



After Recording Return To:  
Brix Law LLP  
15 SW Colorado Ave., Suite 3  
Bend, OR 97702  
Attn.: Laura Craska Cooper

**DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS  
AND EASEMENTS FOR COMPASS CORNER**

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND EASEMENTS FOR COMPASS CORNER is made and executed on this 26 day of October 2015 by BROOKS RESOURCES CORPORATION, an Oregon corporation ("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 "Compass Corner".

NOW THEREFORE, Declarant hereby declares that the real property described on the attached **Exhibit A** shall be held, sold and conveyed subject to the covenants, conditions and restrictions 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 "ARC" means the Architectural Review Committee established pursuant to Section 13 below; provided, however, as applied to Commercial Lots, "ARC" shall mean and refer to the Declarant. When Declarant relinquishes control over design review for the Commercial Lots, none of the design review provisions contained herein shall apply any further to any Commercial Lot.

1.2 "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.

1.3 "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, Limited Assessments, Reserve Assessments and Working Fund Assessments as those terms are defined herein.

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

1.5 "Association Landscaping" means all landscaping and all irrigation systems and utilities pertaining to landscaping, if any, located in the Common Areas, including all grass, sod, ground cover, flower and plant beds, planter strips, trees, shrubs, bushes and other plantings. The Association Landscaping includes planter strips in public rights-of-way to the extent the City of Bend does not maintain them and no Owner is obligated to maintain them.

- 1.6    "Board" means the duly elected Board of Directors of the Association.
- 1.7    "Bylaws" mean the Bylaws of the Association, as amended from time to time. The Bylaws were adopted pursuant to ORS 94.625 and are attached hereto as **Exhibit D**.
- 1.8    "City" means the City of Bend, Oregon.
- 1.9    "Commercial Building" means a building located on a Commercial Lot.
- 1.10   "Commercial Lot" means each of Lot 11 and Lot 12 as shown on the Plat; provided, however, in the event that the Owner of Lot 11 and/or Lot 12 ever obtains a rezone of his or her Lot to residential, such Lot shall thereafter constitute a "Residential Lot" for all purposes hereunder. If such Owner further subdivides his or her Residential Lot, each resulting Lot or Parcel shall constitute a separate "Residential Lot" for all purposes hereunder.
- 1.11   "Common Areas" mean the real property owned by the Association for the common benefit of the Owners, which shall initially include those portions of the Property legally described on the attached **Exhibit B**.
- 1.12   "Common Maintenance Areas" mean the Common Areas and any other property that the Association is required to maintain pursuant to this Declaration 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.
- 1.13   "Declarant" means Brooks Resources Corporation, an Oregon corporation, 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.
- 1.14   "Commercial Design Guidelines" means the design guidelines for the Commercial Lots, as described in Section 13.
- 1.15   "Compass Corner" means the planned community comprised of the Property and all Improvements located thereon.
- 1.16   "Declaration" means this Declaration of Covenants, Conditions, Restrictions and Easements for Compass Corner, as amended from time to time in accordance with its terms.
- 1.17   "Design Guidelines" means the design guidelines described in Section 13.
- 1.18   "Home" means a dwelling unit located on a Lot other than a Commercial Lot and any associated Improvements.
- 1.19   "Improvement" means every structure or improvement of any kind, including without limitation, buildings, sidewalks, driveways, fences, walls, works of art, trees, hedges, 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.

1.20 "Limited 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. "Limited Assessment" also includes assessments for a common expense or any part of a common expense that benefits fewer than all of the Lots, as determined in the sole discretion of the Board.

1.21 "Lot" means each of Lots 1 through 12, inclusive, as depicted on the Plat, and includes all Improvements located thereon.

1.22 "Member" means each member of the Association and shall include every Owner of a Lot. There shall be two (2) classes of membership in the Association, Class A and Class B, as described in Section 3.3 below.

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

1.24 "Occupant" means the occupant of a Home who is the Owner, lessee or any other person authorized by the Owner to occupy the Home.

1.25 "Owner" means any person or entity, including Declarant, at any time owning a Lot, including any vendee under a recorded land sale contract to whom possession has passed, but does not include a tenant or holder of a leasehold interest, a person holding only a security interest in a Lot or a vendor under a recorded land sale contract who has surrendered possession.

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

1.27 "Plat" means the Plat of Compass Corner recorded in the official records of Deschutes County, Oregon on July 23, 2015 as Document No. 2015-30131 and any amendments thereto.

1.28 "Property" means the real property located in the City of Bend, Deschutes County, Oregon and legally described on the attached **Exhibit A**.

1.29 "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.

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

1.31 "Residential Lot" means Lots 1-10, inclusive, as shown on the Plat of Compass Corner, which Lots are intended for single-family residential uses.

1.32 "Rules and Regulations" means those policies, procedures, rules and regulations adopted by the Association pursuant to the authority granted in this Declaration, as the same may be amended from time to time.

1.33 "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.

1.34 "Special Declarant Rights" mean those rights reserved for Declarant in Section 16.

1.35 "Turnover Meeting" means the meeting of the Owners called pursuant to the Bylaws for the purpose of turning over control of the Association to the Class A Members.

## 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 Purpose. The purpose of this Declaration is to provide for the maintenance, restoration, repair, improvement and upkeep of the Common Maintenance Areas and to set forth other terms and conditions governing the use and enjoyment of the Property.

2.3 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 "Compass Corner".

2.4 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 "Compass Corner 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 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.

3.3 Voting Rights. The Association shall have the following three (3) classes of voting membership:

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 B membership for Residential Lots is converted to Class A membership, and thereafter, Class A Members shall be all Owners of Residential Lots, including Declarant). Class A Members 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 the 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. The Class B Member shall be Declarant. The Class B Member shall be entitled to sixteen (16) votes for each Lot (whether Residential or Commercial) owned. The Class B membership with respect to each Residential Lot owned by Declarant shall cease and be converted to Class A upon the earliest to occur of: (i) the date on which all of the Lots have been conveyed to Owners other than Declarant; (ii) twenty (20) years after conveyance of the first Lot to an Owner other than Declarant; or (iii) upon election in writing by Declarant. On the same date, the Class B Membership with respect to each Commercial Lot owned by Declarant shall cease and be converted to Class A.

3.3.3 Class C Members. Class C Members shall be all Owners of Commercial Lots other than Declarant (except that beginning on the date on which the Class B membership for Commercial Lots is converted to Class C membership, and thereafter, Class C Members shall be all Owners of Commercial Lots, including Declarant). Class C Members shall be entitled to three (3) votes for each Lot owned. When more than one (1) person holds an interest in a Lot, all such persons shall be Members. However, the three (3) votes for the Lot must be voted/exercised together. The votes for the 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 votes, then the votes for that Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

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 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.

3.4.2 Statutory Powers. The powers and obligations of a nonprofit corporation pursuant to the Nonprofit Corporation Act, and of a 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.

3.4.3 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 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.

3.5 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.

3.6 Board. Declarant shall have the right to appoint an interim Board consisting of three (3) directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting as provided in the Bylaws. Following the Turnover Meeting, the Board shall consist of three (3) directors elected by the Owners in accordance with the Bylaws.

3.7 Transitional Advisory Committee. Declarant shall form a transitional advisory committee as provided in the Bylaws to provide for the transition of administrative responsibility for the Association from Declarant to the Class A and Class C Members.

