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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR THE EAGLE CREST PLANNED COMMUNITY

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THIS DECLARATION made this 24th day of June, 1985, by EAGLE CREST PARTNERS LTD., an Oregon limited partnership, hereinafter referred to as "Declarant," is as follows:

RECITALS:

A. Declarant is the owner of that certain real property ("Initial Property") located in the County of Deschutes, State of Oregon, more particularly described on Exhibit A-1, attached hereto and made a part hereof. A portion ("Master Association Property") of the Initial Property shall be conveyed by Declarant to the association of owners authorized by this Declaration, which property is more particularly described on Exhibit A-2, attached hereto. Declarant is now, or may in the future be, the owner of certain other real property in said County and State, which other real property ("Master Association Annexable Property") is more particularly described in Exhibit B attached hereto and made a part hereof. In the event all of the Master Association Annexable Property is annexed hereto, and in the further event that development of the Initial Property and such annexed property proceeds in accordance with the present intention of Declarant, the resulting planned community would be as shown on the graphic ("Conceptual Plan of Development") attached hereto as Exhibit C. Declarant intends, but is not obligated, to annex the Master Association Annexable Property so as to be included within the regime of this Declaration, and intends, but is not obligated to develop the property into the Eagle Crest Planned Community ("Planned Community") in accordance with the Conceptual Plan of Development.

B. The Planned Community, if pursued to completion by Declarant, its successors or assigns, shall include up to one hundred and twenty-six (126) Estate Lots, to be used as sites for single family dwelling units, along with the roadways, utility systems, and certain recreational amenities appropriate thereto and up to two hundred and seven (207) single family attached dwelling units, along with similar roadways, utility systems and amenities, some or all of which may be devoted to a Vacation Resort Ownership Project as herein defined. The Planned Community is intended to include, in addition to the residential uses noted, certain commercial, professional, and administrative uses, and such other types of compatible uses as may be permitted by the appropriate regulating governmental entities. Declarant shall construct, install, or otherwise provide upon the Property for subsequent use, operation, and ownership by the Master Association certain utility systems, including, without limiting the generality of the foregoing, a domestic water system and sanitation sewer system.

C. Declarant is obligated to construct a golf course, driving range, lake, equestrian facility, roadways, and recreational pathway upon a portion of the Master Association Property and does not choose to limit its right to add additional improvements.

D. Declarant intends to and does hereby establish for its own benefit and for the mutual benefit of all future Owners or occupants of the Initial Property and any subsequently annexed lands, as and when annexed collectively, the "Property", and each part thereof, certain easements and rights in, over and upon the Property, and certain mutually beneficial covenants, conditions, restrictions and obligations with respect to the proper use, conduct and maintenance thereof.

E. Declarant may execute, acknowledge and record an instrument as a supplement to this Declaration affecting a portion of the Initial Property or any Master Association Annexable Property so long as Declarant owns all of the real property to be affected by such supplemental declaration. Such supplemental declaration shall not conflict with the provisions of this Declaration, but may impose further conditions, covenants, and restrictions for the operation, protection and maintenance of the property to be affected. Such supplemental declaration may provide for an association of owners to be independent of, but subordinate to, the association herein formed, and for the right to assess the owners of the real property covered by said supplemental declaration in addition to the assessments established herein. In the event the land subject to such supplemental declaration is developed pursuant to a legal structure of ownership not contemplated by this Declaration, then such supplemental declaration may specify the manner in which this Declaration shall be interpreted to apply to such land and the owners thereof.

F. Declarant intends that the owners, mortgagees, occupants and all other persons hereafter acquiring any interest in the Property or any part thereof, shall at all times enjoy the benefits of, and shall hold, sell and

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convey their interests subject to the rights, easements, covenants, conditions, restrictions, and hereinafter set forth, all of which are hereby declared to be in furtherance of a general plan to promote and protect the cooperative aspect of such development and are established for the purpose of enhancing and perfecting the value, desirability and attractiveness of said real property.

DECLARATIONS

NOW, THEREFORE, Declarant as owner of the Initial Property, and for the purposes above set forth, hereby declares that all of the Initial Property, and any subsequently annexed lands, as and when annexed, and each part thereof, shall be held, sold and conveyed subject to the following easements, covenants, conditions and restrictions, which are for the purpose of protecting the value and desirability of, and which shall constitute equitable servitudes on the Property, and which shall run with said Property and be binding on and inure to the benefit of all parties having any right, title or interest therein, or in any part thereof, their heirs, successors and assigns.

ARTICLE I

DEFINITIONS

As used herein, unless otherwise specified or unless the context otherwise requires:

1.1 **"Additional Maintenance Areas"** means any portion of un-annexed Master Association Annexable Property upon which the Master Association has acquired from Declarant an exclusive or non-exclusive right of use, or any easement or right-of-way over property owned by any third party which in the judgment of the Board is necessary or convenient to the purposes of the Master Association, and for which the Master Association is obligated in consideration for such use for all or a portion of the cost of maintenance and repair.

1.2 **"Articles"** means the Articles of Incorporation of the Master Association, as such Articles may be amended from time to time.

1.3 **"Assessment"** means, collectively, the Annual Assessments, Special Assessments, Emergency Assessments, and Remedial Assessments, all as more fully set forth in Article III.

1.4 **"Assessable Estate Homesite"** means an Estate Homesite approved or to be approved as a Building site for a single family detached Unit.

1.5 **"Board"** means the Board of Directors of the Master Association.

1.6 **"Budget"** means a proforma operating statement of the Master Association which sets forth its estimated annual income and expenses.

1.7 **"Building"** means any structure having a roof supported by columns or walls for the housing or enclosure of persons, animals or chattels and located on a Lot and forming a part of such Lot.

1.8 **"By-Laws"** means the By-Laws of the Master Association as such By-Laws may be amended from time to time.

1.9 **"Conceptual Plan of Development"** means that conceptual plan identified in Recital A.

1.10 **"Commercial Lot"** means each lot or parcel of real property in the Property not owned by the Master Association or any Sub Association, and which is designated as a site for any use other than as an Estate Homesite, Condominium Lot, or as part of a Vacation Resort Ownership Project.

1.11 **"Condominium"** means a single family residential dwelling unit consisting of an undivided interest in one or more Lots coupled with an exclusive interest in a dwelling unit in a Building situated thereon, and which is declared to be such in a Supplemental Declaration.

1.12 **"Condominium Lot"** means each lot or parcel of real property in the Property as shown with a distinct number or letter on a map or plat of the Property or any portion thereof and which is designated for construction of a Building or Buildings containing one or more Condominiums.

1.13 **"Conversion Date"** means the date on which Class B Membership of the Master Association is converted to Class A Membership as provided in Article II.

1.14 **"County"** means the County of Deschutes, State of Oregon.

1.15 **"Declarant"** means Eagle Crest Partners Ltd., an Oregon limited partnership, together with its successors and assigns if any successors and assigns should acquire any portion of the Property from Declarant for the purpose of development and are designated by Declarant as an assignee for the purpose hereof by a duly recorded written instrument.

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1.16 **"Director"** means a member of the Board of Directors of the Master Association.

1.17 **"Dwelling"** means any Building or portion thereof which is used as a private residence or sleeping place of one or more human beings, but not including clubhouses or recreational buildings intended and designed primarily for recreational use.

1.18 **"Environmental Control Committee and Committee"** means that committee established pursuant to Article V of this Declaration with the powers and duties as set forth therein.

1.19 **"Equestrian Facility Area"** means that portion of the Master Association Property and any Additional Maintenance Areas, or portions thereof which are described as such on the Conceptual Plan of Development or in any Supplemental Declaration, as well as the Improvements thereupon.

1.20 **"Estate Homesite"** means each lot or parcel of real property as shown with a distinct number or letter on a map or plat of the Property and which is designated as a site for construction of a single family detached Dwelling Unit.

1.21 **"Estate Homesite Association"** means any association of owners of Estate Homesites as established in a Supplemental Declaration.

1.22 **"First Mortgage"** means (i) with respect to each Real Property Interest owned by Non-Declarant Owners, any first Mortgage made in good faith and for value, and created in connection with the acquisition of such Real Property Interest, or (ii) with respect to any portion of the Property owned by Declarant, any Mortgage encumbering the Property or any portion thereof and securing an obligation of Declarant with respect to any land acquisition or the development or construction of any Improvements on the Property, including, without limiting the generality of the foregoing, that instrument recorded in the office of the recording officer of Deschutes County, entitled "Master Trust Deed and Security Agreement" of Security Pacific Finance Corp., a Delaware corporation.

1.23 **"Fiscal Year"** means the one-year period commencing on the first day of January of each year which shall be the fiscal year of the Master Association; provided, however, that the first Fiscal Year shall be the partial one-year period commencing on the Starting Date and ending on December 31, 1985; provided further, that the Fiscal year shall be subject to change by amendment to the By-Laws.

1.24 **"Golf Course"** means one or more Lots of the Master Association Property designated as such on the Conceptual Plan of Development or in any Supplemental Declaration, initially consisting of nine golf holes, a lake, a driving range, pro shop and maintenance area, and which is expandable to eighteen golf holes in the discretion of Declarant.

1.25 **"Improvements"** means buildings, garages, carports, streets, roads, driveways, walkways, parking areas, fences, wells, reservoirs, porches, elevated porches, hedges, plantings, planted trees and shrubs, pools, tennis courts, recreational amenities, and all other structures or landscaping of every kind, nature or description.

1.26 **"Initial Commencement Date"** means the first day of the first month following recordation of the deed for the sale of the first Real Property Interest to a Non-Declarant Owner.

1.27 **"Initial Property"** means that real property more fully described in Recital A hereto.

1.28 **"Interval"** means an ownership interest whereby a purchaser receives the right, in perpetuity, for life, or for a term of years, to the recurrent, exclusive use or occupancy of a Vacation Resort Ownership Unit annually or on some other periodic basis, for a period of time that has been or will be allotted from the use or occupancy periods into which the Vacation Resort Ownership Unit has been divided.

1.29 **"Lien"** means either a voluntary or involuntary lien.

1.30 **"Lot"** means each lot or parcel of real property as shown with a distinct number or letter on a map or plat of the Property or any portion thereof which may be legally conveyed, including all parcels owned by the Master Association, whether designated as roadways, wells, Restricted Use Areas, or otherwise.

1.31 **"Majority of Owners"** means (a) prior to the Conversion Date, (i) the vote or written assent of a Majority of Non-Declarant Owners and (ii) the consent of the Declarant; and (b) from and after the Conversion Date, (i) the vote or written assent of Owners entitled to vote or so assent, and who collectively are entitled to exercise more than 50% of all votes which may be exercised by such Owners, and (ii) the vote or written assent of a Majority of Non-Declarant Owners.

1.32 **"Majority of Non-Declarant Owners"** means the vote or written assent of Non-Declarant Owners entitled to vote or so assent and who collectively are entitled to exercise more than 50% of all votes which may be exercised by such Non-Declarant Owners.

1.33 **"Manager"** means that person or entity employed from time to time by the Board to manage the affairs of the Master Association.

1.34 **"Master Association"** means the Eagle Crest Master Association, an Oregon nonprofit

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1.56 **"Statement of Status"** means an estoppel statement issued by the Master Association with regard to the existence of unpaid assessments, as provided in Section 2.4(i).

1.57 **"Sub-Association"** means any Oregon non-profit corporation organized, established, or authorized pursuant to a Supplemental Declaration, and of which the membership is composed of Owners within a designated portion of the Property.

1.58 **"Super-Majority of Owners"** means (a) prior to the Conversion Date, (i) the vote or written assent of Non-Declarant Owners entitled to vote or so assent and who collectively are entitled to exercise more than 75% of votes which may be exercised by such Non-Declarant Owners and (ii) the consent of the Declarant; and (b) from and after the Conversion Date (i) the vote or written assent of Owners entitled to vote or so assent, and who collectively are entitled to exercise more than 75% of votes which may be exercised all by such Owners, and (ii) the vote or written assent of Non-Declarant Owners entitled to vote or so assent, and who collectively are entitled to exercise more than 75% of votes which may be exercised by such Non-Declarant Owners.

1.59 **"Supplemental Declaration"** means any declaration of covenants, conditions, restrictions, reservations or easements, or similar document, which may have been recorded as a supplement to this instrument with respect to any portion of the Property, as permitted by this Declaration. Without limiting the generality of the foregoing, a Supplemental Declaration may provide for annexation of all or any portion of the Master Association Annexable Property, may authorize a Sub-Association of owners, and/or may create a Vacation Resort Ownership Project or a Condominium regime within the Property.

1.60 **"Unit"** means a residential dwelling unit, and without limiting the generality thereof, includes a Condominium as well as a Vacation Resort Ownership Unit.

1.61 **"Vacation Resort Owners Association"** means any association of owners of Intervals as established in a Supplemental Declaration.

1.62 **"Vacation Resort Ownership Declaration"** means a Supplemental Declaration submitting certain Lots to an Interval ownership regime to be governed by the Vacation Resort Owners Association.

1.63 **"Vacation Resort Ownership Project"** means (a) the Vacation Resort Ownership Units and (b) any Property owned in common by the Vacation Resort Owners or by the Vacation Resort Owner Association.

1.64 **"Vacation Resort Ownership Unit"** means a Unit which is subject to the Vacation Resort Ownership Declaration.

ARTICLE II

EAGLE CREST MASTER ASSOCIATION

2.1 ORGANIZATION:

The Eagle Crest Master Association is a non-profit Oregon corporation, which corporation shall be the governing body for all of the Owners for the maintenance, repair, replacement, administration and operation of the Master Association Property and all other property it is required or permitted to maintain pursuant to this Declaration, and shall have the duties and powers prescribed by law and set forth in the Articles, By-Laws and this Declaration. Neither the Articles nor By-Laws shall for any reason be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. In the event of any such inconsistency, the provisions of this Declaration shall prevail.

2.2 MEMBERSHIP:

(a) Qualifications:

Each Owner of all or a portion of a Real Property Interest, including Declarant, but excluding (x) any Sub-Association owning property on behalf of its membership as well as (y) persons or entities who hold an interest merely as security for the performance of an obligation, shall automatically, upon becoming an Owner, become a Member of the Master Association and shall remain a Member until such Owner ceases to own such interest.

(b) Membership Rights and Duties:

Each Member shall have the rights, duties and obligations set forth in this Declaration, the Articles, the By-Laws and the Master Association Policies and Procedures as said documents may be amended from time to time.

(c) Transfer of Membership:

The Association membership of each Owner (including Declarant) shall be appurtenant to the Real Property Interest giving rise to such membership, and shall not be assigned, transferred, pledged, conveyed or alienated in any way except upon the transfer of title to said Real Property Interest, and then only to the

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corporation.

