arbitrate under this Section 18, nor shall it constitute a breach of the duty to mediate or arbitrate. The proceeds resulting from the exercise of any such remedy shall be held by the Party obtaining such proceeds for disposition as may be determined by an agreement of the Parties pursuant to a mediation or by the arbitration award.

19. AMENDMENTS TO BYLAWS

These Bylaws may be amended or repealed and new bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least three (3) days' written notice is given of intention to amend or repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment; provided, however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties, compensation or terms of Directors without the approval of the Owners given at a special meeting called for such purpose; and provided, further, that all such amendments shall be consistent with the provisions of the Declaration. An amendment is not effective unless it is certified by the President and Secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625, acknowledged in the manner provided for acknowledgment of deeds and recorded in the official records of Deschutes County, Oregon.

20. CONFLICTS

These Bylaws are intended to comply with applicable law and the Declaration. In case of any irreconcilable conflict, applicable law and the Declaration shall control over these Bylaws, any amendments hereto and any rules or regulations adopted hereunder.