3.8 Association Rules and Regulations. The Board from time to time may adopt, modify, or revoke such rules and regulations governing the conduct of persons and the operation and use of the Lots and Common Areas as it may deem necessary or appropriate in order to assure the safe, 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. A copy of the rules and regulations, upon adoption, and a copy of each amendment, modification or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and occupants of all Lots upon the date of delivery. The method of adoption of such rules shall be as provided in the Bylaws.

#### 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 Section 5.4 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 Exception. 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 Declarant. Regular Assessments shall not be levied against Declarant-owned Lots.

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;
- (f) 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.

5.2.3 Allocation of Regular Assessments. The Regular Assessments shall be allocated among all Lots subject to assessment pursuant to Section 5.2.1 as follows: Each Residential Lot shall be subject to equal Regular Assessments, while each Commercial Lot shall be subject to Regular Assessments equal to three (3) times the amount allocated to each Residential Lot. The intention of such allocation is to align assessments with voting rights.

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; provided, however, that prior to the Turnover Meeting, any special assessment for capital improvements or additions shall be approved by the Owners holding at least fifty percent (50%) of the total voting power of the Association, determined on the basis of one vote per Lot notwithstanding the special voting rights of Declarant under Section 3.3.2 hereof. Special Assessments shall be allocated equally among all Residential Lots with each Commercial Lot being assessed a Special Assessment equal to three times the assessment on each Residential Lot. 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.

5.4 Limited Assessments. The Association shall have the authority to levy against any Owner a Limited Assessment equal to the costs and expenses incurred by the Association, including legal fees, for corrective action performed pursuant to this Declaration 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, or 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. Limited Assessments shall not be levied against Declarant-owned Lots.

5.5 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 Lot to an Owner other than Declarant; Reserve Assessments shall not be levied against Declarant-owned Lots prior to the first conveyance of each such Lot to a third party. The Reserve Assessments shall be allocated equally among all Residential Lots subject to assessment pursuant to this Section 5.5., and each Commercial Lot shall be assessed a Reserve Assessment equal to three times the Reserve Assessment assessed against each Residential Lot. 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 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 all Owners, may elect not to fund the reserve account for the following year regardless of whether or not the reserve account is fully funded.

5.6 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.

## 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, 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 or for which one or more Owners are responsible for maintenance or replacement under this Declaration or the Bylaws. 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. An Owner may treat his or her outstanding share of the reserve fund as a separate item in a sales contract.

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.

## 7. ENFORCEMENT

7.1 Default in Payment of Assessments; 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:

7.1.1 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.

7.1.2 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 7.1.1. Recovery on any such action, however, shall operate to satisfy the lien, or the portion thereof, for which recovery is made.

7.1.3 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.

7.1.4 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 nine percent (9%) 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, the Bylaws, the 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, the Design Guidelines 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. Declarant or the Association may grant or assign easements over or with respect to any Lot to municipalities or other utilities performing utility services and to communications companies.

8.2 Owners' Easements of Enjoyment. Subject to any restrictions contained in this Declaration, the Bylaws, the 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 3.8.

8.3 Title to Common Areas. Declarant shall convey fee title to the Common Areas to the Association free and clear of liens and encumbrances no later than the Turnover Meeting.

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 Owners' Easements. Declarant reserves for itself and grants to the Association and the Board and their duly authorized agents and representatives for the benefit of the Association and all Owners of Lots within the Property 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 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 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, the Design Guidelines 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 or Home. In case of an emergency originating in or threatening any Lot or Home 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;

(d) 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;

(e) Each Lot shall have an easement over any adjoining Lot as may be required to perform maintenance, repair or reconstruction of the Home located on the benefited Lot, subject to the terms of this subsection. The Owner of the benefited Lot shall be responsible for restoring any damage to the burdened Lot resulting from such use and shall indemnify and hold harmless the owner of the burdened Lot for, from and against any damage, claim, loss or liability resulting from such use. The Owner of the benefited Lot shall use such easement only to the extent that the work to be performed cannot reasonably be performed without use of the easement; shall minimize the area used to the extent reasonably practical; and shall complete the work as quickly as is reasonably practical, all with the goal of minimizing use of the easement; and

(f) Subject to the terms of this subsection, pursuant to ORS 94.733(3), each Lot, Home, Commercial Building and all Common Areas shall have an easement over all adjoining Lots, Commercial Buildings, Homes and the Common Areas for the purpose of accommodating any present or future encroachment as a result of engineering errors, construction, reconstruction, repairs, settlement, shifting, or movement of any portion of the Property, or any other similar cause, and any encroachment due to building overhang or projection. There shall be valid easements for the maintenance of the encroaching Lots, Commercial Buildings, Homes and the Common Areas so long as the encroachments shall exist, and except as otherwise provided, the rights and obligations of Owners shall not be altered in any way by the encroachment, nor shall the encroachment be construed to be encumbrances affecting the marketability of title to any Lot, Home or Common Areas. The easement granted in this subsection shall apply only to encroachments resulting from improvements installed by or on behalf of the Declarant and encroachments resulting from settling, shifting or movement of land.

(g) Easements over Lots and Common Areas for the installation, maintenance repair and replacement of monument signs for Compass Corner. Declarant or the Association may place such signs on any Lot or Common Area, provided they are installed within twenty (20) feet of a road or public right-of-way.

(h) A slope easement for the Association across Lots 1, 2, 3, 4, 5 and 6, where shown on the attached **Exhibit C**. Such slope easement shall be for the sole benefit of the Association. No Owner shall construct or install any fence or other structure within the slope easement area or that might prevent Association access to the slope easement area. Each Owner of an affected Lot shall maintain and repair that portion of the slope easement area that crosses his or her Lot, including structural maintenance and repair of the slope and maintenance and repair of all landscaping. To the extent that an Owner fails to maintain or repair the slope easement area on his or her Lot, the Association shall have the right to perform such maintenance or repair and charge the costs to such Owner a Limited Assessment. The slope easement shall include the right of the Association to enter onto each of the affected Lots as and when the Association deems necessary to maintain and repair the slope easement area.

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.

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 approved by the Owners holding at least eighty percent (80%) of the total voting power of the Association, including eighty percent (80%) of the votes not held by Declarant, and the Class B 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.

## 9. GENERAL PROVISIONS FOR AND RESTRICTIONS ON USE OF LOTS

9.1 Rentals. An Owner shall be entitled to rent or lease his/her Residential Building or Home only as provided herein:

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

9.1.2 Minimum Direct Rental Period. The period for the direct rental by an Owner to a Tenant shall not be less than thirty (30) days. This provision shall not be circumvented through the use of a single lease or rental agreements to multiple or sequential tenants.

9.1.3 Tenant Must Be Given Documents. The Owner shall give each tenant a copy of this Declaration, the Bylaws and the Rules and Regulations; and

9.1.4 Owner Responsibility. Owner shall be responsible for any violations by tenants and shall be solely responsible for either correcting or eliminating such violations, or getting tenant to do same.

9.1.5 Short Term Rentals. No short term or vacation rental shall be permitted. By acquisition of a Lot and/or Home within Compass Corner, an Owner covenants and agrees that the restrictions in this Section 9 are reasonable and necessary to (a) preserve the quality of the environment at Compass Corner for the benefit of all, and (d) preserve the tranquility of permanent residents by taking reasonable action to assure that there are no short-term renters and that all renters comply with this Declaration, the Bylaws and the Rules and Regulations of Compass Corner.

9.2 Lot Maintenance. Each 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.

9.3 Residential Use. No Residential Lot shall be used except for residential purposes; provided, however, home occupations shall be permitted, subject to the following: (a) all applicable laws and ordinances; (b) the occupant's business activity shall have no impact on other Owners and shall not be visible from outside the Home. The determination of whether a home occupation complies with this Section 9.3 shall be at the sole discretion of the Board.