1.35 **"Master Association Annexable Property"** means all of the real property described as such in Recital A.

1.36 **"Master Association Property"** means the property described in Recital A, and includes any lot, parcel, or easement, including the Additional Maintenance Areas, conveyed to or reserved for the benefit of the Master Association and which is thereafter operated and/or maintained for the benefit of the Members, and all improvements thereon, and personal property related to the use and enjoyment thereof.

1.37 **"Master Association Policies and Procedures"** means those policies, procedures, rules and regulations adopted by the Master Association pursuant to the authority of Section 2.7 herein, as such Policies and Procedures may be amended from time to time.

1.38 **"Master Declaration" or "Declaration"** means this instrument by which the Property is established to be a planned community, as amended from time to time.

1.39 **"Member"** means every person or entity who holds membership in the Master Association.

1.40 **"Mortgage"** means a mortgage or deed of trust.

1.41 **"Mortgagee"** means the beneficiary of a recorded deed of trust or the holder of a recorded mortgage.

1.42 **"Non-Declarant Owners"** means all Owners other than Declarant.

1.43 **"Organization Meeting"** means that organization meeting of the Master Association pursuant to Article V, Section 2 of the By-Laws.

1.44 **"Owner"** means the person or persons, including Declarant, whose estates or interests, individually or collectively, aggregate fee simple ownership of a Real Property Interest, but excluding those having an interest merely as security for the performance of an obligation. Owner includes contract purchaser and lessees of a term in excess of five years, but excludes the holders of title subject to such contracts or leases.

1.45 **"Planned Community"** means the Eagle Crest Planned Community, as set forth in Recital A.

1.46 **"Property"** means all of the Initial Property and such portion of the Master Association Annexable Property as may, at any time, have been annexed hereto as provided in Article VIII.

1.47 **"Public Report"** means, unless more particularly specified, a Public Report issued by the Real Estate Commissioner of the State of Oregon or the State of Washington or a Final Subdivision Public Report issued by the California Department of Real Estate with respect to all or any portion of the Property, or a comparable public disclosure document issued by any regulatory agency of a State in which Real Property Interests in the Property are intended to be offered.

1.48 **"Real Property Interest"** means any ownership interest in an Assessable Estate Homesite, Commercial Lot, Condominium, Interval, or other estate in real property which has been annexed to the regime of this Declaration and which is thereby a part of the Eagle Crest Planned Community.

1.49 **"Reserve Expenses"** means the specific capital expenditures required to be made at any time and from time to time to provide for the repair, replacement or restoration of the Master Association Property, and for such other purposes as prudent business practice requires.

1.50 **"Restricted Use Area"** means a portion of the Master Association Property designated as such either on the Conceptual Plan of Development, or by Supplemental Declaration, the use and enjoyment of which is reserved to the Master Association, for its purposes, and not generally available for use by the Members.

1.51 **"River Bluff Areas"** means those portions of Additional Maintenance Areas described as such in the Conceptual Plan of Development, and such additional portions of Master Association Annexable Property as may be designated as River Bluff Areas pursuant to the provisions of a Supplemental Declaration.

1.52 **"Shall"** means is mandatory and not merely directory.

1.53 **"Special Upkeep Area"** means any area or areas of improved or unimproved land within the Property, designated as such herein or in a Supplemental Declaration, and for which: (i) the Master Association shall have the responsibility of maintenance and repair, (ii) the use and enjoyment shall be reserved to a restricted class of owners, (iii) the management, operation and control shall be retained by a Sub-Association composed of that restricted class of Owners, and (iv) the cost of maintenance and repair thereof shall be allocated to those Owners having the right of use and enjoyment, and not to the Membership of the Master Association at large.

1.54 **"State"** means the State of Oregon.

1.55 **"Starting Date"** means the date on which the first deed conveying a Real Property Interest to a Non-Declarant Owner is recorded.

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transferee of title to said interest. Any attempt to make a prohibited transfer shall be void. Any such transfer of title shall operate automatically to transfer the membership in the Master Association appurtenant thereto to the new Owner thereof.

2.3 VOTING RIGHTS:

(a) Voting of the Members:

(i) The Class A Membership of the Association shall consist of the following, and each Class A Member shall be entitled to vote as follows:

(1) Prior to conversion of the Class B Membership, each Non-Declarant Owner, and subsequent to such conversion each Owner of an Assessable Estate Homesite shall be entitled to one vote for each Assessable Estate Homesite.

(2) Prior to conversion of the Class B Membership each Non-Declarant Owner, and subsequent to such conversion each Owner of a Condominium shall be entitled to one vote for each Condominium.

(3) The Owners of Intervals, including Declarant, shall be entitled to one vote for each Vacation Resort Ownership Unit.

(4) The Owners of Commercial Lots shall be entitled to one vote for each Commercial Lot.

(ii) The Class B Membership of the Master Association shall be Declarant who shall be entitled to three (3) votes for each Condominium and for each Assessable Estate Homesite owned. Class B Membership shall cease and be converted to Class A Membership on the happening of the earlier of the following events:

(1) When the total votes outstanding in the Class A Membership equals the total votes outstanding in the Class B Membership; or

(2) Three years from the date of issuance of the most recent Public Report with respect to any part of the Property; or

(3) Ten (10) years from the date of the original issuance of the first Public Report with respect to any portion of the Property.

(b) Joint Owner Disputes:

The vote for each Assessable Estate Homesite, Commercial Lot, Condominium or Vacation Resort Ownership Unit must be cast as a unit, and fractional votes shall not be allowed. When more than one person is the owner of any such Assessable Estate Homesite, Commercial Lot, Condominium, or Vacation Resort Ownership Unit, all such persons shall be Members, and the vote with respect thereto shall be exercised as such co-owners among themselves determine, but in no event shall more than one vote be cast with respect to any such Ownership; provided, however, that the vote for Vacation Resort Ownership Units and for any other Real Property Interests subject to special voting procedures pursuant to the provisions of a Supplemental Declaration shall be exercised in the manner set forth in such governing Supplemental Declaration. In the event that joint Owners are unable to agree among themselves as to how their one vote shall be cast, they shall lose their right to vote on the matter in question. If any Owner or Owners cast a vote, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all their Co-Owners. In the event more than one (1) vote is cast with respect thereto, none of said votes shall be counted and said votes shall be deemed void.

(c) Approval of Actions of the Association:

Unless specifically provided herein, any action by the Association which, pursuant to this Declaration, requires the approval of the Association membership before being undertaken shall require the vote or written consent of the Members as provided in the By-Laws.

(d) Special Procedure for Directors:

Prior to the organization meeting as required pursuant to Article V, Section 1 of the Bylaws of the Master Association, and thereafter until their successors are elected, the incorporator of the Master Association or the first Directors appointed by the incorporator shall serve as Directors of the Master Association.

(i) Vacation Resort Ownership Project Directors. In the event one or more Vacation Resort Ownership Projects have been formed in the Planned Community and are in existence at the time of such election, at least forty percent of the Directors (rounded up to the nearest whole number, but not less than two) shall be elected by the vote of the Vacation Resort Ownership Units in the manner provided in the governing Vacation Resort Ownership Declarations and the Bylaws.

(ii) Residential Project Directors. In the event five or more Assessable Estate Homesites or five or more Condominiums are included in the Planned Community at the time of such election, at least forty percent of the Directors (rounded up to the nearest whole number but not less than two) shall

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be elected by the consolidated vote of the Owners of (i) Assessable Estate Homesites and (ii) Condominiums in the manner provided in the governing Supplemental Declarations and the Bylaws.

(iii) Commercial Project Directors. The remaining Directors not elected pursuant to subparagraph (i) and subparagraph (ii) hereinabove shall be elected by the Owners of Commercial Lots.

(e) Commencement of Voting Rights.

Except for Declarant, voting rights attributable to any Real Property Interest shall not commence until assessments pursuant to this Declaration have been levied with respect thereto.

2.4 DUTIES OF THE ASSOCIATION:

In addition to the powers delegated to it by its Articles, and without limiting the generality thereof, the Master Association shall have the obligation to perform each of the following duties:

(a) **Accept Conveyances.** To accept conveyances from Declarant or its designated assignee, or any Sub-Association, of real property designated by the grantor to be owned and maintained by the Master Association for the benefit of all or a portion of the Members. Master Association Property within the boundaries of the Initial Property shall be conveyed by Declarant to the Association no later than the time of recordation of the deed to the first Real Property Interest conveyed to a Non-Declarant grantee.

(b) Maintenance and Management of Property and Facilities.

To maintain in a safe condition, manage, operate and preserve (i) all of the Master Association Property; without limiting the generality of the foregoing, this duty shall encompass all storm drains, natural water courses, domestic water systems, sanitary sewer systems, and other utility systems the operation and maintenance of which has been delegated to the Master Association by this Declaration or any Supplemental Declaration; the Golf Course, the Additional Maintenance Areas and all Improvements thereupon; and (ii) all of the Special Upkeep Areas.

(c) Insurance:

To obtain and maintain in force the following policies of insurance:

(i) Fire and extended coverage insurance on the Master Association Property (including Additional Maintenance Areas), the amount of such insurance to be not less than one hundred percent (100%) of the aggregate full insurable value.

(ii) General comprehensive public liability insurance against claims for personal or bodily injury, death or property damage with limits with regard to injury or death of not less than \$1,000,000.00 per person and \$3,000,000.00 per occurrence; and with limits of not less than \$500,000.00 per occurrence in respect to property damage, insuring against liability for bodily injury, death and property damage arising from the activities of the Master Association or with respect to property under its jurisdiction. Said liability insurance shall name and separately protect as insureds Declarant, the Master Association, the Board and their representatives, members and employees, and the Environmental Control Committee members, with respect to any liability arising out of the maintenance or use of the Master Association Property, the Special Upkeep Areas or other property under the jurisdiction of the Master Association.

(iii) Such other insurance, including worker's compensation insurance to the extent necessary to comply with any applicable law, and, if required by a governmental authority, faithful performance and fidelity bonds to insure the Master Association against any loss from malfeasance or dishonesty of any employee or other person charged with the management or possession of any Master Association funds or other property, and such indemnity and other bonds as the Board shall deem necessary or expedient to carry out the Master Association's functions.

(d) Rule Making:

To make, establish, promulgate, amend and repeal the Master Association Policies and Procedures.

(e) **Environmental Control Committee:** To appoint and remove members of the Environmental Control Committee, all subject to the provisions of this Declaration.

(f) Taxes and Assessments:

To pay all taxes and assessments which are or could become a lien on the Master Association Property.

(g) Enforcement by Association:

To perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably necessary to enforce the Oregon Planned Community Act, any of the provisions of this Declaration, and the Master Association Policies and Procedures.

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(h) Budgets and Financial Statements:

To cause financial statements for the Master Association to be regularly prepared and copies to be distributed (1) to each Sub-Association for distribution to its members and (2) to each Member of the Master Association not additionally a member of a Sub-Association, as follows:

(i) A pro forma operating statement (budget) for each Fiscal Year shall be distributed not less than 45 days before the beginning of the Fiscal Year of the Master Association to which such budget applies. The budget shall contain at least the following information:

(A) Estimated revenue and expenses on an accrual basis;

(B) The amount of the total cash reserves of the Master Association currently available for replacement or major repair of common facilities and for contingencies;

(C) An itemized estimate of the remaining life of and the methods of funding to defray the costs of repair, replacement or additions to major components of the Master Association Property and Improvements thereon for which the Master Association is responsible; and

(D) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves for capital improvements to the Master Association Property for which the Master Association is responsible.

(ii) An annual report for the Master Association consisting of the following shall be distributed within 90 days after the close of the Fiscal Year.

(A) A balance sheet as of the end of the Fiscal Year.

(B) An operating (income) statement for the Fiscal Year.

(C) A statement of the net changes in financial position for the Fiscal Year;

(D) For any Fiscal Year in which the gross income to the Master Association exceeds \$75,000, a copy of the review of the annual report, prepared in accordance with generally accepted accounting principles by a public accountant licensed by the State of Oregon;

(E) A list of the names, mailing addresses and telephone numbers of the members of the Board.

If the annual report is not prepared by an independent accountant, it shall be prepared by the managing agent for the Master Association or by an authorized officer of the Master Association and shall be accompanied by a certificate of the person preparing the annual report that the annual report was prepared from the books and records of the Master Association without audit or review.

(i) Statements of Status; Project Documents.

(i) Within 10 days of the mailing or delivery of a request by any Owner, Mortgagee, prospective Mortgagee, purchaser or other prospective transferee of a Real Property Interest, to issue a Statement of Status executed and acknowledged by an officer of the Association, stating whether any indebtedness secured by any lien created hereby upon any Real Property Interest has been paid. The Statement of Status shall be binding upon the Association in favor of any person who may rely thereon in good faith.

(ii) Within 10 days of the mailing or delivery of a request by any Owner, to provide such Owner with a copy of the Declaration, the Articles and the Bylaws.

(iii) The Association may charge a fee for providing the Statement of Status or the requested documents, which fee shall not exceed the reasonable cost of preparation and/or reproduction thereof.

(j) **Transitional and Turnover Duties.** To form a transitional advisory committee in order to provide for the transition from administrative responsibility by the Declarant to administrative responsibility by the Master Association. Such transitional advisory committee shall be formed within 60 days after Declarant has conveyed the Real Property Interests representing 50% of the votes of the Members by not later than 30 days before the Organization Meeting. At a time which is the earlier of the date of the Organization Meeting or 120 days after the Real Property Interests representing 75% of the votes of the Members have been conveyed by Declarant, the Master Association shall accept administrative responsibility for the Property.

(k) **Community Utilities Services.** To provide for the benefit of the Master Association Annexable Property, but subject to fees and user charges comparable to those charged Members (taking into account volume discount and other applicable rate adjustments): domestic water service, sanitary sewer service, and any other Community utility services which the Master Association provides to the Property which has been annexed to the regime of this Master Declaration.

(l) **Dissemination of Other Information.** To distribute to all Owners the following additional

information:

- (i) Within 60 days after the date of any meeting of the Board, minutes of such meeting;
- (ii) Not less than 30 days prior to the date of the annual meeting of the Members of the Master Association a list of the orders of business to be considered at such meeting, including the name, address and a brief biographical sketch, if available, of each member of the Master Association who has announced his intention to stand for election to the board; and
- (iii) Within 60 days prior to the beginning of the Fiscal Year, a statement of the Master Association's policies and practices in enforcing its remedies against Members for defaults in the payment of any amounts due to the Master Association, including without limitation the recording and foreclosing of liens against Members' interest in the Property.