9.4 Improvements. No building shall be erected, altered, placed, or permitted to remain on any Lot other than one detached single-family dwelling and a private garage or carport. The Home and any other Improvements on a Lot shall comply with all applicable City height restrictions and the terms of the Design Guidelines.

9.5 Screening. On Residential Lots, all garbage, trash, cuttings, refuse, garbage and refuse containers, oil tanks, clothes lines or other service facilities, stored trailers, and recreational vehicles ("RV's") shall be screened from the view of neighboring Homes, from the Common Areas and from all public roads in a manner approved by the ARC.

9.6 Nuisance. No noxious or offensive activity shall be carried out upon the Lot, nor shall anything be done or placed on the Lot that interferes with or jeopardizes the enjoyment of the Property, or that is a source of annoyance to Owners or Occupants. Occupants shall use extreme care about creating disturbances, making noises or using musical instruments, radios, televisions amplifiers and audio equipment that may disturb other Occupants. No unlawful use shall be made of the Lot or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental bodies having jurisdiction over the Property shall be observed. Owners and other Occupants shall not engage in any abusive or harassing behavior, either verbal or physical, or any form of intimidation or aggression directed at other Owners, Occupants, guests, or invitees, or directed at the Board or any of the Association's agents or employees, or vendors.

9.7 Pets; Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot except in accordance with this Section 9.7. 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 9.7. 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. No animal shall be allowed to run at large, and all animals shall be kept within enclosed areas

which must be clean, sanitary, and reasonably free of refuse, insects and waste at all times. Such enclosed area shall be constructed in accordance with plans approved by the ARC, shall be of reasonable design and construction to adequately contain such animals in accordance with the provisions hereof, and shall be screened from public view and from the view from adjacent property (including adjacent Lots and public rights of way). 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.

9.8 Parking. Except as otherwise provided herein, the terms of this Section 9.8 apply only to Residential Lots. Except as may otherwise be provided in the Rules and Regulations, parking in excess of forty-eight (48) hours by an Owner or Occupant of a Lot of boats, trailers, motorcycles, mobile homes, campers or other residential vehicles or equipment, regardless of weight, and any other vehicles with a gross vehicle weight in excess of 9,000 pounds shall not be allowed on any part of the Property or on public streets within the Property, except within the confines of an enclosed garage or screened area, the plans of which shall have been reviewed and approved by the Architectural Review Committee before construction, and which must be constructed behind the front building line of the dwelling. No portion of the vehicle may project beyond the screened area. If there is no rear fencing and the vehicle could be seen from the outside of the Lot other than from the front road, the vehicle must also be screened from view from that direction. Vehicles may not be used for storage of materials for more than forty-eight (48) hours without approval from the Architectural Review Committee. Each Owner of a Lot, including the Commercial Lots, shall provide adequate off-street parking on such Owner's Lot for parking of vehicles owned by such Owner. Any vehicle parked in violation of this section can be towed or impounded by or on behalf of the Association at the Owner's expense. Each Owner may use the eight-foot wide parking bays immediately adjacent to his or her Lot along NW Compass Corner Loop. Because there are no such bays immediately adjacent to Lots 7-10, inclusive, the Owners of these Lots shall have no such street parking rights.

9.9 Vehicles in Disrepair. No Owner or Occupant shall permit any vehicle that is in an extreme state of disrepair to be abandoned or to remain parked on the Owner's Lot (unless screened from view) or on any Common Area or any street for a period in excess of forty-eight (48) hours. A vehicle shall be deemed in an "extreme state of disrepair" when the Board of Directors reasonably determines that its presence offends the Occupants of the area due to its appearance or continued inoperability. Should any such Owner or Occupant fail to remove such vehicle within five (5) days following the date on which notice is mailed to him or her by the Association, the Association may have the vehicle removed from the Property and charge the expense of removal to the Owner. Any vehicle parked in violation of this section can be towed or impounded by the Association at the Owner's expense.

9.10 Signs. No signs shall be erected or maintained on any Residential Lot except that not more than one (1) "For Sale" or "For Rent" or "For Lease" sign placed by the Owner, Declarant or a licensed real estate agent, not exceeding twenty-four (24) inches high and thirty-six (36) inches long may be temporarily displayed within the front yard of any Residential Lot or inside of a first floor, front-street facing window of a Home located on a Residential Lot. Two such signs may be placed on a Residential Lot during the course of initial construction of a Home on such Residential Lot. The restrictions contained in this paragraph shall not prohibit the temporary placement of "political" signs on any Lot by the Owner, subject to reasonable regulations adopted by the Architectural Review Committee relating to size and length of display. Commercial Lots shall be subject to signage restrictions, if any, established by Declarant, which restrictions shall expire when Declarant no longer controls the Commercial Design Review process pursuant to Section 13.

9.11 Recreational Equipment. No playground, athletic or recreational equipment or structures, including without limitation, basketball backboards, hoops and related supportive structures, shall be placed, installed or utilized on any Residential Lot in view from any street, sidewalk or Common Area within the Property; provided, however, the foregoing restriction shall not apply to removable recreational equipment while in active use so long as it is promptly removed from view as soon as active use ceases.

9.12 Rubbish and Trash. No part of the Property shall be used as a dumping ground for trash or rubbish of any kind, and no rubbish, refuse or garbage shall be allowed to accumulate. All garbage and other waste shall be kept in appropriate sanitary containers for proper disposal and out of public view, except during garbage pickup days. Yard rakings, dirt and other material resulting from landscaping work shall not be dumped onto Lots, streets or Common Maintenance Areas. Should any Owner or Occupant responsible for its generation fail to remove any trash, rubbish, garbage, yard rakings or any other such materials from any streets or the Property where deposited by such person within ten (1) days following the date on which notice is mailed to the Owner or Occupant by the Board, the Association may have such materials removed and charge the expense of such removal to the Owner of the applicable Lot. It shall be the responsibility of each Owner to place his or her garbage can(s) curbside not more than 24 hours in advance of the scheduled pickup date and time and to remove his or her garbage can(s) not later than 24 hours after the scheduled pickup date.

9.13 Fences, Hedges and Walls. No fence, hedge, structure, wall or retaining wall shall be constructed or exist anywhere on any Residential Lot without prior approval of the Architectural Review Committee and the requirements of the City of Bend. Owners shall be responsible for maintaining their fences in good and attractive condition. No planting or structure obscuring vision at driveways or intersections shall be permissible or maintained. Installation and maintenance of retaining walls that are required and approved by the Architectural Review Committee and the City due to topographic conditions of individual Lots are the sole and absolute responsibility of the individual Lot Owner and are to be aesthetically incorporated into the landscaping of the Lot and are not the responsibility of the Association. Prior to construction on a Residential Lot, design of all fences, hedges or walls must be approved in writing by the ARC.

Without limiting the generality of the foregoing, all fencing along Mt. Washington Drive shall be subject to setbacks as established in the Design Guidelines.

9.14 Antennas and Satellite Dishes. This Section 9.14 applies to Residential Lots only. Exterior antennas and satellite receives and transmission dishes are prohibited, except to the extent expressly mandated by rules adopted by the Federal Communication Commission or other applicable law. Specifically, ham radio antennas, satellite dishes one meter or larger, television antennas on masts 12 feet or higher and multi-point distribution antenna more than one meter or on masts 12 feet or higher are prohibited. All other antennas and dishes shall be hidden from view from the street by not being placed on the front plane of the Home, not lower than the first level ceiling height, with the preferred location being the barge rafter or gabled ends of the Home, except as may otherwise be required in order to obtain adequate reception in accordance with Federal Communications Commission rules. No antenna or dish may be placed without the prior, written approval of the Architectural Review Committee.

9.15 Exterior Lighting, Noisemaking Devices and Air Conditioning Compressors. This Section 9.15 applies to Residential Lots only. Except with the consent of the Architectural Review Committee, no exterior lighting or noisemaking devices shall be installed or maintained on any Lot, other than security alarms and fire alarms. Seasonal

holiday lighting and decorations are permissible if consistent with any applicable rules and regulations and if installed not more than thirty (30) days before and removed within thirty (30) days after the celebrated holiday. The Architectural Review Committee may regulate the shielding or hours of use of lighting in order to reduce annoyance to neighboring properties. The location of any air conditioning compressors, other than those originally installed by the Declarant, must be approved by the Architectural Review Committee prior to installation.

9.16 Pest Control. No Owner shall permit anything or condition to exist upon any portion of the Property that will induce, breed or harbor infectious plant or animal diseases or noxious insects or vermin.

9.17 Grades, Slopes and Drainage. This Section 9.17 shall not apply to Commercial Lots; provided, however, each Commercial Lot Owner shall assure that any change in drainage patterns on his or her Commercial Lot shall not result in additional drainage onto any other Lot or any Common Areas. Each Owner of a Lot shall accept the burden of, and shall not in any manner alter, modify or interfere with, the established drainage pattern and grades, slopes and courses related thereto over any Lot or Common Area without the prior approval of the Architectural Review Committee, and then only to the extent and in the manner specifically approved. No structure, plantings or other materials shall be placed or permitted to remain on or within any grades, slopes or courses, nor shall any other activities be undertaken that may damage or interfere with established slope ratios, create erosion or sliding problems, or obstruct, change the direction of, or retard the flow of water through drainage channels. All grades, slopes and drainage channels located on a Lot shall be maintained by the Owner in good condition.

9.18 Retaining Walls. Retaining Walls may have been constructed within the Property (the "Retaining Walls"). The Retaining Walls may not be located on a Lot or Tract line. Retaining Walls may or may not have been designed by a professional engineer, and no Owner shall take any action to add, construct or place any improvement on the Lot so that it may, in the judgment of the Association: (a) result in disturbance of, weakening of, or damage to the Retaining Walls; (b) increase any engineered load or alter design criteria; or (c) cause damage to the wall and surrounding properties. Any Improvements on a Residential Lot adjacent to or abutting a Retaining Wall, whether on the subject Lot or not, will need prior approval of the Architectural Review Committee. Regardless of such approval, any Lot Owner who takes such action shall be responsible for all resulting costs of repair and restoration of the Retaining Wall. Otherwise, neither the Association nor any other Owner shall have any affirmative obligation to maintain or repair the Retaining Walls. However, should they elect to do so, the Association, any Owner whose Lot is adjacent to a Retaining Wall, and their duly authorized agents and representatives, shall have the right to enter the Lot or Common Maintenance Area upon which any portion of a Retaining Wall is located for the purpose of making any necessary repair to, or maintenance of the Retaining Wall.

9.19 Windows, Decks, Porches, Front Yards and Outside Walls. This Section 9.19 shall apply only to Commercial Lots. To preserve the attractive appearance of the Property, the Association may regulate the nature of items that may be placed in or on windows, decks, porches, front yards and the outside walls of Lot so as to be visible from the street or Common Areas. Window coverings, curtains, shutters, drapes or blinds, other than those of commercially produced quality, shall not be permitted to be visible from any public or private street, pathway, Common Area or adjacent property. Garments, rugs, laundry, air conditioners, fans and other similar items may not be placed in or hung from windows, facades, porches, or decks. Outdoor cooking facilities, including without limitation, barbecue equipment, and outdoor furniture not in current use may not be stored permanently or for the off-season in any front yard.

10. GENERAL RESTRICTIONS ON USE OF PROPERTY

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 Board or a duly appointed committee to which the Board has delegated such responsibility 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 Association Board of Directors, and, if required, the City. This Section 10.2 shall not conflict with or negate the obligation of each Owner to maintain, repair and replace the landscaping in public or private rights-of-way adjacent to its Lot.

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) Tract A, also known as NW Compass Corner Alley, as shown on the Plat, including all paved and other improved surfaces, signs, lighting and other Improvements located thereon, to be maintained as open space, landscaping, walkways, pathways, storm runoff and any other improvements constructed or installed by the Declarant and/or the Association, subject, however, to the obligation of each Owner to maintain the landscaping in the NW Compass Corner Alley right-of-way immediately adjacent to his or her Lot.

(b) The Association Landscaping to the extent no Owner(s) is/are obligated to maintain the same;

(d) All entry signage for the Property, including any landscaping, lighting and irrigation systems related thereto; and

(f) To the extent not performed by an Owner as required by Section 8.4.1(h), the slope easement area, as shown on **Exhibit C**, across Lots 1, 2, 3, 4, 5 and 6.

(g) 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 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. Residential Lots. Each Owner of a Residential Lot shall maintain his or her Residential Lot and the Home and 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. All repainting or re-staining, any change in type of roof or roof color and any exterior remodeling or changes on a Residential Lot shall be subject to prior review and approval by the Architectural Review Committee. In addition, each Owner shall keep his or her Residential Lot free of trash and other unsightly materials. The provisions of the preceding sentence include the areas between the property line of any Residential Lot and the nearest curb, including sidewalks and street trees unless otherwise included in the Association Landscaping.

**11.2.2 Commercial Lots.** Each Owner of a Commercial Lot shall maintain his or her Commercial Lot and the Commercial Building and 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. All repainting or re-staining, any change in type of roof or roof color and any exterior remodeling or changes on a Commercial Lot shall be subject to prior review and approval by Declarant until Declarant relinquishes such design review control.

**11.2.3 Adjacent Landscaping.** Each Owner shall maintain the landscaping adjacent to his or her Lot, regardless of whether the landscaping is part of the private road, NW Compass Corner Alley or part of the right-of-way for NW Compass Lane. Such maintenance shall include the maintenance, repair and replacement of such landscaping as necessary to keep it in an attractive condition and consistent with all other similar landscaping within Compass Corner.

**11.3 Maintenance of Landscaping.** Owners may use any enclosed side and rear yard for any purpose not prohibited by this Declaration, provided such use is not deemed to be a nuisance by the Architectural Review Committee or the Association. Each Owner shall keep such enclosed side and rear yard free of trash, debris and weeds. The Association shall keep the landscaping for which it is responsible neatly trimmed, properly cultivated and free of trash, weeds and other unsightly material. Any plantings which are added to the front yard or side yard areas by Owners or Occupants will be at the sole expense of the Owner, and the Owner shall be solely responsible for their maintenance and survival. Further, the Association and its landscape maintenance contractor will bear no responsibility for the survival, maintenance, damage or replacement of Owner/Occupant installed plants.

**11.4 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 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 Limited Assessment against the Owner for the repair cost.

**11.5 Maintenance of Utilities.** The Association shall perform or contract to perform maintenance of all private utilities within Common Maintenance Areas, such as sanitary sewer service lines, domestic water service lines and storm water facilities, except to the extent such maintenance is performed by the utilities furnishing such services. The Association shall not be liable for any interruption or failure of such services. The Association shall not be liable for any interruption or failure of such services. Each owner shall be responsible for maintaining utility lines within his Lot other than serving the Common Maintenance Areas.