2.5 POWERS AND AUTHORITY OF THE ASSOCIATION:

The Association shall have all the powers of a non-profit corporation organized pursuant to the laws of the State of Oregon, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws or this Declaration. It shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Master Association by this Declaration, the Articles and the Bylaws, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Master Association, including without limitation:

(a) Assessments:

To levy assessments against Real Property Interests, and to enforce payment of such assessments, all in accordance with the provisions of Article III hereof.

(b) Right of Entry and Enforcement:

To enter upon any Lot (excluding the interior of any dwelling thereon), the Additional Maintenance Areas or any Special Upkeep Area for the purpose of ascertaining whether the provisions of this Declaration have been or are being complied with, for the purpose of enforcing by peaceful means any of the provisions of this Declaration and the Master Association Policies and Procedures or for the purpose of maintaining or repairing any such area as required by this Declaration. Such entrance shall be after twenty-four (24) hours prior written notice to the Owner, and any Sub-Association to which such Owner may be a member, or such greater notice as may be required by any provision hereof; provided, however, that such entrance shall be permitted without any prior notice whatsoever in the event of an emergency. The Master Association shall also have the power and authority from time to time in its own name, on its own behalf or on behalf of any Member or Members who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Declaration and the Master Association Policies and Procedures and to enforce, by mandatory injunction or otherwise, all of the provisions hereof. In addition, or as an alternative method of enforcing this Declaration and the Master Association Policies and Procedures, the Board may impose monetary penalties, temporary suspensions of a Member's rights or other appropriate discipline for failure to comply with the provisions of this Declaration or the Master Association Policies and Procedures, provided that the procedures for notice and hearing satisfying the minimum requirements of law are given to the Member before a decision to impose discipline is reached.

(c) Employment of Agents:

To employ the services of any person or corporation as a manager of the Planned Community, the Master Association Property and/or the facilities thereupon, or to hire employees of the Master Association to manage, conduct, and perform the business, obligations and duties of the Master Association, and enter into contracts for such purpose. Such agents shall have the right of ingress and egress over such portions of the Property as is necessary for the performance of such business, duties and obligations.

(d) Employment of Professional Advisors:

To employ professional counsel and obtain advice from such persons, firms or corporations such as, but not limited to, landscape architects, recreation experts, architects, planners, lawyers and accountants.

(e) Borrowing of Money:

To borrow and repay monies for the purpose of maintaining and improving the Master Association Property, and to encumber such property as security for the repayment of such borrowed money.

(f) Hold Title and Make Conveyances:

To acquire, hold title to and convey, with or without consideration, real and personal property and

interests therein, including but not limited to easements across all or any portion of the Master Association Property.

(g) Services:

To contract or otherwise provide for all services necessary or convenient to the management, maintenance and operation of the Master Association Property. Services provided with respect to the Golf Course shall take into consideration the specialized requirements for automatic irrigation systems, landscape maintenance, and facility operation and management.

(h) Easements and Rights-of-Way:

To grant and convey to any third party, or public or quasi-public agency or body, easements and rights-of-way in, on, over or under any Master Association Property for the purpose of constructing, erecting, operating or maintaining thereon, therein or thereunder (i) overhead or underground lines, cables, wires, conduits, or other devices for the transmission of electricity for lighting or communication, heating, power, security system, telephone, cable television and other purposes, (ii) public or private sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and (iii) any similar public or quasi-public improvements or facilities.

(i) Transfer, Dedication and Encumbrance of the Master Association Property:

To sell, transfer or encumber all or any portion of the Master Association Property to a person, firm or entity, whether public or private, and to dedicate or transfer all or any portion of the Master Association Property to any public agency, authority, or utility for public purposes. Except with respect to the granting of easements for public utilities or other public purposes, which shall not require a vote of the Members, no such sale, transfer, encumbrance or dedication shall be effective unless an instrument signed by the Secretary of the Association and approved by a Super-Majority of Owners or such greater percentage as may be required by law has been recorded, agreeing to such sale, transfer, encumbrance or dedication, and unless written notice of the proposed action is sent to every Member not less than thirty (30) days nor more than sixty (60) days in advance; provided, however, no such approval shall be required for any exchange of property with any state or federal government, board, or agency so long as the acreage received by the Master Association in said exchange is consistent with the development of the Planned Community and the land received is comparable (but not necessarily equal) to the acreage deeded away.

(j) Public Functions.

To perform, provide, maintain and pay for any of the public services that are commonly associated with municipal or other local governments to the extent, if any, deemed desirable or appropriate by the Board. Such services may include, but shall not be limited to, the following:

- (i) Public transit, including bus service, tram or shuttle services, fixed rail transit or similar public conveyances;
- (ii) Maintenance of benches and shelter suitable for awaiting public transit;
- (iii) Provision for public health services such as mosquito abatement and pest eradication;
- (iv) Disposal of solid waste including garbage collection services;
- (v) Animal shelter facilities including licensing and control of dogs, cats and other animals;
- (vi) Child care facilities;
- (vii) Maintenance and operation of public parks and other recreation facilities;
- (viii) Maintenance of services necessary to control crime and disorder and to protect Master Association Properties from vandalism and trespass through guards, gates and fences and provisions of other security measures;
- (ix) Fire protection services;
- (x) Ambulance services; and
- (xi) Other similar services necessary or convenient for the proper functioning for the Planned Community.

(k) Create Classes of Service and Make Appropriate Charges:

To create, in its sole discretion, various classes of service and to make appropriate charges therefor to the users thereof, including but not limited to reasonable admission and other fees for the use of any and all recreational facilities such as the Equestrian Facility, Recreational Pathway, softball and soccer fields, lakes and, subsequent to assumption of operation by the Master Association, the Golf Course, or other facilities situated on Master Association Property, without being required to render such services to those of its Members who do not assent to the said charges and to such other Master Association Policies and Procedures as the Board deems proper. In addition, the Board shall have the right to discontinue any service upon non-payment, or to eliminate such service for which

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there is no demand therefor or adequate funds to maintain and operate the same.

2.6 LIMITATIONS ON POWERS OF THE BOARD:

Notwithstanding the powers of the Master Association as set forth in Section 2.5, the Board shall not take any of the following actions without the prior vote or written consent of a Majority of Owners:

(a) Contract for Goods or Services.

Enter into a contract with a third person or entity wherein such person or entity will furnish goods or services for the Master Association Property, Special Upkeep Areas, or the Master Association itself for a term longer than one year with the following exceptions:

(i) A contract with a public utility company if the rates charged for the materials or services are regulated by law or regulation of a public or quasi-public agency or body; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(ii) Prepaid casualty and/or liability insurance policies of not to exceed three years duration provided that the policy permits short rate cancellation by the insured.

(iii) A lease of furniture or equipment for the benefit of Members.

(iv) A Management Agreement with respect to the operation of Master Association Properties for a term not to exceed three years; provided, however, that such agreement may be extended for additional three year periods upon approval of the Board.

Any agreement of the types specified in subparagraphs (i) thru (iv) may be terminated by the Board without penalty if the Board gives not less than 30-day written notice to the other party, not later than 60 days after the turnover of administrative responsibility by Declarant pursuant to Section 2.4(j).

(b) Expenditure for Improvements.

Incur aggregate expenditures for capital improvements to the Master Association Property in any Fiscal Year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that Fiscal Year.

(c) Compensation to Directors or Officers.

Pay compensation to Directors or to officers of the Master Association for services performed in the conduct of the Master Association's business; provided, however, that the Board may cause a Director or an officer to be reimbursed for expenses incurred in carrying on the business of the Master Association.

(d) Vacancies on the Board.

Fill any vacancy on the Board created by the removal or resignation of a Director, except as provided in the Bylaws.

2.7 MASTER ASSOCIATION POLICIES AND PROCEDURES:

By a majority vote of the Board, the Master Association may, from time to time, adopt, amend, and repeal such Master Association Policies and Procedures as it may deem reasonable (the "Master Association Policies and Procedures"). The Master Association Policies and Procedures shall establish certain rules and regulations for the Planned Community and govern the use of the Master Association Property by the Members, or by any invitee, licensee or lessee of a Member or the family of such Members; provided, however, that the Master Association Policies and Procedures may not discriminate among Members and shall not be inconsistent with this Declaration, the Articles or the By-Laws. A copy of the Master Association Policies and Procedures as they may from time to time be amended, adopted or repealed, shall be mailed or otherwise delivered by the Board to each Sub-Association for distribution to its members, as well as to each other Owner not additionally a member of a Sub-Association. Upon such mailing or delivery, the Master Association Policies and Procedures shall have the same force and effect as if they were set forth in and were a part of this Declaration. In the event of any conflict between any of the Master Association Policies and Procedures and any of the other provisions of this Declaration, or the Articles or the By-Laws, the provisions of the Master Association Policies and Procedures shall be deemed to be superseded by the provisions of this Declaration, the Articles or the By-Laws to the extent of such inconsistency.

2.8 PERSONAL LIABILITY:

No member of the Board, officer or agent of the Master Association, or member of the Environmental Control Committee, or Declarant, shall be personally liable to any Owner, or to any other party, including the Master Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of the Master Association, the Board, the Environmental Control Committee, the Manager or any other representative or employee of the Master Association or of Declarant, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, and

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without willful or intentional misconduct.

2.9 PROVISION FOR SUB-ASSOCIATION FORMATION:

Declarant contemplates that from time to time a portion of the Property and/or subsequent annexed portions of the Master Association Annexable Property may be developed as Condominiums, Vacation Resort Ownership Units, or Estate Homesite planned communities, and that certain common and recreational facilities contained within, or to be constructed in, the areas covered by the annexing supplemental Declarations will be for the exclusive use of the owners of such annexed properties. In such event, such Supplemental Declaration shall, among other things, provide (i) for a Sub-Association of Owners to maintain and repair the common and recreational areas of such exclusive use portions of the annexed portion of the Master Association Annexable Property, (ii) for the payment of assessments therefor to such Sub-Association, and (iii) for a separate architectural or environmental control committee which may have jurisdiction over all such encumbered property, but such jurisdiction shall be subordinate to the jurisdiction of the Environmental Control Committee of Article V. In addition, such Supplemental Declaration may designate Restricted Use Areas for the benefit of the Master Association, Special Upkeep Areas and other limited use areas restricted to the use, enjoyment, and benefits of such Sub-Association and its members; provided, however, that the rights of the Master Association as set forth in this Article II shall not be limited thereby, whether or not specifically recited therein.

2.10 SPECIAL OPERATION AND MANAGEMENT AUTHORITY:

(a) **Equestrian Facility Area.** The operation, administration, maintenance, repair and replacement of the Equestrian Facility Area shall be the exclusive responsibility of the Master Association; provided, that notwithstanding any other provisions in this Declaration, the Board shall have the right to lease the Equestrian Facility Area and delegate all or a portion of its responsibilities in connection therewith to the Declarant or any third party.

(b) **Farming Operations.** The Master Association may conduct, or may engage a manager or operator to conduct, through contract, lease, share-crop, or other arrangement, and on terms it judges reasonable, any farming operations on Master Association Property which the Board in its discretion deems necessary or desirable for the benefit of its Members.

2.11 GOLF COURSE:

(a) **Use by Members; Invitees; Public.** Subject to the conditions and limitations set forth in this Section 2.11 every Member, his family and guests, the Manager, its agents and employees, as well as all licensees and invitees of Owners of Commercial Lots shall have a non-exclusive license for use and enjoyment of the Golf Course during the period such Golf Course is improved and devoted to use as a Golf Course by the Master Association and/or by the lessee or operator thereof; subject, however, to those rights reserved by Declarant in this Section and in Section 9.8; further provided, however, that so long as the Golf Course is leased to a lessee or operator thereof, such lessee or operator may allow the general public to use the same.

(b) **Fees and Charges.** The Master Association, or during the period the Golf Course is leased to a lessee or operator thereof, such lessee or operator, may establish user fees and charges for the use of the Golf Course facilities; provided, however, that in the exercise of this right the fees charged to the Members shall be not less favorable than the fees charged the public as a whole. All goods and services offered to the Members by the Master Association, its lessee or operator with respect to the Golf Course may be subject to separate charge to each such user, without limiting the generality of the foregoing, such separate charges may include green fees, cart rentals, caddy fees, food and beverage service, and purchase of personal property offered for sale at the Golf Course.

ARTICLE III

ASSESSMENTS

3.1 CREATION OF THE LIEN AND PERSONAL OBLIGATION FOR ASSESSMENTS:

Declarant, for each Real Property Interest owned, hereby covenants, and each subsequent Owner of such Real Property Interest by acceptance of a Deed therefor, whether or not it shall be so expressed in such Deed, is deemed to covenant and agree, for each such Real Property Interest owned, to pay to the Master Association, or, as applicable, to a Sub-Association for the benefit of the Master Association (if so provided in the governing Supplemental Declaration), Annual Assessments, Special Assessments, Emergency Assessments, Remedial Assessments, and Property Tax Assessment, all of which shall be established, made and collected as hereinafter provided. The Annual, Special, Emergency and Property Tax

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Assessments, together with interest, costs and reasonable attorneys' fees, shall, when perfected, by the recordation of a notice of assessment in accordance with the provisions of Section 3.10(c), be a charge on the land and shall be a continuing lien upon the Real Property Interest against which such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be a personal obligation of the person who is the Owner of such Real Property Interest at the time when the assessment becomes due and payable. The personal obligation for delinquent assessments shall not pass to successors in title unless expressly assumed by them; however, all perfected liens shall be liens on the interests of successive Owners of the Real Property Interests subject thereto. No Owner may waive or otherwise escape liability for the assessments provided for in this Declaration by non-use of the Master Association Property, or any part thereof, or abandonment of his Real Property Interest.

3.2 PURPOSES OF ASSESSMENTS:

Assessments levied shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Planned Community, the improvement, operation and maintenance of the Master Association Property and Special Upkeep Areas and the performance of the duties of the Master Association as set forth in this Declaration.

3.3 OPERATING FUND:

There shall be an operating fund, into which the Master Association shall deposit all monies paid to it as:

- (a) Annual Assessments (except the portion designated as Reserve Expenses);
- (b) Special Assessments;
- (c) Emergency Assessments;
- (d) Remedial Assessments;
- (e) Use fees paid by users of recreational facilities;
- (f) Miscellaneous fees;
- (g) Income attributable to the operating fund;

and from which the Master Association shall make disbursements in performing the functions for which the foregoing assessments are levied.

3.4 ASSESSMENT ROLL AND ASSESSMENT ALLOCATION:

(a) **Record Keeping.** An assessment roll shall be accurately maintained and available in the office of the Master Association for inspection at all reasonable times by any Member or his duly authorized representative. Said assessment roll shall indicate for each Real Property Interest the name and address of the Owner(s) thereof, all assessments levied against each such Owner(s), and the amount of said assessments, paid and unpaid.