**11.6 Security.** The Association may, but shall not be obligated to, maintain or support certain activities within the Property designed to make the Property safer than it

otherwise might be. **NEITHER THE ASSOCIATION, ANY MANAGING AGENT RETAINED BY THE ASSOCIATION, DECLARANT, NOR ANY SUCCESSOR DECLARANT SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTY, NOR SHALL ANY OF THEM BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OF FAILURE TO PROVIDE ADEQUATE SECURITY OR OF INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. NO REPRESENTATION OR WARRANTY IS MADE THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM OR OTHER SECURITY SYSTEM CANNOT BE COMPROMISED OR CIRCUMVENTED, NOR THAT ANY SUCH SYSTEMS OR SECURITY MEASURES UNDERTAKEN WILL IN ALL CASES PREVENT LOSS OR PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER ACKNOWLEDGES, UNDERSTANDS AND COVENANTS TO INFORM ITS TENANTS THAT THE ASSOCIATION, ITS BOARD OF DIRECTORS AND COMMITTEES, ANY MANAGING AGENT RETAINED BY THE ASSOCIATION, DECLARANT, AND ANY SUCCESSOR DECLARANT ARE NOT INSURERS AND THAT EACH PERSON USING THE PROPERTY ASSUMES ALL RISKS FOR ANY LOSS OR DAMAGE TO PERSONS, TO PROPERTY AND TO THE CONTENT OF LOTS RESULTING FROM ACTS OF THIRD PARTIES AND RELEASES SUCH PARTIES FROM LIABILITY THEREFOR.**

11.7 Services. The Association shall provide or contract for such services as the Board may reasonably deem to be of benefit to the Property, including, without limitation, shared internet services, landscape services, garbage and trash removal for Common Maintenance Areas and security services.

11.8 Owner's Responsibility. Except as otherwise provided in this Declaration or by written agreement with the Association, all maintenance of the Lots and Improvements thereon shall be the sole responsibility of the Owner, who shall maintain his or her Lot in a neat and attractive condition in accordance with the community-wide standard of Compass Corner. For Residential Lots only, the Association shall, in the discretion of the Board, assume the maintenance responsibilities of an Owner if, in the opinion of the Board, the level and quality of maintenance being provided by each Owner does not satisfy such standard. Before assuming such maintenance responsibilities, the Board of Directors shall notify the Owner in writing of its intention to do so, and if such Owner has not commenced and diligently pursued remedial action within fifteen (15) days after the mailing of such written notice, then the Association shall proceed. The expense of such maintenance by the Association shall be reimbursed to the Association by the applicable Owner, together with interest at the Oregon statutory rate. Such charges shall be a Limited Assessment and lien on the Lot as provided in Section 5.4 above.

11.9 Damage Liability. Any damage to any Common Maintenance Area by Owners or Occupants or any of their respective children, agents, visitors, friends, relatives, tenants, Occupants or service personnel shall be repaired by the applicable owner within fifteen (15) days following the date on which notice is mailed by the Association informing the Owner of such violation. If the damage has not been repaired within such time, then the Association shall perform such repair and the cost shall be assessed to the Owner as a Limited Assessment pursuant to Section 5.4 above.

## 12. CASUALTY AND CONDEMNATION

12.1 Casualty. The Owner of each Home on a Residential Lot shall repair, reconstruct, and rebuild the damaged or destroyed portions of his or her Home to substantially the same condition that existed prior to the damage or destruction. Owners of the Commercial Lots shall have no obligation to rebuild a damaged or destroyed Commercial Building or other Improvements. 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 all of the following agree that the damaged or destroyed portions shall not be repaired or restored: (i) holders of at least 75% of the total voting power of the Class A Members; (ii) both Class C Members; and (iii) the Class B Member, if any. All repair, reconstruction, rebuilding, or restoration shall begin within six (6) months following the damage or destruction and shall be diligently pursued to completion within twelve (12) months 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 all of the following agree that the remaining Common Areas shall not be restored: (i) holders of at least 75% of the total voting power of the Class A Members; (ii) both Class C Members; and (iii) the Class B Member, if any) and then to such other purposes as the Board may determine in its discretion (including payment to the Owners).

### 13. DESIGN REVIEW

13.1 Architectural Review Committee. A committee to be known as the Architectural Review Committee (the "ARC") shall be established consisting of the number of members as determined by the Board, except that the ARC shall consist of not less than three (3) members.

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

13.1.2 The purpose of the ARC is to enforce the architectural standards of the community and to approve or disapprove plans for improvements proposed for the Residential Lots.

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

13.2 Design Guidelines. The Board may adopt, and from time to time, amend, modify, or revise any Design Guidelines for Residential Lots (the "Residential Design Guidelines"). Adoption of the Residential Design Guidelines may occur without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Amendments, modifications, or revisions to the Residential Design Guidelines may be made by the Declarant, without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Thereafter the ARC shall have the right to amend, modify, or revise the Residential Design Guidelines, subject to the approval of the Board. No such amendments, modifications, or revisions shall affect any prior ARC approval.

In no event shall the Residential Design Guidelines apply to the Commercial Lots. The Declarant shall establish separate "Commercial Design Guidelines" for the Commercial Buildings and the Commercial Lots and shall administer and perform all design review functions under this Declaration, including under this Section 13, for all improvements and other development on the Commercial Lots as if the Declarant were the Architectural Review Committee until such time as Declarant records an amendment to this Declaration, stating that it is relinquishing Design Review responsibilities for the Commercial Lots. The Commercial Design Guidelines may be within the same document as the Residential Design Guidelines, but only the Commercial Design Guideline provisions shall apply to Commercial Lots, and only the Declarant may modify or terminate the Commercial Design Guideline provisions. After the Declarant relinquishes Design Review responsibilities for the Commercial Lots in accordance with this paragraph, there shall be no design review under this Declaration with respect to the Commercial Lots. Whenever this Declaration calls for ARC approval, such approval for Commercial Lots shall be deemed to mean the approval of Declarant until Declarant relinquishes such design review control, and thereafter, ARC approval shall no longer be required for Commercial Lots.

13.3 Scope of Review. No building, fence, wall, patio, deck, outbuilding, landscaping, pool, athletic facility or other structure or improvement shall be erected, altered, added onto or repaired upon any portion of the Property without the prior written consent of the ARC (or the Declarant with respect to Commercial Lots), provided however, that improvements erected, altered, added onto or repaired by Declarant shall be exempt from the provisions of this Article XIII.

13.4 Submission of Plans. Before the initiation of construction upon any Lot, the Owner thereof shall first submit to the ARC (or to Declarant for Commercial Lots) a complete set of plans and specifications for the proposed improvements, including site plans, grading plans, landscape plans, floor plans depicting room sizes and layouts, exterior elevations, specifications of materials and exterior colors, and any other information deemed necessary by the ARC (or the Declarant, as applicable) for the performance of its function pursuant to the procedure outlined in the Design Guidelines (if any). In addition, the Owner shall submit the identity of the individual or company intended to perform the work and projected commencement and completion dates. In the event an Owner submits plans or specifications to the ARC (or the Declarant, as applicable) that are not adequate to permit the ARC (or Declarant, as applicable) to make an informed determination under this Article, the Board shall have the authority to require the Owner submitting the inadequate plans or specifications to retain, at the Owner's expense, the services of a professional engineer, architect, designer, inspector or other person to assist in the preparation of a sufficient submittal to the ARC (or the Declarant, as applicable).