(b) **Apportionment of Assessments and Allocation of Units.** The Annual Assessment shall consist of a component based on Common Assessment Units ("CAU") which is intended to provide funds to pay all the common expenses of the budget, and one or more components based on Special Services Assessment Units ("SSAU"), each such component intended to provide funds to pay all the expenses of the budget attributable to a Special Upkeep Area, and shall be as follows:

(i) Each Assessable Estate Homesite, Condominium and Vacation Resort Ownership Unit shall be charged with one CAU unit and each Commercial Lot shall be charged with four CAU units.

(ii) Assessable Estate Homesites, Commercial Lots, Condominiums and Vacation Resort Ownership Units encumbered by a Supplemental Declaration establishing one or more Special Upkeep Areas for maintenance by the Master Association shall be allocated, in addition to the number of CAU units determined in accordance with the preceding subsection, a number of SSAU units applicable to each such Special Upkeep Area in order to pay for the cost of maintenance thereof and to provide reserves therefore. Unless a different method of allocating SSAU units shall be established in the applicable Supplemental Declaration the number of SSAU units allocated to each applicable Real Property Interest on account of each such Special Upkeep Area shall be equal to the number of CAU units attributable to such Real Property Interest.

(iii) In the event that an Emergency or Special Assessment is determined by the Board to be required, such Emergency or Special Assessment may be allocated based on the CAU formula, on the SSAU formula, or in the same manner as the Annual Assessment (combining the CAU and SSAU) as the Board in its discretion deems most equitable to spread the burden in relation to those Owners benefited.

3.5 ANNUAL ASSESSMENTS:

(a) Levy and Enforcement of Annual Assessments:

Annual Assessments shall be made, and enforced, by the Board in the manner provided in this Declaration against the Owners of all Real Property Interests, including Declarant.

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(b) Assessments and Distributions:

(i) The amount of the total Annual Assessment shall be determined by the Board at least thirty (30) days prior to the commencement of each Fiscal Year based on the budget for such Fiscal Year.

(ii) That portion of the Annual Assessment representing common expenses of the Master Association shall be based on an apportionment among the Real Property Interests in accordance with the ratio that the number of CAU units charged to each such Real Property Interest bears to the total number of CAU units charged to all the Real Property Interests in the Planned Community. Such rates shall be expressed as a percentage rounded to the nearest one-tenth of one percent.

(iii) That portion of the Annual Assessment representing expenses of a Special Upkeep Area shall be levied based on an apportionment among only the Real Property Interests ("Responsible Interests") charged pursuant to a Supplemental Declaration with the obligation for the expenses for such Special Upkeep Area in accordance with the ratio that the number of SSAU units charged to each such Responsible Interest bears to the total number of SSAU units charge to all the Responsible Interests applicable to that Special Upkeep Area.

(iv) Distribution of any net income from operations of the Master Association shall be apportioned among the Real Property Interests in accordance with the ratio that the number of CAU units charged to each such Real Property Interest bears to the total number of CAU units charged to all the Real Property Interests in the Planned Community; provided, however, that any such net income not distributed shall be applied to budget expenses so as to reduce the Annual Assessment during the next succeeding Fiscal Year.

(c) Commencement Date For Annual Assessments:

Subject to any assessment, maintenance, or subsidy program established by the Declarant, the Annual Assessment hereunder shall commence to accrue:

(i) as to all Real Property Interests then annexed into the Planned Community and subject to this Master Declaration, on the Initial Commencement Date;

(ii) as to Real Property Interests annexed into the Planned Community and made subject to this Master Declaration subsequent to the time set forth above, then on the first day of the month following the recordation of the deed to a Non-Declarant Owner for the sale of the first Real Property Interest included within the scope of the Supplemental Declaration accomplishing such annexation.

(d) Increase of Annual Assessments:

The Annual Assessments for each succeeding Fiscal Year may be increased by the Board for the next year without a vote of the members by an amount which shall not exceed twenty percent (20%) of the Annual Assessments for the Fiscal Year in which such budget is required to be prepared. Any increase in the Annual Assessments which exceeds twenty percent (20%) of the preceding year's Annual Assessments shall be made only upon the affirmative vote or written consent of a Majority of Owners.

(e) Provision for Reserve Expenses:

For purposes of creating reserves to ensure payment when due of the cost of capital expenditures relating to the repair and replacement of the Master Association Property and equipment, fixtures and furnishings in the Master Association Property, a portion of the Annual Assessments shall constitute a contribution to the Reserve Expenses of the Master Association. The specific items for which such contribution shall be made and the amount of such contribution in respect of each such item shall be determined by the Board, acting in its sole discretion, at the time it adopts the budget for the Annual Assessments. All such contributions shall be collected monthly in equal installments, shall be accounted for separately, and shall be held in trust and used to pay for each specific capital expenditure in such manner and at such times as the Board, acting in its sole discretion, shall determine. Immediately upon receipt, all such capital contributions shall (i) be deposited in a separate interest-bearing account or accounts, denominated Trustee Capital Account in any savings and loan association, bank or trust company, as may be determined by the Board by resolution or (ii) invested in certificates of deposit issued by a bank or financial institution having assets in excess of Five Hundred Million Dollars (\$500,000,000.00).

3.6 SPECIAL ASSESSMENTS:

In addition to the Annual Assessments authorized above, the Board may levy, during any Fiscal Year, a special assessment ("Special Assessment") applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction or unexpected repair or replacement of a capital improvement upon the Master Association Property, including the necessary fixtures and personal

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property related thereto. Special Assessments which in the aggregate in any Fiscal Year exceed an amount equal to five percent (5%) of the budgeted gross expenses of the Master Association for the Fiscal Year may be levied only upon affirmative vote or written consent of a Majority of Owners.

3.7 EMERGENCY ASSESSMENTS:

If the assessments levied at any time are, or will become, inadequate to meet all expenses incurred hereunder for any reason, including nonpayment of any Owner's assessments on a current basis, the Board shall immediately determine the approximate amount of such inadequacy and issue a supplemental budget, noted as to the reason therefor, and levy an emergency assessment for the amount required to meet all such expenses on a current basis ("Emergency Assessment") against the Owners of each of the Lots. Emergency Assessments which in the aggregate in any Fiscal Year exceed an amount equal to five percent (5%) of the budgeted gross expenses of the Master Association for the Fiscal Year may be levied only upon affirmative vote or written consent of a Majority of Owners.

3.8 REMEDIAL ASSESSMENTS:

Pursuant to this Declaration, the Board may levy an assessment against any Real Property Interest to reimburse the Master Association for costs incurred in bringing the property and its Owner into compliance with provisions of this Declaration or the Master Association Policies and Procedures. Remedial Assessments shall be due ten (10) days after the Board gives written notice thereof to the Owner subject thereto.

3.9 DUE DATES OF ASSESSMENTS:

The First Annual Assessment and all Special Assessments shall be adjusted according to the number of months remaining in the Fiscal Year. The Board shall fix the amount of the Annual Assessment against each Real Property Interest at least thirty (30) days in advance of each Annual Assessment period. Written notice of all assessments shall be sent to each Owner subject thereto. The Annual Assessments and Special Assessments shall be collected monthly in advance, on the first day of each month (hereinafter referred to as "Assessment Payment Date"). The Annual Assessments and Special Assessments shall be due and payable on each Assessment Payment Date commencing on the first Assessment Payment Date following the Initial Commencement Date. The Emergency Assessments shall be due and payable at the time and in the manner specified by the Board.

**3.10 EFFECT OF NONPAYMENT OF ASSESSMENTS;
REMEDIES OF THE MASTER ASSOCIATION:**

In the event of a default in payment of any assessment when due, such assessment shall be deemed to be delinquent. Each Owner vests in the Master Association or its assigns the right and power to bring all actions at law and in equity, to establish and foreclose the liens or enforce any other remedy provided herein against the Owner for the collection of delinquent assessments. In the event an attorney or attorneys are employed for collection of any assessment, whether by suit or otherwise, each Owner agrees to pay reasonable attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. In addition to any other remedies herein provided, the Master Association may enforce the obligations of the Owners to pay the assessments provided for herein, and each of them, in any manner provided by law or in equity, and without any limitation of the foregoing by any or all of the following procedures:

(a) Suspension of Rights:

After a hearing by the Board (whether or not the delinquent Owner appears), conducted in accordance with the procedures set forth in the By-Laws the Board may suspend the voting rights of any Owner and/or such Owner's right to use the Master Association Property for any period during which any assessment against such Owner's Real Property Interest remains unpaid; provided that this provision shall not operate or be construed to deny or restrict ingress or egress of any Owner to his Lot, Condominium or assigned Vacation Resort Ownership Unit.

(b) Enforcement by Suit:

By commencement and maintenance of a suit at law against an Owner or prior Owner to enforce said assessment obligation, such suit to be maintained in the name of the Master Association. Any judgment rendered in any such action shall include the amount of the delinquency, interest thereon at the maximum legal rate per annum from the date of the delinquency, and court costs and reasonable attorneys' fees in such amount as the Court may adjudge against the delinquent Owner.

(c) Enforcement by Lien:

Subject to the provisions of Section 3.14 provision is hereby made for a claim of lien as may be provided by law on each and every Real Property Interest to secure payment to the Master Association of any and all assessments (other than Remedial Assessments) levied under this

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Declaration, together with interest thereon at the maximum legal rate per annum from the date of delinquency, and all costs of collection which may be paid or incurred by the Master Association in connection therewith, including reasonable attorneys' fees. Each default shall constitute a separate basis for claim of lien, but any number of defaults may be included within a single claim of lien. At any time after the occurrence of any default in the payment of such assessment, the Master Association or any authorized representative may, but shall not be required to make a written demand for payment to the delinquent Owner. Said demand shall state the date and amount of the delinquency. If such delinquency is not paid within ten (10) days after delivery of such demand, or at any time after the delinquency if no written demand is made, the Master Association may elect to file and record a notice of assessment (with a copy to the Mortgagee of such delinquent Owner, if previously requested) and claim of lien on behalf of the Master Association against the Real Property Interest of the defaulting Owner in the office of the recording office of Deschutes County. Such a notice of assessment and claim of lien shall be executed and acknowledged by any officer of the Master Association, and shall contain substantially the following information:

- (1) the name of the delinquent Owner;
- (2) the legal description of the Real Property Interest against which the claim of lien is made;
- (3) the total amount of the delinquency interest thereon, collection costs and reasonable attorneys' fees (with any proper offset allowed);
- (4) that the notice of assessment and claim of lien is made by the Master Association pursuant to this Declaration;
- (5) that a lien is claimed against said Real Property Interest in an amount equal to the amount stated; and
- (6) any other information required by law.

Upon such recordation of a duly executed original or copy of such a notice of assessment and claim of lien and mailing a copy thereof to said Owner at the address of the Real Property Interest owned, the lien claimed therein shall immediately attach and become effective. Unless sooner satisfied and released, or the enforcement thereof initiated as hereafter provided, such lien shall expire and be of no further force or effect three years from the date of recordation of said notice of assessment or such other time as may be provided by law. The lien(s) created pursuant to the preceding provisions may be foreclosed by appropriate action in court or in any other manner provided by law as the laws of the State of Oregon may from time to time be changed or amended. The Association shall have the power to bid in at any resulting sale and to purchase, acquire, lease, hold, mortgage and convey any Real Property interest. Reasonable attorneys' fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by law.

Subject to the rights and priorities of any Mortgagee, the proceeds of any foreclosure, trustee's or judgment sale provided for in this Declaration shall first be paid to discharge court costs, court reporter charges, reasonable attorneys' fees, title costs and costs of the sale, and all other expenses of the proceedings and sale, and the balance of the proceeds, after satisfaction of such charges and unpaid assessments hereunder or any liens, shall be paid to the defaulting Owner. Subject to any statutory rights of redemptions, any purchaser at such sale shall thereupon be entitled to conveyance of title to the Real Property Interest and immediate possession thereof, and shall have the right to apply to a court of competent jurisdiction for such orders as may be reasonable for the purpose of acquiring and possessing the same. It shall be a condition of such sale, and the deed so made shall provide, that the purchaser shall take the interest in the Real Property Interest sold subject to this Declaration.

Upon the timely curing of any default for which a notice of assessment and claim of lien was filed by the Master Association, the officers of the Master Association are hereby authorized to record an appropriate release of such lien in the office of the recording officer of Deschutes County.

3.11 DELEGATION OF COLLECTION RESPONSIBILITY TO SUB-ASSOCIATIONS.

At the option of the Board, the board may delegate the collection and administration of the proportionate amount of the Annual, Special and Emergency Assessments allocable to the members of any particular Sub-Association to that Sub-Association, as agent for the Master Association, and shall reimburse such Sub-Association for any actual additional cost incurred. The Sub-Association shall deposit any Assessments so collected in a separate trust fund for the benefit of the Master Association. Such assessments collected by a Sub-Association shall be paid to the Master Association on a monthly basis, and the Sub-Association shall furnish the Master Association at least quarterly a report of assessment payments of each Member of such Sub-Association which are 90 or more days in arrears.

3.12 PRE-EMPTION OF COLLECTION RESPONSIBILITY FROM SUB-ASSOCIATIONS.

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The Master Association is empowered, but shall not have a duty, to collect, enforce and otherwise administer any Sub-Association assessments which may be levied pursuant to a Supplemental Declaration in addition to the Assessments authorized herein. In the event the board exercises this power, Assessments and Sub-Association assessments may be collected contemporaneously. In such event, the Board shall disburse funds collected on behalf of any such Sub-Association to such Sub-Association as promptly as reasonably possible. The Board may not charge for such collection services, except it shall be reimbursed for any actual additional cost incurred. In the event a Sub-Association fails to levy or collect Sub-Association assessments, or fails to duly operate and maintain the portion of the Property encumbered by the Supplemental Declaration to the standards established herein for the Planned Community, the Master Association may elect to preempt the rights of the Sub-Association and may fix, levy, collect and enforce said Sub-Association Assessments, and arrange to correct such deficient operation and maintenance. Such preemption regarding Sub-Association assessments and maintenance shall require a vote of not less than 80% of the Board, which vote, to be effective for these purposes, must be ratified by a similar majority of each Sub-Association Board having jurisdiction over any portion of the Property, except the Board of the Sub-Association deemed to be in non-compliance, within 45 days of the vote of the Board. Any Sub-Association assessments collected under such preemption by the Master Association shall be used solely for the purposes stated in the Supplemental Declaration applicable to the portion of the Property encumbered thereby. A Sub-Association may not levy or collect any Sub-Association assessments during the period in which the Master Association has preempted its rights to so levy or collect assessments. A resolution by the Board for any such preemption shall expire at the beginning of the next Fiscal Year of the Sub-Association; such preemption may be re-enacted by the Board on the finding of a necessity to do so by a vote of not less than 80% of the Board, which vote shall then be ratified in the same manner as the original vote to so preempt. The Association may include in any such preempted Sub-Association's assessment a reasonable amount for reimbursement for direct cost of administration and collections of such preempted assessment.

3.13 ASSIGNMENTS OF RENTS:

As security for the payment of all liens arising pursuant to this Article III, each Owner hereby gives to and confers upon the Master Association the right, power and authority, during the continuance of such ownership, to collect the rents, issues and profits to be derived from said Owner's Real Property Interest, reserving unto the Owner the right, prior to any default by such Owner in performance of that Owner's obligation under this Declaration, or the Bylaws or the Articles to collect and retain such rents, issues and profits as they become due and payable. Upon any such default, the Master Association may, at any time, upon ten (10) days written notice to such Owner, then either in person, by agent or by a receiver to be appointed by a court of competent jurisdiction, and without regard to the adequacy of any security for such indebtedness, enter upon and take possession of such Owner's Real Property Interest, or any part thereof, in its own name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and apply the same, less costs and expenses of operation and collections, including reasonable attorneys' fees, in payment of any indebtedness to the Master Association or in performance of any agreement hereunder, and in such order as the Master Association may determine. The entering upon and taking possession of said property, the collection of such rents, issues and profits and the application thereof as aforesaid, shall not cure nor waive any default hereunder or invalidate any act done pursuant to this Declaration. The assignment of rents and powers described in the foregoing paragraph shall not affect, and shall in all respects be subordinate to, the rights and powers of the holder of any first or second Mortgage on any Real Property Interests, or any part thereof, to do the same or similar acts.

3.14 SUBORDINATION TO CERTAIN TRUST DEEDS; MORTGAGE PROTECTIONS:

The lien of the assessments shall be prior to all encumbrances made by the Owner or imposed by legal process upon any Real Property Interest except bonds, assessments and other levies, which, by law, are prior thereto, whether the notice of assessment and claim of lien is recorded prior or subsequent to any such encumbrances, except that the lien of the assessments shall be subordinate (i) to the lien of any First Mortgage or (ii) any other lien securing purchase money financing by a Non-Declarant Owner in favor of any Mortgagee provided such purchase money lien is made in good faith and for value and that the First Mortgage, or other purchase money lien, is recorded in the office of the recording officer of Deshutes County prior to the recordation of a notice of assessment and claim of lien for said assessments. Sale or transfer of any Real Property Interest shall not defeat or affect the assessment lien. However, any such sale or transfer of a Real Property Interest which is subject to any First Mortgage or purchase money lien pursuant to a foreclosure under such First Mortgage or purchase money lien shall extinguish the lien of such assessments as to payments thereof which become due prior to such sale or transfer, except for the amount of unpaid assessments specified in a notice of assessment and claim of lien recorded prior to the recordation

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of such Mortgage. No such sale or transfer shall relieve such Real Property Interest or the purchaser thereof from liability for any assessments thereafter becoming due or from the lien thereof.

3.15 PROPERTY TAX ASSESSMENTS:

Until such time as the property taxes on the Property have been segregated into separate assessments for each Real Property Interest, the Master Association shall, upon written request of Declarant, make and enforce a property tax assessment ("Property Tax Assessment") against each Owner whose Real Property Interest is taxed to Declarant pursuant to an unsegregated property tax bill on the Property or any portion thereof. The Property Tax Assessment shall constitute a lien on such Owner's Real Property Interest which shall be deemed perfected hereunder as of the date such taxes became a lien and shall be enforceable as herein provided. Notwithstanding the foregoing, the Master Association shall, prior to undertaking enforcement of delinquent Property Tax Assessments, record a notice of assessment against such delinquent Owners' Real Property Interest in the manner provided herein. The amount of the Property Tax Assessment against each Owner shall be that portion of the unsegregated property tax which bears the same relationship to the total tax as the original selling price of such Owner's Real Property Interest bears to the sum of the original selling prices of all of the Real Property Interests in the Property; provided, however, that if not all of the Real Property Interests have been sold at the time of such computation the then current offering price shall be deemed to be the selling price for purposes of such computation.

3.16 MASTER ASSOCIATION PROPERTY:

Notwithstanding anything to the contrary contained or implied in this Declaration, the Master Association Property shall not be charged with payment of any Assessments hereunder, all costs and charges attributable thereto being the collective responsibility of all Owners other than the Master Association itself and payable by such Owners through their payment of Assessments.

3.17 INCOME TAX ELECTIONS:

The Board shall have the right, exercisable in its sole discretion, to elect to report the receipts, expenses, deductions and credits, if any, of the Master Association for income tax purposes pursuant to section 528 of the Internal Revenue Code of 1954, as amended, or any comparable State or Federal statute or amendment thereto presently in effect or hereinafter enacted.

ARTICLE IV

COVENANTS AND USE RESTRICTIONS

In addition to all other covenants and restrictions contained herein, but subject to the exemptions set forth in Section 12.12, the following covenants and restrictions shall govern the use and occupancy of the Property:

4.1 MASTER ASSOCIATION PROPERTY:

(a) **No Partition.** The Master Association Property shall remain undivided and no Owner shall bring any action for partition, except as otherwise hereinafter provided.

(b) **Alterations.** Any proposals for alterations, additions or other improvements of Master Association Property shall be submitted in writing by the Member proposing such alteration, addition or improvement to the Board, which shall review such proposals to determine whether (i) such proposals would be compatible with the design, construction and standards of quality of the Property, and (ii) such proposed improvements would interfere with or disturb any other Owner's use or enjoyment of his Real Property Interest. Unless otherwise agreed at a meeting of the Members called for such purposes, the cost of an alteration or addition to Master Association Property approved by the Board shall be paid by the Members in accordance with the formula established herein for Special Assessments.

(c) **Prohibition.** No Owner shall remove, alter or injure in any way any portion of the Master Association Property, including, without limitation, the Improvements thereon.

(d) **Cost of Correction.** Any Owner who violates this Section shall reimburse the Master Association for all expenses incurred by it in remedying the damage caused by said Owner's violation. Such expense shall be assessed to the Owner as a Remedial Assessment, enforceable in the manner provided in Article III hereof.

4.2 MAINTENANCE STANDARDS:

The Owner of each Lot, or, in the case of Vacation Resort Ownership Units, Condominium Units or other Units constructed in a common interest subdivision having maintenance responsibilities governed by the provisions of a Supplemental Declaration, the governing Sub-Association, shall maintain all

Improvements on such Lot (or within the jurisdiction of such Sub-Association) in a clean and attractive condition, and without limiting the generality of the foregoing, shall:

- (a) **Rubbish Removal.** Keep such property free from rubbish, trash, garbage, litter and weeds;
- (b) **Landscape Maintenance.** Maintain, cultivate and keep in good condition and repair, shrubs, trees, grass, lawns, plantings and other landscaping located or from time to time placed upon such property, including those in areas between adjacent sidewalk and the street curbs, if any and trim and restrain all trees, shrubs or plantings of any kind so that they shall not be allowed to overhang or otherwise encroach upon, above or below any sidewalk or street;
- (c) **Exterior Finishes.** Maintain in good condition and repair, and in accordance with any adopted policies of the Environmental Control Committee adequately stain or otherwise finish all structures, buildings and other improvements located or from time to time placed upon such Lot, and;
- (e) **Paved Surfaces.** Maintain all paved surfaces and keep them clean, reasonably dry and free of oil and other extraneous matter.

4.3 SIGNS:

(a) **General Prohibition; Exceptions.** No sign or billboard of any kind (including but not limited to, commercial or political signs) shall be displayed to the public view on any portion of the Property, except for:

- (i) directional signs established by Declarant or the Master Association;
- (ii) such signs as may be required for legal proceedings;
- (iii) residential identification signs of a combined total face area of seventy-two (72) square inches or less;
- (iv) during the time of construction of any Improvement, one job identification sign not larger than eighteen (18) by twenty-four (24) inches in height and width and having a face area not larger than three (3) square feet; and
- (v) Signs, billboards and other advertising devices or structures used by Declarant in connection with the development, subdivision, advertising and sale of any Real Interests.

(b) **Environmental Control Committee Regulation.** Signs advertising Real Property Interests "for sale" or "for rent" shall be prohibited unless, in the sole discretion of the Environmental Control Committee such prohibition as applied to a specific Lot, Condominium or Interval would work an unusual hardship, in which case a waiver may be granted. If such a waiver is approved, such signs shall be of customary and reasonable dimensions and of a professional type and dignified appearance, and placed only in such location(s) as specified by the Environmental Control Committee. If at the time of such waiver, the Master Association has specified the size, design, and content of such "for sale" or "for rent" signs, only such approved size, design, and content shall be used.

4.4 NO OBNOXIOUS OR OFFENSIVE ACTIVITIES:

No obnoxious or offensive activity shall be carried on, in or upon any part of the Property, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood or which may in any way interfere with the quiet enjoyment of each of the Owners, or which shall in any way increase the premium rate of insurance.

4.5 LIMITATIONS ON ANIMALS:

Except for the operation of the Equestrian Facility Area by the Master Association or its licensee or assignee, no animals of any kind shall be raised, bred or kept in or upon any portion of the Property except dogs, cats or such other household pets as may be approved by the Master Association, and then only provided they are not kept, bred or maintained for any commercial purposes or in unreasonable numbers. Household pets shall be leashed, caged or under other positive control of the Owner at all times and shall be confined within the boundaries of the Lot on which such Owner's residence or place of business is located. Notwithstanding the foregoing, no pets or other animals may be kept in or upon any portion of the Property which result in any annoyance or are obnoxious to residents in the vicinity. Each Owner shall be liable to each and all other owners and to the Master Association for any and all damage to person or property caused by such animal. Each owner of an animal shall comply with such Master Association Policies and Procedures governing the keeping of pets which may be adopted by the Master Association from time to time.

4.6 TEMPORARY STRUCTURES PROHIBITED:

Unless approved in writing by the Environmental Control Committee, no structure of a temporary character, basement, trailer, tent, shack, garage, barn, or other out-building shall be used on any Lot at any time as a residence, either temporarily or permanently.

4.7 VEHICLES AND PARKING:

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(a) **Type Restriction.** No mobile home, recreational vehicle (including campers) exceeding 1,500 pounds in gross weight, trailer of any kind, truck with a rated load capacity greater than $\frac{1}{4}$ ton, or boat shall be kept, placed, maintained, or parked for more than 6 hours or other period of time as may be permitted pursuant to the Master Association Policies and Procedures on any portion of the Property except in enclosed garages, areas designated by the Board, or screened from view in a manner approved by the Environmental Control Committee. No motor vehicle of any type may be constructed, reconstructed or repaired in such a manner as will be visible from neighboring property. No stripped down, partially wrecked, inoperative or junk motor vehicle, or sizeable part thereof, shall be permitted to be parked on any portion of the Property.

(b) **Parking and Street Obstructions.** Parking of vehicles of any type whatsoever on any portion of the streets within the Property, including such streets as may be designated Special Upkeep Areas, shall be permitted only as set forth in the Master Association Policies and Procedures. No Owner shall do anything which will in any manner prevent the streets within the Property from at all times being free and clear of all obstructions and in a safe condition for vehicular use.

4.8 OUTSIDE STORAGE: Woodpiles, storage areas, machinery and equipment shall be prohibited upon any portion of the Property unless obscured from view of neighboring property and streets by a fence or appropriate screen approved by the Environmental Control Committee; trash cans and other rubbish containers shall be allowed to be visible from any street or adjacent Lot within the Property only during the days on which rubbish is collected and after nine (9) p.m. of the preceding evening.

4.9 LIMITATION ON OPEN FIRES: No incinerators or other open fires (except outdoor cooking facilities such as propane grills or portable barbecue units) shall be kept or maintained on any portion of the Property.

4.10 PEST CONTROL: No Owner shall permit any thing or condition to exist upon any portion of the Property which shall induce, breed or harbor infectious plant diseases or noxious insects or vermin.

4.11 ANTENNAE AND EXTERIOR APPLIANCE LIMITATIONS:

(a) **Radio, Television Antennae.** No towers, antennae, aerials, or other facilities for the reception or transmission of radio or television broadcasts or other means of communication shall be erected and maintained or permitted to be erected and maintained on any portion of the Property except by installations inside of structures, or by underground conduits; provided, however, that satellite-dish television receptors may be exempted from this prohibition upon application to and approval by the Environmental Control Committee.

(b) **Exterior Wiring.** No wiring for electrical or telephone installations, television antennae, security systems, machines or air conditioning units, solar systems, game apparatus, or appliances shall be permitted on the exterior of any Building or that protrude through the walls or roof of any Building except as permitted by the Environmental Control Committee.

(c) **Cable Television Exempt.** This Section shall not apply to, nor restrict, master antennae and head end system for a cable television system installed by Declarant or by a franchise cable television operator approved by Declarant or the Board.

4.12 COMPLIANCE WITH LAWS: Each Owner shall comply with all laws, statutes, ordinances, Master Association Policies and Procedures and regulations of any Federal, State or municipal governments or authorities applicable to the Planned Community.

4.13 USE OF IMPROVEMENTS DURING CONSTRUCTION; DILIGENCE IN CONSTRUCTION: No Improvement upon any portion of the Property shall be occupied until the same is completed and made to comply with the restrictions, covenants and conditions contained in this Declaration. Any Improvement which is partially or totally destroyed, or damaged, by fire, earthquake or otherwise, shall be removed, repaired or replaced within a reasonable time after such destructions or damage occurs and subject to the requirements of this Declaration, by the then Owner or Owners of that portion of the Property upon which the destroyed or damaged Improvement was or is located. All work of construction, removal or repair of any Improvement shall be prosecuted diligently and continuously from the time of commencement thereof until the same shall be fully completed, which completion shall occur not later than nine months after commencement of such work, except to the extent prevented by strikes, lockouts, boycotts, the elements, war, inability to obtain materials, acts of God or similar causes.

4.14 LANDSCAPING APPROVAL AND INSTALLATION: Landscaping plans shall be submitted to the Environmental Control Committee by the Owner of each Lot to be improved with a dwelling at the same time structural improvement plans are submitted with respect to such Lot. All plans shall be in compliance with sod and planting limitations, and tree preservation guidelines, as established by said Committee or the Master Association from time to time. Landscaping pursuant to and conforming with such approved

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landscaping plans shall be installed on such Lot within one year after the issuance of a certificate of occupancy or other permission as may be required for use of such improvement for human habitation.

4.15 POWER TOOLS LIMITATIONS: No power tool shall be used on the Property which causes interference with television reception unless the prior written consent of the Environmental Control Committee has been obtained.