13.5 Plan Review. Upon receipt by the ARC (or Declarant, if applicable) of all of the information required by this Article XIII, it shall have thirty (30) days in which to review said plans. The proposed improvements will be approved if, in the sole opinion of the ARC (or Declarant, as applicable): (i) the improvements will be of an architectural style and material that are compatible with the other structures in the Property; (ii) the improvements will not violate any restrictive covenant or encroach upon any easement or cross building set back lines; (iii) the improvements will not result in the reduction in property value, use or enjoyment of any of the Property; (iv) the individual or company intended to perform the work is acceptable to the ARC (or Declarant, as applicable); and (v) the improvements will be substantially completed, including all cleanup, within three (3) months of the date of commencement (six (6) months for the construction of a complete house). If the ARC (or Declarant, as applicable) fails to issue its written approval, or rejection, within forty-five (45) days of its receipt of the last of the materials or documents required to complete the

Owner's submission, the ARC's (or Declarant's, as applicable) approval shall be deemed to have been granted without further action.

13.6 Non-Conforming Structures. If there shall be a material deviation from the approved plans in the completed improvements, such improvements shall be in violation of this Article XIII to the same extent as if erected without prior approval of the ARC (or Declarant, as applicable). The ARC (or the Declarant, as applicable), the Association or any Owner may maintain an action at law or in equity for the removal or correction of the non-conforming structure and, if successful, shall recover from the Owner in violation all costs, expenses and fees incurred in the prosecution thereof.

13.7 Immunity of ARC Members. No individual member of the ARC (or the Declarant in carrying out design review functions with respect to the Commercial Lots) shall have any personal liability to the Association, to any Owner or to any other person for the acts or omissions of the ARC if such acts or omissions were committed in good faith and without malice. The Association shall defend any action brought against the ARC (or the Declarant when carrying out design review functions with respect to the Commercial Lots) or any member of the Association or the Declarant arising from acts or omissions of the ARC or the Declarant (in its role providing design review for the Commercial Lots) committed in good faith and without malice. The Declarant shall have the right, but not the obligation, to perform design review or other ARC functions with respect to the Commercial Lots, and neither the Association nor any Owner shall have the right to force the Declarant to undertake any ARC functions with respect to the Commercial Lots. Nor shall the Association nor any Owner have a cause of action against the Declarant for a failure to undertake any design review or other ARC functions with respect to the Commercial Lots.

13.8 Limited Review. Any review and approval made by the ARC (or the Declarant) is limited to compliance with the intent of the architectural standards of the neighborhood as may from time to time be established by the Board (or the Declarant) and/or the Design Guidelines or the Commercial Design Guidelines, as applicable. The review and approval made by the ARC (or the Declarant) is not to be construed as superseding, replacing, or modifying any review, approval, or permit required by any local, state or federal jurisdictional agencies. It is the applicant's responsibility to obtain and comply with any permits that may be required by any local, state, or federal jurisdictional agency.

13.9 Address for Notice. Requests for ARC approval or correspondence with the ARC shall be addressed to Compass Corner Owners' Association Architectural Review Committee, c/o Carol Haworth, Owner Relations, 409 NW Franklin Ave., Bend, Oregon 97703, or such other address as may be designated from time to time by the ARC. No correspondence or request for approval shall be deemed to have been received until actually received by the ARC in a form satisfactory to the ARC.

13.10 Review Fee. There may be a review fee for the initial submission of plans under Section 13.4. Additionally, the ARC shall have discretion to implement an additional hourly fee and/or actual costs in the event that an application is incomplete, an applicant makes changes to an application, an applicant appeals a decision of the ARC or the ARC otherwise determines that the application necessitates efforts or expenses beyond the ordinary and typical. There shall be no appeal of any design review or other ARC decision made by the Declarant with respect to a Commercial Lot.

13.1 Lot 12 Setback. Lot 12 is subject to a building setback restriction as set forth in the Commercial Design Guidelines. This sixty (60) foot setback where the Lot is adjacent to a Residential Lot may, in the discretion of the Declarant be reduced, but it may not be

increased. This restriction shall cease to apply if/when Lot 12 is converted to one or more Residential Lots.

14. SPECIAL DECLARANT RIGHTS

14.1 Declarant shall have the following Special Declarant Rights:

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

14.1.2 The right to maintain a sales and management office on the Property and conduct marketing and sales activities on the Property.

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

14.1.4 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.

14.1.5 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. No such amendment shall be effective unless so approved in writing by Declarant.

14.1.6 The right to approve Special Assessments for capital improvements or additions for so long as Declarant owns a Lot. No Special Assessment shall be levied against Declarant unless so approved in writing by Declarant.

14.1.7 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 16.4 within the time period prescribed in the Bylaws.

14.1.8 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.

14.1.9 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.

15. DISPUTE RESOLUTION.

15.1 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 Planned Community Act, this Declaration, the Bylaws, the Articles, the Design 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, the Design 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, the Design Guidelines 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; (vi) the filing or enforcement of a mechanic's lien; (vii) disputes between Declarant and an owner of a Commercial Lot with respect to design review or other ARC functions. 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.

**15.2 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 15.3, 15.4 or 15.5, as applicable.

**15.3 Mediation.** Prior to mediation of any Claim, the Parties shall endeavor to resolve disputes through the process set forth in Section 15.2 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 15.5 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.

**15.4 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.

**15.5 Arbitration.** Prior to arbitration of any Claim, the Parties shall endeavor to resolve disputes through the processes set forth in Section 15.2, 15.3 and 15.4 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.

15.6 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 voting power 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 Design Guidelines or any rules and regulations of the Association.

15.7 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.

15.8 Disputes Involving Declarant. Any disputes resolution, including mediation, arbitration or litigation, that involves the Declarant shall be conducted in Deschutes County, Oregon.

## 16. MISCELLANEOUS

16.1 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, 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 voting power of the Association.

### 16.2 Amendment and Repeal.

16.2.1 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 voting power 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 relates to the preservation or maintenance of the Common Areas, such amendment shall also be approved by the zoning administrator of the City.

16.2.2 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.

16.2.3 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.

16.3 Regulatory Amendments. Notwithstanding the provisions of Section 16.2, 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.

16.4 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.

16.5 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. Additionally, the provisions of this Declaration relating to the preservation and maintenance of the Common Areas shall be deemed to be for the benefit of the City as well as the Association and the Owners and the City may enforce such provisions by appropriate proceedings at law or in equity, or may cause such maintenance to be performed, the costs of which shall be a lien upon the Property.

16.6 Remedies Cumulative. Each remedy provided herein is cumulative and not exclusive.

16.7 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.

16.8 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.

16.9 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.

16.10 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.

16.11 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.

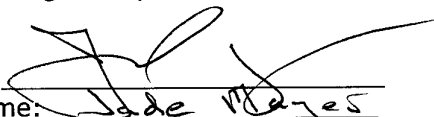
16.12 Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

16.13 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:

BROOKS RESOURCES CORPORATION,  
an Oregon corporation

By: 

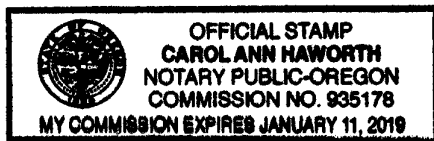
Name: Jade Hayes

Title: VP/CEO

STATE OF Oregon )  
 ) ss.  
County of Deschutes )

The foregoing instrument was acknowledged before me on this 26 day of October 2015, by Sade Mayer, the VP/CO of Brooks Resources Corporation, an Oregon corporation, on behalf of the corporation.