4.16 EXTRACTION OF MINERALS: No boring, mining, drilling, or quarrying for water, oil, minerals, natural gas or precious metals, nor oil development operations, oil refining, or related operations of any kind shall be permitted on any portion of the Property, nor shall wells, tanks, tunnels, mineral excavations or similar operations be permitted within five hundred (500) feet below the surface of any Lot.

4.17 GRADES, SLOPES AND DRAINAGE: 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 on the Master Association Property without the express written permission of the Environmental Control Committee and then only to the extent and in the manner specifically approved. No structure, plantings, or other material shall be placed or permitted to remain on or within any grades, slopes, or courses, nor shall any other activities be undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow, or obstruct or retard the flow of water through drainage channels.

4.18 CHEMICALS: The Environmental Control Committee shall have the power from time to time to determine that the use of particular chemicals on any portion of the Property constitutes or would constitute a clear danger to the residents, and to publish the names of such chemicals and prohibit their use; no chemical so prohibited shall be used within the boundaries of the Property. Additionally, the Environmental Control Committee may prohibit specified chemicals, including but not limited to pesticides and herbicides, from use on or above the open surface area of any Lot, or above any Lot, whether once or intermittently or continuously, if such chemical or any product or residue thereof does or may seep, drain, flow, drift or otherwise migrate into any natural or artificial waterway or body of water existing in the Property, or into or above any part of the Master Association Property.

4.19 ENFORCEMENT; RIGHT TO NOTICE; HEARING: In the event an Owner shall fail to comply with the provisions of this Article IV, the Master Association shall notify each such Owner in writing of such specific lack of compliance, which notice shall state that such Owner has the right to a hearing before the Board with regard to the matters of non-compliance set forth in such notice and, which notice may state that from and after a specified date (which dates shall be subsequent to the date of the hearing provided for herein) the Board or its authorized agents may enter upon the Owner's Lot for the purpose of remedying such lack of compliance. If such Owner fails to remedy such lack of compliance within five (5) days after receipt of such notice (or within such greater time period as may be specified in such notice), or, in the alternative, fails to deliver written notice to the Board within five (5) days from receipt of such notice requesting a hearing before the Board with regard to the matters of noncompliance set forth in the Master Association or its authorized agents shall have the right to enter upon such Owner's Lot for the purpose of remedying the matter set forth in the notice, and shall not be liable for trespass in connection with such entry. If the Owner timely requests a hearing before the Board, the Board shall schedule a hearing and shall provide the Owner with at least seven (7) days written notice as to the date, time and place thereof. At the hearing the Owner will have an opportunity to discuss with the Board the merits of the claims set forth in the Master Association's original notice of noncompliance, and the Board will determine what action, if any, need be taken by the Owner and the time within which it must be accomplished. The decision of a majority of the members of the Board present at the hearing will be binding upon the Master Association and the Owner. In the event it is determined that the Owner has not complied, the Board shall establish a time period within which the Owner shall so comply. If the Owner fails to so comply within the designated time period, the Master Association or its authorized agents shall then have the right to enter upon the Owner's Lot to perform the required acts and shall not be liable for trespass in connection therewith. The cost to the Master Association of remedying such Owner's failure to comply with the provisions of this Section shall be assessed to the Owner as a Remedial Assessment, enforceable in the manner provided in Article III of this Declaration.

ARTICLE V ENVIRONMENTAL CONTROL

5.1 ENVIRONMENTAL CONTROL COMMITTEE:

(a) **Establishment of Committee:** The Environmental Control Committee ("Committee") shall

consist of three (3) individuals. The scope and authority of the Committee shall be subject to the exemptions of Section 12.12, but otherwise shall govern the Planned Community with respect to the matters of this Article V, and shall be prior to that of any architectural or environmental committee established under the authority of any Supplemental Declaration.

(b) **Initial Members:** The following persons are hereby designated as the initial members of the Environmental Control Committee established hereby:

- Office No. 1. —
- Office No. 2. —
- Office No. 3. —

Each of said person shall hold office until such time as he has resigned or has been removed or his successor installed as provided herein. Members of the Environmental Control Committee may be removed at any time by the entities authorized to appoint such member by the provisions of this Article.

(c) **Declarant Appointment:** Declarant shall have the right to appoint the member of the Environmental Control Committee until the earliest to occur of the following:

- (i) sale by Declarant of ninety percent (90%) of the aggregate of Estate Homesite, Commercial Lots, Condominiums and Intervals then annexed into the Property; or
- (ii) at such time as Declarant no longer has authority to annex real property to the Planned Community without the consent of the Members as provided in Article VIII; or
- (iii) December 31, 2005.

(d) **Board Appointment:** After such time as Declarant no longer has a right of appointment as set forth herein, the Board shall have the right to appoint such members and the term of each Environmental Control Committee member shall thereafter be for a period of three (3) years or until the appointment of his successor; provided, however, that the first appointee of the Board shall have an initial term of one year. Any new member appointed to replace a member who has died, resigned or been removed shall serve such member's unexpired term. Members who have resigned, been removed or whose terms have expired, may be reappointed.

(e) **Qualifications of Members:** All members of the Committee who are appointed by the Board shall be Members of the Master Association or representatives of Declarant designated by Declarant. Members of the Committee who are appointed by Declarant are not required to be Members of the Master Association.

(f) **Vacancies:** Except as otherwise provided in subparagraph (c) of this Section, vacancies on the Environmental Control Committee, however caused, shall be filled by vote of a majority of the members of the Board. A vacancy shall be deemed to exist in case of the death, resignation or removal of any member. Failure of the Board to fill any vacancy in the Committee shall not prevent:

- (i) the running of the automatic approval period specified in Section 5.4(f); or
- (ii) action by the Committee on any matter to the extent that a majority thereof each join in and consent thereto.

(g) **Notice of Membership on Committee:** The Declarant and the Board shall, upon appointing successors to the members of the Committee named herein, record written notice of such appointment in the office of the recording officer of Deschutes County, Oregon. All parties, including any title insurance company, shall be entitled to rely conclusively upon the membership and address of the Committee as established and as changed by any such recorded notice.

5.2 MEETINGS AND COMPENSATION: The Environmental Control Committee shall meet from time to time as necessary to perform its duties hereunder. The vote or written consent of any two (2) members, at a meeting or otherwise, shall constitute the act of the Committee unless the unanimous decision of the Committee is required pursuant to provisions of this Declaration. The Committee shall keep and maintain a written record of all actions taken by it at such meetings or otherwise. Members of the Environmental Control Committee shall not receive any compensation for services rendered.

5.3 DUTIES: It shall be the duty of the Environmental Control Committee to consider and act upon any and all proposals or plans submitted to it pursuant to the terms hereof, to consider and approve or disapprove any proposal to further subdivide any Lot of the Property, to insure that any Improvements constructed on the Property, or any rehabilitation, remodeling or major repairs thereto, by anyone other than the Declarant or its designated assignees conform to plans approved by the Environmental Control Committee, to adopt Environmental Control Committee Rules, to perform other duties delegated to it by the Declarant within the time periods set forth herein and thereafter by the Board, and to carry out all other duties imposed upon it by this Declaration. The Environmental Control committee, in its own name or on

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behalf of the Master Association, may exercise all available legal and equitable remedies to prevent or remove any unauthorized and unapproved construction of Improvements on the Property or any portion thereof.

5.4 OPERATION OF COMMITTEE: The Environmental Control Committee shall function as follows:

(a) **Content of Submittals.** With respect to construction planned by Owners other than Declarant on the Property, the Committee may require the submission to it of any or all of the following documents and such additional documents which it determines to be reasonably appropriate to the activity for which consent is requested:

- (i) written description;
- (ii) plans and specifications;
- (iii) schematics;
- (iv) elevations;
- (v) landscaping and tree preservation plan; and
- (vi) a plot plan showing the location of the proposed structure or Improvements, and compliance with siting requirements established by Declarant;

(b) **Format of Submittals.** All submissions to the Environmental control Committee shall:

- (i) show the address of the party submitting the same;
- (ii) be in triplicate;
- (iii) be deemed made when actually received by the Committee; and
- (iv) state in writing the specific matters for which approval is sought.

(c) **Authority of Committee.** The Committee, before giving approval, may require that changes be made to comply with such requirements as the Committee may, in its absolute discretion, impose as to structural features of any proposed building or other structure, the type of building material used, or other features or characteristics thereof not expressly covered by any provisions of this instrument, including the location of any proposed building or other structure with respect to the topography and finished ground elevation. The Committee may also require that the exterior finish and color, and the architectural style or character of any proposed building or other structure shall be such as in the discretion of the Committee shall be deemed suitable in view of the general architectural style and character of existing Improvements within the Property. The Committee, before giving its approval, may impose conditions or require changes to be made which in its discretion are required to insure that the proposed improvement will not detract from the appearance of the Property, or otherwise create any condition unreasonably disadvantageous to other Owners or detrimental to the Property as a whole. All actions of the Committee shall be noted in the minutes of the Board.

(d) **Certificate of Approval; Distribution of Material.** One of the three (3) sets of submissions to the Committee shall be retained by it. In the event the Committee approves or is deemed to approve the activity for which consent is required, the Committee shall issue a certificate of approval and endorse its consent on all three (3) copies and two (2) sets shall be mailed by the Committee, postage prepaid, to the address specified by the submitting party unless such party shall elect to accept delivery thereon in person or by agent so authorized in writing. No certificate of the Committee shall be recorded by the Committee or any member thereof, but the same may be recorded by the party submitting the material concerning which the certificate was made.

(e) **Application Fee.** As a condition precedent to its consideration of or action upon any material or matter submitted to it hereunder, the Committee shall be entitled to receive a sum ("Application Fee") fixed by it from time to time for each set of plans, specifications, drawings or other material so submitted. Until the Application Fee shall have been paid to it as provided herein, any material delivered to the Committee shall not be considered to have been submitted to it for the purposes of this Declaration.

(f) **Presumption of Approval.** If the Committee fails to issue its certificate of approval with regard to any matter submitted to it hereunder, within forty-five (45) days after submission of all materials required by the Committee to be submitted to it, and if the Application Fee has been paid, it shall be conclusively presumed that the Committee has approved the specific matters as to which approval was sought in the submission. It shall thereupon be the duty of the members of the Committee, forthwith upon the request of the submitting party, to sign and acknowledge a certificate evidencing such approval.

5.5 ACCESS TO PROPERTY: Each member of the Committee, or any other agent or employee of the Board, shall at all reasonable hours have the right of access to any part of the Property, and to any structures being built there, for the purpose of inspection relative to compliance with this Declaration.

5.6 WAIVER: The approvals or disapproval by the Committee of any plans, specifications, drawings, grading plans, heights, or any other matters submitted for approval or consent shall not be deemed to be a waiver by the Committee of its right to approve, disapprove, object or consent to any of the features or elements embodied therein when the same features or elements are embodied in other plans, specifications, drawings or other matters submitted to the Committee.

5.7 LIABILITY: Neither Declarant, the Master Association, the Board, the Committee nor any of its members shall be responsible for any defects in building, improvement or other structure erected, constructed, installed, placed, altered or maintained in accordance with or pursuant to any plans and specifications, color scheme, or other material approved by them or any conditions or requirements that they may have imposed with respect thereto, nor shall the Master Association, the Board, the Committee or any of its members have any liability for the inability of anyone to obtain a building permit for the construction or alteration of any building or structure pursuant to plans and specifications approved by the Committee.

5.8 SECURITY DEPOSIT:

(a) The Committee may condition its approval of any improvements on the posting of a security deposit in an amount specified by the Committee, or other security satisfactory to the Committee, to be used to insure that any damage or destruction of the Master Association Property resulting from the construction of the improvements shall be repaired.

(b) Upon completion of such improvements and repair by the Owner of any damage to the Master Association Property resulting therefrom, such security deposit shall be returned.

(c) The posting of security shall not relieve any Owner from liability for damage or destruction of the Master Association property caused by him or his agents or contractors and such liability shall not be limited to the amount of such security.

ARTICLE VI DESTRUCTION

6.1 RECONSTRUCTION REQUIRED; INSURANCE INSUFFICIENCY: In the event of a total or partial destruction of any portion of the Master Association Property the same shall be promptly repaired and rebuilt by the Association; provided, however, if the damage is not covered by insurance proceeds, or if the available insurance proceeds are insufficient, the Master Association shall, subject to the provisions of Section 6.2 and the next succeeding sentence, levy against all Owners a Special Assessment apportioned using the method for calculating the Annual Assessment, and in the total amount required to meet the cost of such repair or restoration. In the event the damage or destruction was caused by the intentional or negligent act or omission of an Owner, the cost of such repair or the amount of such deficiency shall be levied as a Remedial Assessment. If reconstruction is to take place, the Board shall cause to be executed, acknowledged and recorded in the office of the recording office of Deschutes County a certificate declaring the intention of the Owners to rebuild, such certificate to be executed by any officer or agent of the Master Association duly authorized to execute the same by the Board.

6.2 APPROVAL BY OWNERS; WHEN REQUIRED: In the event the amount of the Special Assessment which is required to be levied pursuant to Section 6.1, shall exceed 5 percent of the budgeted gross expenses of the Master Association for such Fiscal Year, such Special Assessment shall be levied only if approved by affirmative vote or written consent of a Majority of Owners. If such Special Assessment is not so approved or if no action is taken with respect thereto within 180 days following the date of such damage or destruction, such disapproval or inaction shall be deemed to be an election to terminate the operation by the Master Association of the destroyed or damaged property.

6.3 OBLIGATION OF BOARD: It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of such reconstruction at the earliest possible date.

6.4 DAMAGE TO PRIVATE PROPERTY: Any restoration and repair of any damage to a Lot, Condominium, or Vacation Resort Ownership Unit shall be made by and at the individual expense of such Owner or the responsible Sub-Association. If an Owner or responsible Sub-Association fails to make such restoration or repair of such Lot, Condominium, or Vacation Resort Ownership Unit the Board may, in accordance with this Declaration, take appropriate remedial action.

6.5 DETERMINATION NOT TO REBUILD: If a certificate of intention to rebuild has not been executed, acknowledged and recorded within three (3) months from the date of any partial or total destruction of the Master Association Property, or if reconstruction and rebuilding has not actually commenced within such three (3) month period, or if excess insurance proceeds are available over the cost of repair or restoration,

then any available insurance proceeds shall be distributed by the Master Association, as trustee, among the Owners subject first to (i) the right of the First Mortgagees and then to (ii) all unpaid assessments of each Owner together with any interest or fees attributable thereto. The proportionate interest of each Owner in said proceeds for each Real Property Interest owned shall be equal to a fraction, the numerator of which is the fair market value of such Real Property Interest immediately prior to such damage or destruction and the denominator of which is the fair market value of all the Real Property Interests in the Property just prior to such damage or destruction, as determined by an independent real estate appraiser appointed by the Board; provided, said real estate appraiser shall be a member of the American Institute of Real Estate Appraisers, or any successor organization.

ARTICLE VII CONDEMNATION

7.1 TOTAL OR PARTIAL TAKING: In the event of a total or partial taking of the Master Association Property, the Master Association shall, subject to the provisions of Section 7.4, use all amounts awarded to it on account of such taking to acquire and improve other real or personal property to replace the property which was taken; provided, however, if the available condemnation proceeds are insufficient, the Master Association shall, subject to the provisions of Section 7.2, levy against all Owners a Special Assessment apportioned using the method for calculating the Annual Assessment, and in the total amount of such shortfall.

7.2 APPROVAL BY OWNERS; WHEN REQUIRED: In the event the amount of the Special Assessment which is required to be levied pursuant to Section 7.1 above, shall exceed 5 percent of the budgeted gross expenses of the Master Association of such Fiscal Year, such Special Assessment shall be levied only if approved by affirmative vote or written consent of a Majority of Owners. If such Special Assessment is not so approved or if no action is taken with respect thereto within 180 days following the date of such taking, such disapproval or inaction shall be deemed to be an election to terminate the obligation of the Association to replace the taken property.

7.3 TAKING OF PRIVATE PROPERTY: In the event of a taking of Lots, Condominiums, or Vacation Resort Ownership Units or any portion thereof, those Owners whose Lots, Condominiums, or Vacation Resort Ownership Units are completely or partially taken, or any Sub-Association authorized to represent such Owners, shall be entitled to retain the award made to them. Nothing contained in this Article VII shall be deemed to limit the right of an Owner to pursue all available legal remedies and obtain all compensation to which he may be entitled by reason of the taking of his property.

7.4 DETERMINATION NOT TO REPLACE: If in the judgment of the Board the property taken by eminent domain can not or should not be replaced, or in the event such replacement has not actually commenced or in the event such replacement has not actually commenced within three months after the date proceeds resulting from the condemnation have been paid to the Master Association, or if any excess condemnation proceeds are available after such replacement has been accomplished, then any available proceeds of condemnation shall be distributed by the Master Association, as trustee, among the Owners subject first to (i) the right of the First Mortgagees and then to (ii) all unpaid assessments of each Owner together with any interest or fees attributable thereto. The proportionate interest of each Owner in such proceeds shall be determined in the same manner as for available insurance proceeds according to the provisions of Section 6.5.

ARTICLE VIII ANNEXATION

8.1 ANNEXATION WITHOUT APPROVAL: The Master Association Annexable Property, or a portion thereof, may be annexed by Declarant to and become a part of the Planned Community, subject to this Declaration and the Master Association, without the consent of the Owners, (i) within three years after the date of issuance of the Public Report issued by the State of California Department of Real Estate for the immediately preceding annexation, or (iii) December 31, 1995, whichever is later.

8.2 ANNEXATION BY APPROVAL: Upon affirmative vote or written approval of a Super-Majority of Owners, the owner of any property who desires to add it to the regime of this Declaration and to subject it to the jurisdiction of the Master Association may file of record a Notice of Annexation with respect to the real property to be annexed; provided, however, that no such annexation may take place more than seven (7) years from the date of recordation of this Declaration.

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8.3 EFFECT OF ANNEXATION: Membership in the Master Association shall be expanded at the effective date of annexation to include all Owners within annexed properties and all Members shall thereafter have all rights and obligations herein established. Upon compliance with Section 8.1 or 8.2, as applicable, and recordation of a Notice of Annexation in the form prescribed below, the annexed land shall become part of the Property and the provisions of this Declaration shall, from the date of Recordation of the Notice of Annexation, apply to the annexed land in the same manner as if such annexed land had originally been subject to this Declaration and had originally constituted a portion of the Property; and thereafter the rights, privileges, duties and liabilities of the Members, and the burdens and benefits to the land shall be the same as though the annexed land had originally been subject to this Declaration.

8.4 NOTICE OF ANNEXATION: The Notice of Annexation, which may be included in any Supplemental Declaration, shall contain at least the following provisions:

- (i) A reference to this Declaration, which shall include the date of recordation hereof and the book and page numbers where this Declaration is recorded.
- (ii) A statement that the provisions hereof shall apply to the annexed portion of the Master Association Annexable Property as set forth herein.
- (iii) An exact description of the annexed portion of the Master Association Annexable Property.
- (iv) A description of the Master Association Properties, if any, located within the annexed portion of the Master Association Annexable Property.

8.5 DELETION OF ANNEXED PROPERTY:

Declarant may delete all or any portion of the Master Association Annexable Property from the coverage of this Declaration and rescind the applicable Notice of Annexation provided (a) Declarant is the sole Owner of all of the property described in said Notice of Annexation, (b) no vote has been exercised with respect to the property described in said Notice of Annexation, and, (c) Assessments to the Owners have not commenced and no Association expenditures have accrued with respect to the property described in said Notice of Annexation. Such deletion shall be effected by Declarant's Recording a Notice of Deletion of Territory in the same manner as the Notice of Annexation to be rescinded was Recorded.

**ARTICLE IX
EASEMENTS**

9.1 General. Each of the easements provided for in this Article IX shall be deemed to be established upon the recordation of this Declaration, and shall thenceforth be deemed to be interests running with the land for the use and benefit of all the property encumbered thereby, and superior to all other encumbrances applied against or in favor of any portion of the Property. In furtherance of the easements provided for in this Declaration the individual deeds to the Lots may, but shall not be required to, set forth said easements.

9.2 USE OF THE MASTER ASSOCIATION PROPERTY:

(a) **Reservations in Favor of Owners.** Declarant hereby reserves for itself, and for the benefit of each Owner, its family, social guests, tenants, "permitted users" and the exchange users (as such terms may be defined in a Supplemental Declaration for a Vacation Resort Ownership Project), the Manager, its agents and employees, as well as for all licensees and invitees of the Owner of Commercial Lots, a non-exclusive easement for ingress, egress, use and enjoyment over and through all of the Master Association Property except any portions thereof designated as Restricted Use Areas. Said easements are appurtenant to and shall pass with the title to every Real Property Interest, and are for the benefit of said grantees, their respective families, guest, invitees, tenants, contract vendees, and such other classes of persons as to whom the Board may, from time to time and subject to the Master Association Policies and Procedures, extend such privileges of use and enjoyment.

(b) **Rights Subject to Restrictions.** The right of Declarant, and each owner, the licensees and invitees of the Owners of Commercial Lots, and of all other families, guests, invitees, tenants and contract vendees, to use and enjoy the Master Association Property as set forth herein, shall be subject to and governed by the provisions of this Declaration, the Articles, Bylaws, the Master Association Policies and Procedures and the restrictions imposed thereby and fees established pursuant thereto. The Master Association shall have the authority to lease or to grant licenses or concession with respect to all or any part of the Master Association Property subject only to the provisions of this Declaration, the Articles, Bylaws, and Master Association Policies and Procedures; provided, however, that any charges levied against the general public for the use of any particular facilities shall not be more favorable than charges levied against Owners for the same use of the same facilities.

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9.3 ENCROACHMENTS:

There is hereby reserved by Declarant in favor of the Master Association, an easement over all lands adjacent to the Master Association Property, as added or deleted from time to time, for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of an improvement, built on Master Association Property so long as such encroachments shall exist. In the event a structure on the Master Association Property is partially or totally destroyed, and then repaired or rebuilt, the Owners of adjacent property agree that encroachments resulting from such reconstruction shall be permitted, and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

9.4 EASEMENT FOR PERFORMANCE OF OBLIGATIONS:

There is hereby reserved by Declarant in favor of the Master Association such easements over all or any portion of the Planned Community as are necessary to perform the duties and obligations of the Master Association and Environmental Control Committee as are set forth in this Declaration, the Bylaws, the Articles, or the Master Association Policies and Procedures, including, but not limited to, the right of access at all reasonable hours to any part of the Planned Community (excluding the interior of any Dwelling), and to any Improvements being built thereon.

9.5 UTILITY EASEMENTS:

The Master Association, and any public utility company (collectively, the "Supplier") providing utility services to the Property including, without limitation, sanitary sewers, water, electricity, telephone, and cable television shall be governed by the following:

(a) **In Favor of Supplier.** Whenever sanitary sewer house connections, electricity, water, telephone, cable television or other utility lines are installed within the Planned Community, which connections or any portion thereof lie in or upon Lots owned by others than the Owners of the Lot served by the connections described in the preceding subsection, the Supplier shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon Lots in or upon which said connections, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when the same may be necessary.

(b) **In Favor of Owner.** Whenever sanitary sewer house connections, electricity, water, telephone, cable television or other utility lines are installed within the Planned Community, which connections serve more than one Lot, the Owner of each Lot served by said connections shall be entitled to full use and enjoyment of such portions of said connections as serve his Lot.

(c) **Repair of Common Connections; Expenses.** In the event of a dispute between Owners with respect to the repair or rebuilding of the connections described in the preceding subsection, or with respect to the sharing of the cost thereof, then upon written request of one of such Owners addressed to the Master Association, the matter shall be submitted to the Board who shall decide the dispute and make a Remedial Assessment or, in appropriate circumstances, a Special Assessment, against any or all of the Owners involved.

9.6 EASEMENTS IN FAVOR OF DECLARANT:

In addition to any easements which have been or may hereafter be excepted or reserved in the deed of each Lot or other portion of the Property or by a separately recorded instrument, Declarant excepts and reserves for itself, its contractors, subcontractors, employees, agents, invitees, successors and assigns, and declares that upon the conveyance by it of any Lot there is reserved and excepted the following easements, which are non-exclusive and in gross, and assignable by Declarant in whole or in part:

(a) **Property Line of Lots.** An easement over and upon an area ten (10) feet wide inside the front, rear and side property lines of each Lot, for the purpose of installing and maintaining slopes, drainage courses and utilities. No structure, planting or other material shall be placed or permitted to remain which may interfere with the installation, use or maintenance of such slopes, drainage courses and/or which may obstruct, retard, accelerate or change the direction of the flow of water through drainage channels, or which may damage or interfere with established slope ratios. All such structures, planting or other material as may exist from time to time within the easements shall be maintained continuously by the owner of the Lot subject to the easement, except only those structures for which a public entity or utility company is responsible.

(b) **Construction and Marketing.** For a period of time extending until development of the Planned Community is completed, a non-exclusive easement in, over, under and through the Property for ingress and egress and for the purpose of completing the development of the Planned Community, including constructing, maintaining and retaining all Improvements now or hereafter planned to be constructed on the Property including, without limiting the generality thereof, the Master Association

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Property, and/or any portion of the unannexed Master Association Annexable Property, or required to be constructed on any portion thereof by any government or governmental agency, including the right:

- (i) to perform any and all architectural, engineering, grading, construction, excavation, landscaping and related work and activities;
- (ii) to erect and maintain upon the Property storage buildings, storage areas, water supply systems, including wells and storage reservoirs, and temporary or permanent sewage disposal facilities;
- (iii) to store and use materials, equipment, vehicles, tools and machines which may be necessary or desirable in connection with such construction;
- (iv) to display signs and erect, maintain and operate, for sales and administrative purposes, a fully staffed customer relations, customer service and sales office complex on the Property;
- (v) to show the Property, unsold Homesite, Condominiums and/or Vacation Resort Ownership Units and any Homesite, Condominiums and/or Vacation Resort Ownership Units which are offered for resale, and to arrange for the use of recreational facilities in the Master Association Property by prospective purchasers;
- (vi) to perform maintenance, repair and replacement work on the Property, and to make custom improvements, alterations and additions to Improvements; and
- (vii) to engage in customer relations activities and to provide post sale customer service to owners.

No such activities shall be deemed to be a nuisance. This Section 9.6 may not be modified, terminated or otherwise amended or altered without written approval by Declarant. Any act attempting or purporting to effect such change, or to adversely affect the rights granted to or reserved by Declarant hereunder, shall be void and of no force or effect. Declarant shall have the right, without the joinder of any other person or entity, to grant and transfer all or any part of the rights, easements, and licenses reserved in this Section.

9.7 ADDITIONAL MAINTENANCE AREAS:

(a) River Bluff Areas:

Declarant hereby grants to the Master Association, for the benefit of the Members, a non-exclusive easement in gross on, over, and across that portion of the Master Association Annexable Property as may be necessary for direct access to those areas designated on the Conceptual Plan of Development as River Bluff Areas, as well as an easement over such River Bluff Areas for the purpose of using and enjoying the slopes, vegetation, landscaping, and ground cover thereupon, reserving unto Declarant however:

- (i) the right to grant and transfer fee title to all or any portion of same to the Master Association or any public entity, and
- (ii) the right to locate and relocate such easements from time to time until the recordation of a map or plat of the portion of the Property containing such easement, which recordation shall thenceforth fix such location. The River Bluff Areas, to the extent possible, shall remain in a state of natural vegetation, and the Master Association shall hereafter maintain, remove and replace trees, shrubs, plantings and other vegetation on the River Bluff Areas as may be required. No Owner shall remove, replace, or alter any trees, shrubs, plantings or vegetation on the River Bluff Areas or in any way improve or alter any portion of the River Bluff Area without the prior written consent of the Environmental Control Committee.

(b) Recreational Pathways. Declarant hereby grants to the Master Association, for the benefit of the Members, a non-exclusive easement in gross for recreational uses and purposes on, over and across the Property and the Master Association Annexable Property in the location(s) designated as the Recreational Pathway shown on the Conceptual Plan of Development, reserving unto Declarant, however:

- (i) the right to grant and transfer fee title to all or any portion of same to the Master Association or any public entity, and
- (ii) the right to locate and relocate such easements from time to time until the recordation of a map or plat of the portion of the Property containing such easement, which recordation shall thenceforth fix such location. The Master Association, its agents, and employees shall have the obligation henceforth of installing and maintaining landscaping, vegetation, ground cover and irrigation improvements and facilities within said Recreational Pathway area, for so long as the Association exercises its rights of use and enjoyment.

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9.8 GOLF COURSE EASEMENTS:

(a) **Golf Course Development and Operation.** Declarant hereby reserves for itself, its successors and assigns, and for the benefit of any lessee or operator of the Golf Course all necessary rights, licenses and easements on, over and across the Property and the Master Association Annexable Property or any portion thereof as may be necessary:

- (i) to construct, install Capital Improvements, manage, operate and expand the Golf Course and any other recreational amenities or facilities located thereupon;
 - (ii) to impose conditions, limitations, rules, regulations, and fees in connection with such use and enjoyment; and
 - (iii) to prohibit any use of said Golf Course except by participants in the game of golf.
- (iv) to receive a supply of water from the Master Association for irrigation of the Golf Course at rates no less favorable than those applicable to the Planned Community as a whole.