Carol Ann Haworth  
Notary Public for Oregon  
My Commission Expires: 1-11-2019



## **EXHIBIT A**

### Legal Description of Property

Lots 1 through 12, inclusive, and Tract A, Plat of Compass Corner, City of Bend, Deschutes County, Oregon, the plat of which was recorded in the official records of Deschutes County, Oregon on July 23, 2015 as Document No. 2015-30131.

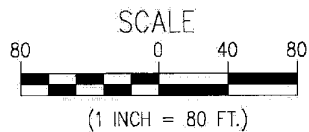
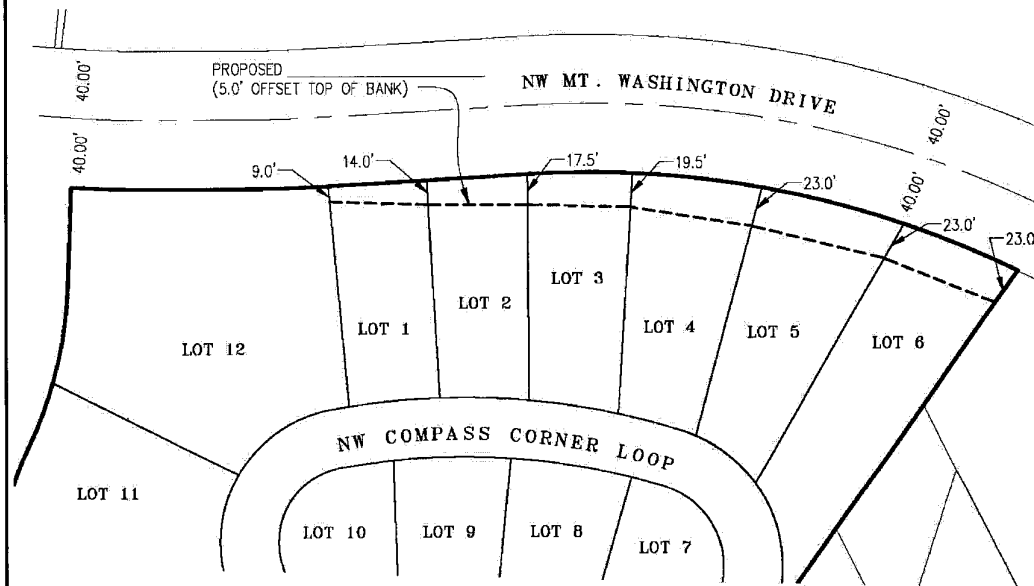
## **EXHIBIT B**

### Legal Description of Common Areas

Tract A of the Plat of Compass Corner Subdivision, City of Bend, Deschutes County, Oregon, the plat of which was recorded in the official records of Deschutes County, Oregon on July 23, 2015 as Document No. 2015-30131.

## EXHIBIT C

AFFECTING LOTS 1 THROUGH 6  
COMPASS CORNER SUBDIVISION  
LOCATED IN THE S1/2, NW1/4 OF  
SECTION 29, TOWNSHIP 17 SOUTH, RANGE 12 EAST, W.M.  
CITY OF BEND, DESCHUTES COUNTY, OREGON



***DevTech Engineering Inc.***

Site Planning · Civil Engineering  
Land Surveying

3052 NW MERCHANT WAY, STE 107

Bend, OR 97701

Phone: (541) 317-8429

SEPTEMBER 30, 2015 SCB

AFFECTING LOTS 1 THROUGH 6  
COMPASS CORNER SUBDIVISION  
LOCATED IN THE S1/2, RANGE 12 EAST, W.M.  
SECTION 29, TOWNSHIP 17 SOUTH, RANGE 12 EAST, W.M.  
CITY OF BEND, DESCHUTES COUNTY, OREGON



SEPTEMBER 30, 2015 SCB

## **EXHIBIT D**

to Declaration of Covenants, Conditions, Restrictions and Easements for Compass Corner

### **BYLAWS OF COMPASS CORNER SUBDIVISION**

#### **1. DEFINITIONS**

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

1.1 "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 in accordance with the provisions thereof.

1.2 "Association" means Compass Corner 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" means the Board of Directors of the Association constituted in accordance with Section 5 of these Bylaws.

1.4 "Common Areas" mean those portions of the Property owned by the Association for the common benefit of the Owners, which means Tract A, as depicted on the Plat.

1.5 "Declarant" means Brooks Resources Corporation, an Oregon corporation and its successors or assigns who acquire any of the rights reserved for Declarant in these Bylaws or the Declaration or assume any of the duties and obligations of Declarant under these Bylaws or the Declaration. 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.

1.6 "Declaration" means the Declaration of Covenants, Conditions, Restrictions and Easements for Compass Corner, recorded in the official records of Deschutes County, Oregon (as amended from time to time, the "Declaration").

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

1.8 "Improvement" means every structure or improvement of any kind, including without limitation, buildings, sidewalks, driveways, fences, walls, works of art, trees, hedges, 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.

1.9 "Lot" means each of Lots 1 through 12, inclusive, as depicted on the Plat and includes all Improvements located thereon.

1.10 "Member" means each member of the Association and shall include every Owner of a Lot. There shall be three (3) classes of membership in the Association, Class A, Class B and Class C, as described in Section 3.2 of these Bylaws.

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

1.12 "Owner" means any person or entity, including Declarant, at any time owning a Lot, including any vendee under a recorded land sale contract to whom possession has passed, but does not include a tenant or holder of a leasehold interest or a person holding only a security interest in a Lot or a vendor under a recorded land sale contract who has surrendered possession.

1.13 "Plat" means the Plat of Compass Corner recorded in the official records of Deschutes County, Oregon on July 23, 2015, as Document No. 2015-30131 and any amendments thereto.

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

1.15 "Property" means the real property located in the City of Bend, Deschutes County, Oregon and legally described on the attached **Schedule A**.

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

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

1.18 "Turnover Date" means the date on which Class B membership terminates pursuant to Section 3.2.2.

1.19 "Turnover Meeting" means the meeting of the Owners called pursuant to Section 13 of these Bylaws for the purpose of turning over control of the Association from Declarant to the Owners.

1.20 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 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. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Such membership shall commence, exist, and continue simply by virtue of such ownership, shall automatically expire 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 three (3) classes of voting membership:

3.2.1 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 B membership for Residential Lots is converted to Class A membership, and thereafter, Class A Members shall be all Owners of Residential Lots, including Declarant). Class A Members 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 the 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.

3.2.2 Class B Members. The Class B Member shall be Declarant. The Class B Member shall be entitled to sixteen (16) votes for each Lot (whether Residential or Commercial) owned. The Class B membership with respect to each Residential Lot owned by Declarant shall cease and be converted to Class A upon the earliest to occur of: (i) the date on which all of the Lots have been conveyed to Owners other than Declarant; (ii) twenty (20) years after conveyance of the first Lot to an Owner other than Declarant; or (iii) upon election in writing by Declarant. On the same date, the Class B Membership with respect to each Commercial Lot owned by Declarant shall cease and be converted to Class A.

3.2.3 Class C Members. Class C Members shall be all Owners of Commercial Lots other than Declarant (except that beginning on the date on which the Class B membership for Commercial Lots is converted to Class C membership, and thereafter, Class C Members shall be all Owners of Commercial Lots, including Declarant). Class C Members shall be entitled to three (3) votes for each Lot owned. When more than one (1) person holds an interest in a Lot, all such persons shall be Members. However, the three (3) votes for the Lot must be voted/exercised together. The votes for the 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 votes, then the votes for that Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

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. The Board may also suspend a Member's right to use any of the Common Areas during such period of default.

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 a homeowners 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. 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. The first annual meeting of the Members held for the purpose of electing Directors shall be the Turnover Meeting.

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 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 Turnover Meeting; (ii) the annual meeting of the Members; (iii) a meeting of the Members if the agenda includes a proposal to remove a Director; or (iv) 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. Prior to the Turnover Meeting, the Board shall consist of one (1) to three (3) Directors, as determined by the Declarant. After the Turnover Meeting, the Board shall consist of three (3) to five (5) Directors. All Directors must be individuals. The Directors need not be Members prior to the Turnover Meeting, but shall be Members after the Turnover Meeting; 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 Election of Directors. Prior to the Turnover Meeting, Declarant shall appoint all Directors, and may remove and replace any Director, with or without cause. At the Turnover Meeting, the Members shall elect two (2) Directors for a term of two (2) years and one (1)

Director for a term of one (1) year. The Directors receiving the highest vote totals shall serve the two (2) year terms. Thereafter, at each annual meeting of the Members, the Members shall elect a number of Directors equal to the number whose terms are then expiring, each to serve a term of two (2) years. In voting for Directors, Members shall have the votes specified in Section 3.2 above. Voting for Directors shall not be cumulative. A Director may serve more than one (1) term.

5.4 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.

5.5 Removal. Any Director, other than a Director appointed by Declarant, may be removed, with or without cause, by the affirmative majority vote of the Members present and entitled to vote 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 shall elect a replacement Director to serve the remainder of the removed Director's term.

5.6 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. 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 5.5 above shall be filled in accordance with the procedures set forth in Section 5.5 above.

5.7 Meetings of the Board.

5.7.1 The initial meeting of the Board shall occur within ninety (90) 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.

5.7.2 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.

5.7.3 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.

5.7.4 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.

5.7.5 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; and (d) collection of unpaid Assessments. 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(8).

5.7.6 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.

5.8 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.

5.9 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 need not be Members prior to the Turnover Meeting, but shall be Members after the Turnover Meeting; 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. Prior to the Turnover Meeting, an Officer may simultaneously hold more than one (1) office. After the Turnover Meeting, 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 is not required to be a Director. The Secretary shall keep 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 is not required to be a Director. The Treasurer shall be responsible for Association funds and shall keep full and accurate financial records and books of account sufficient for proper accounting purposes showing all receipts and disbursements necessary for the preparation of all financial data and tax returns. The Treasurer shall be responsible for the deposit of all Association funds in such depositories as may from time to time be designated by the Board, and shall disburse Association funds for such purposes as may be permitted under these Bylaws or the Declaration. The Treasurer

shall perform all other duties incident to the office of the Treasurer of a corporation or as may be directed by the Board. 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. The Association may pay compensation in a reasonable amount to its Officers for services rendered as provided by the Articles, the Declaration, other provisions of these Bylaws, or Board resolution.

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 and Association Landscaping. Notwithstanding the foregoing, no management agreement, service contract or employment contract made by or on behalf of the Association prior to the Turnover Meeting shall be for a term in excess of three (3) years, and any such agreement shall be terminable without penalty to the Association upon not less than thirty (30) days' written notice to the other party thereto given by the Board not later than sixty (60) days after the Turnover Meeting.

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 Areas and Association Landscaping), 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.

## 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, not including votes of Declarant with respect to Lots owned by Declarant. 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) public liability insurance covering the Common Maintenance Areas and any damage or injury caused by the Association in such amounts and in such forms as the Board deems advisable; provided, however, that such policy(ies) shall not be for an amount of less than \$1,000,000.00 per person, per occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least 10 days' written notice to the Association; (ii) property insurance for any insurable improvements in the Common Areas sufficient to cover the full replacement costs or any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost; and (iii) 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, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at least the required full replacement cost. 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, the 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 \$500,000.00 per person, per occurrence. Additionally, each Owner shall obtain, and maintain in effect, 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 may, by resolution, increase the amounts of insurance to be maintained by Owners from time to time.

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

On a date that is not later than ninety (90) days after the date on which Class B Membership is converted to Class A Membership as described in Section 3.2.2, Declarant shall call the Turnover Meeting. Declarant shall give notice of the Turnover Meeting to each Member in accordance with Section 4.4 above. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting within the specified time, then any Member may call the Turnover Meeting and give the required notice. At the Turnover Meeting: (i) Declarant shall relinquish control of the administration of the Association and the Members shall assume the control thereof; (ii) the Directors and Officers of the Association then serving shall resign and the Members shall elect Directors who shall then elect Officers in accordance with these Bylaws; and (iii) Declarant shall deliver to the Association all of the items set forth in ORS 94.616(3). During the three (3) month period following the Turnover Meeting, Declarant or its representative shall be available to meet with the Board on at least three (3) mutually acceptable dates as provided under ORS 94.616(4).

### 14. RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the conduct of persons and the operation and use of the Lots and the Common Areas as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property and to establish penalties for the infraction thereof. 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 on all Members and on all occupants of the Lots 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. 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. Regular and Reserve Assessments shall be due and payable on a monthly, quarterly or annual 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

Regular and Reserve Assessments 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 and Limited 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

18.1 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 Planned Community Act, the Declaration, these Bylaws, the Articles, the Architectural Manual 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, the Architectural Manual or any 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 these dispute resolution provisions and do not constitute Claims: (i) imposition of assessments or fines, 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, the Architectural Manual 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.

**18.2 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 in small claims court, by mediation or by binding arbitration as set forth in Sections 18.3, 18.4 or 18.5, as applicable.

**18.3 Mediation.** Prior to mediation of any Claim, the Parties shall have endeavored to resolve disputes through the process set forth in Section 18.2 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 18.5 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.

**18.4 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.

**18.5 Arbitration.** Prior to arbitration of any Claim, the Parties shall have endeavored to resolve disputes through the processes set forth in Sections 18.2, 18.3 and 18.4 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 18.5 shall be conducted in Deschutes County, Oregon.

**18.6 No Attorneys' Fees.** Unless otherwise specifically provided for in the Declaration, these 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 Members holding seventy-five percent (75%) of the voting power of the Association. The foregoing vote requirement shall not be required to institute or respond to

the following: (i) actions for delinquent Assessments, fines, interest 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 Date; (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 (vi) actions to summarily abate, enjoin and remove a structure or condition that violates the Declaration, these Bylaws or any rules and regulations adopted by the Association.

18.7 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 in the event a Party breaches its confidentiality obligation that 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.

#### 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 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. Additionally, for a period of ten (10) years following the Turnover Meeting any amendment to these Bylaws shall require the prior written consent of Declarant and Declarant may also unilaterally amend these Bylaws prior to the Turnover Meeting as permitted under ORS 94.585. 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.

IN WITNESS WHEREOF, Declarant has adopted these Bylaws on behalf of the Association effective as of this \_\_\_ day of October 2015.

DECLARANT:

BROOKS RESOURCES CORPORATION  
an Oregon corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
 ) ss.  
County of \_\_\_\_\_ )

The foregoing instrument was acknowledged before me on this \_\_\_ day of October 2015, by \_\_\_\_\_, the \_\_\_\_\_ of Brooks Resources Corporation, an Oregon corporation, on behalf of the corporation.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

## **Schedule A to Bylaws**

### **Legal Description of Property**

Lots 1 through 12, inclusive, and Tract A, COMPASS CORNER, City of Bend, Deschutes County, Oregon, the plat of which was recorded in the official records of Deschutes County, Oregon on July 23, 2015 as Document No. 2015-30131.