(b) **Golf Course Utilization.** Without limiting the generality of the preceding subsection (a), Declarant hereby reserves for itself and the benefit of all users of the Golf Course, all necessary rights, licenses and easements on, over, and across the Property (including the Master Association Property, all Special Upkeep Areas, areas owned by any Sub-Association, and Estate Homesites adjacent to the Golf Course), as may be necessary or convenient to move along the normal path-of-play of the Golf Course, and to utilize "fairway rough," being an area encroaching up to 70' into each such adjacent Estate Homesite for normal Golf Course purposes. The location of such easement with respect to Estate Homesites and Unit Lots in the Vacation Resort Ownership Project shall be designated as provided in the Estate Homesite Declaration or the Vacation Resort Ownership Declaration, respectively.

(c) **Golf Course Maintenance Area.** Declarant grants to the Master Association, on behalf of the Board and to the benefit of any Sub-Associations which may exist from time to time, fully reserving unto itself, however, a non-exclusive right of use and enjoyment, a non-exclusive easement and right of ingress and egress to the portion of the Golf Course designated as the "Golf Course Maintenance Area" on the Conceptual Plan of Development.

(d) **Declarant's Rights of Maintenance and Further Construction.** Declarant hereby reserves for itself, in addition to any rights reserved herein with respect to completion of the Planned Community, a non-exclusive easement for ingress and egress into, on and over the Property, including any portion as may be designated Special Upkeep Areas, and including all portions of the Master Association Annexable Property, and all portions of the Master Association Annexable Property, as may be reasonably necessary for the maintenance, operation, use, and enjoyment of said Golf Course, as well as for construction, reconstruction and repair of any and all Improvements located or to be located upon said Golf Course, as it initially exists or as it is intended to be expanded as shown on the Conceptual Plan of Development.

(e) **No Unreasonable Restriction.** Declarant's exercise of its rights under this Section 9.8 may not unreasonably interfere with the use and enjoyment of the Master Association Property by the owners.

**ARTICLE X
ENFORCEMENT**

In the event of any default by any Owner under the provisions of this Declaration, the Articles, By-Laws, or the Master Association Policies and Procedures, and upon any failure of any Owner to comply with any requirement or Restriction set forth in this Declaration, the Master Association shall have all the rights and remedies which may be provided for in this Declaration, including those of Article III, the Bylaws, the Articles, the Master Association Policies and Procedures, or which may be available at law or in equity, and may prosecute any action or other proceeding against such defaulting Owner and/or other persons for enforcement of any lien and the appointment of a receiver for the Real Property Interest of such Owner, or for damages or injunction or specific performance, or for judgment of payment of money and collection thereof, or the right to take possession of the Real Property Interest and to sell the same as hereinabove provided, or for any combination of remedies, or for any other relief. All expenses of the Master Association in connection with such actions or proceedings, including court costs and attorneys' fees, and all damages, together with interest thereon at the maximum legal rate until paid, shall be charged to such defaulting or non-complying Owner, and shall be a lien on such Owner's Real Property Interest, which lien shall be enforceable in the same manner as set forth in Article III hereof. Any and all such remedies may be

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exercised at any time and from time to time, cumulatively or otherwise, by the Master Association. Should any Member institute suit against the Master Association, and should the Master Association be successful or sustained in its position in such suit, then such Member shall be required to reimburse the Master Association for its legal expenses incurred, including but not limited to attorneys' fees, fees of experts, court costs and other expenses reasonably incurred by the Master Association, and the amount to which the Master Association is entitled shall be a lien against the Real Property Interest of such Member and enforceable pursuant to the provisions of Article III hereof.

ARTICLE XI

ENFORCEMENT OF BONDED OBLIGATIONS

If Declarant obtains a completion bond or other arrangement (hereinafter referred to as the "Bond") in favor of the Master Association to secure the commitment of Declarant to complete Master Association Property Improvements, including a bond issued pursuant to California Business and Professions Code Section 11018.5 (a) (2), then:

(1) The Board of Directors is directed to consider and vote upon the question of action by the Master Association to enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date for that improvement in the Planned Construction Statement appended to the Bond. If the Master Association has given an extension in writing for the completion of any Association Property Improvement, the Board of Directors is directed to consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension period.

(2) A special meeting of the Members for the purpose of voting to override a decision by the Board of Directors not to initiate action to enforce the obligations under the Bond or on the failure of the Board of Directors to consider and vote on the question shall be held not less than thirty-five (35) days, nor more than forty-five (45) days after receipt by the Board of Directors of a petition for such a meeting signed by Members representing not less than five percent (5%) nor more than ten percent (10%) or more of the total voting power of the Master Association.

(3) A vote of a Majority of Non-Declarant Owners at the special meeting called pursuant to subparagraph (2) above to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Master Association and, the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the name of the Master Association.

ARTICLE XII

GENERAL PROVISIONS

12.1 AMENDMENTS:

(a) **Voting Power.** This Declaration may be amended from time to time by vote or written approval of a Super-Majority of Owners; provided, however, (i) the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes required for action to be taken under such clause or provision; and (ii) no amendment which would defeat the obligations of the Master Association to maintain the Master Association Property (including Additional Maintenance Areas) and Special Upkeep Areas in a safe and attractive condition and good state of repair, or which would defeat the assessment procedures which assure the collection of funds for such maintenance shall be made unless approved by Declarant, by seventy-five percent (75%) of the Non-Declarant Owners, and by seventy-five percent (75%) of the Mortgagees of record.

(b) **Declarant's Right to Amend.** Notwithstanding any other provision herein, Declarant reserves the right, for a period of three (3) years after initial recordation of this Declaration, and without the vote or approval of the Members of the Master Association, to amend this Declaration in any manner required to conform with the requirements of the Oregon Real Estate Commissioner, the Washington Real Estate Commissioner, the California Department of Real Estate, or of the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Veteran's Administration, Federal Housing Administration, or any similar governmental or quasi-governmental state or federal body or agency having jurisdiction, so as to meet the requirements of such body or agency for their approval of this Declaration and the Planned Community, whether or not the Property or any portion thereof has then been conveyed by Declarant to a Non-Declarant grantee.

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(c) **Provisions of Law Shall Control.** Notwithstanding the provisions of the foregoing subsection (a) and (b), if, by law, any different consent or agreement is required in order to effect the amendment of this Declaration, then any instrument changing, modifying or rescinding any provision of this Declaration shall be effective only if authorized and executed as required by law. No provision in this Declaration may be changed, modified or rescinded so as to conflict with the provisions of any law.

(d) **Recordation.** The recordation of a certificate of the Secretary of the Master Association setting forth in full the amendment so approved and certifying that said amendment has been approved by the Members as required by this Section shall be conclusive as to the validity thereof.

12.2 NOTICES:

Notices provided for in this Declaration shall be in writing and shall be addressed to the person intended to receive the same, at the following address:

Association:
Eagle Crest Master Association
P.O. Box 966
Redmond, Oregon 97756

Declarant:
Eagle Crest Partners, Ltd.
P.O. Box 1215
Redmond, Oregon 97756

Owner:
At the address of the Real
Property Interest owned.

Notices so mailed shall be deemed to have been given 48 hours after the deposit of same in any United States mail post office box in the state to which the notice is addressed or 72 hours after deposit in any such mailbox other than in the state to which the notice is addressed, postage prepaid, addressed as set forth above. The Declarant and the Master Association may designate a different address or addresses for notices by giving written notice of such change of address to all Members of the Master Association. Any Owner may designate a different address or addresses for notices to him by giving written notice of such change of address to the Master Association. Upon written request, any Mortgagee shall be given a copy of all notices permitted or required by this Declaration to be given to the Owner or Owners whose property is subject to such recorded mortgage or deed of trust.

12.3 SEVERABILITY:

If any provision of this Declaration, the Articles, the Bylaws, or any section, sentence, clause, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of the Declaration, the Articles and Bylaws, and of the application of any such section, sentence, clause, phrase, or word in any other circumstances shall not be affected thereby.

12.4 SUCCESSORS OF DECLARANT:

Each and every right and obligation of Declarant under this Declaration shall inure to the benefit of and be binding on the successors of Declarant which are designated as a Successor Declarant by an instrument duly recorded in the office of the recording officer of Deschutes County.

12.5 INAPPLICABILITY TO PROPERTY OF PUBLIC ENTITY:

The provisions hereof shall be inapplicable to any property now owned or hereafter acquired by the State of Oregon or a political subdivision thereof.

12.6 VIOLATION AND NUISANCE:

Every act or omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action, by Declarant, the Master Association or any Owner or Owners.

12.7 VIOLATION OF LAW:

Any violation of any state, municipal or local law, ordinance or regulations, pertaining to the ownership, occupancy or use of any of the Property is hereby declared to be a violation of this Declaration and subject to any or all of the enforcement procedures set forth herein.

12.8 NOTIFICATION OF SALE OF REAL PROPERTY INTEREST:

(a) Concurrently with the execution of any escrow instructions, purchase and sale agreement, contract of sale, or other agreement for the sale or transfer of a Real Property Interest, under

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circumstances whereby the transferee will become the Owner thereof, the transferor shall notify the Master Association in writing of such sale. Such notification shall set forth:

- (1) the name of the transferor and his transferee;
 - (2) the street address of the Real Property Interest purchased by the transferee;
 - (3) the transferee's mailing address;
 - (4) the name and address of the escrow holder, if any, for such sale and the escrow number;
- and
- (5) the scheduled date of sale or transfer.

Concurrently with the consummation of such sale, or within five (5) business days thereafter, the transferor shall notify, in writing, the Master Association of consummation of such sale. Such notification shall set forth the information called for in clauses (1), (2), (3), and (4) above, and the date such sale was consummated.

Unless and until such notice is given and any unpaid Assessments have been paid on behalf of the transferor, the Master Association shall not be required to recognize the transferee for any purpose. Prior to receipt of any such notification, any and all communications required or permitted to be given by the Master Association, the Board or the Environmental Control Committee shall be deemed to be duly given and made to the transferee if duly and timely made and given to said transferee's transferor.

12.9 BREACH:

No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

12.10 CONSTRUCTION OF DOCUMENT:

This Declaration shall be construed in accordance with the laws of the State of Oregon.

12.11 SPECIAL MORTGAGEE REQUIREMENTS:

(a) **Notice Upon Request.** A First Mortgagee at its request is entitled to written notification from the Master Association of any default by the Owner of a Real Property Interest which is subject to a mortgage or deed of trust in favor of said Mortgagee of such Owner's obligations under this Declaration which is not cured within sixty (60) days.

(b) **Limitation on Liability for Prior Breach.** Any First Mortgagee who obtains title to a Real Property Interest pursuant to the remedies provided in the mortgage or deed of trust or foreclosure of the mortgage or deed of trust:

(i) shall not be liable for such property's unpaid assessments which accrue prior to the acquisition of title to such interest by such First Mortgagee, and

(ii) shall not be obligated to cure any breach of this Declaration which is noncurable or of a type which is not feasible to cure or which is not practical to cure and does not materially affect the Master Association or any other Owners.

(c) **Examination of Books and Records.** First Mortgagees shall have the right to examine the books and records of the Master Association.

(d) **Provision for Regular Collection of Reserves.** An adequate reserve fund for replacement of the Master Association Property Improvements must be established and must be funded by regular monthly payments rather than by Special Assessments.

(e) **Special Approval Provisions.** Notwithstanding anything to the contrary which may be set forth in this Declaration, the Articles or the ByLaws, unless at least seventy-five percent (75%) of the First Mortgagees (based upon one (1) vote for each first mortgage owned) have given their prior written approval, the Master Association shall not:

(i) by act or omission, change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Improvements constructed in the Planned Community, the exterior maintenance of Units, or the maintenance of landscaping and Association Property;

(ii) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

(iii) fail to maintain fire and extended coverage on the Master Association Property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost);

(iv) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the

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Master Association Property. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Master Association Property by the Owners shall not be deemed a transfer within the meaning of this clause;

(v) use hazard insurance proceeds for losses to any Association Property for other than the repair, replacement or reconstruction of such Master Association Property;

(vi) amend any part of this Section 12.11.

(f) **Notice of Loss.** The Association shall give the Federal National Mortgage Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") notice in writing of any loss to, or taking of, the Master Association Property if such loss or taking exceeds Ten Thousand Dollars (\$10,000.00).

(g) **Right to Advance Payments.** First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a lien or charge against all or any portion of the Master Association Property and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Master Association Property and First Mortgagees making such payments shall be owed immediate reimbursement therefore from the Master Association.

(h) **Appearance at Meetings.** Because of its financial interest in a Real Property Interest, a Mortgagee may appear (but may not vote) at meetings of the Owners and the Board to draw attention to violations of this Declaration which have not been corrected or made the subject of remedial proceedings or assessments.

(i) **Authorization to Disclose.** A Mortgagee is authorized to furnish information to the Board concerning the status of any loan encumbering a Real Property Interest.

(j) **Resolution of Conflicts.** In the event of any conflict between any provision of this and any other provision in this Declaration, the language contained herein shall control.

12.12 EXEMPTIONS TO ARTICLES IV AND V:

The restrictions of Article IV and Article V of this Declaration shall not and do not apply to any of the following:

(a) **Public Land.** Any part of the Property which is owned by any public or quasi public agency, district or other body;

(b) **Acts by Governmental Bodies.** Any act done or proposed to be done upon the Property, or any condition created thereon, by any governmental agency or entity, or the agents or employees of any governmental entity acting in the scope of their authority as such agents or employees;

(c) **Acts by Utility Supplier.** Any act done or proposed to be done upon the Property, or any condition created thereon, by any Supplier, as defined in Section 9.5 or the agents or employees of any such Supplier, which act could be done by such Supplier were this Declaration not made;

(d) **Acts by Declarant.** Any act done or proposed to be done upon the Property, or any condition created thereon, by Declarant, or its successors, assigns, agents, employees or contractors, in connection with the exercise of any easement, license, or other right reserved to Declarant in this Declaration; provided, however, that any such acts, proposed acts or condition created upon the Property shall not unreasonably restrict the Owners in their use and enjoyment of the Master Association Property or the facilities thereon. With respect to construction performed by Declarant or its agents on Master Association Property (or on land which is to become Master Association Property), the Environmental Control Committee may require the submission to it, at the completion of such construction, of documentation reasonably necessary to the maintenance and repair responsibility of the Master Association describing the "as-built" configuration of such Improvements.

(e) **Acts by Master Association or its Agents.** Any act done or proposed to be done upon the Property, or any condition created thereon by the Master Association acting through (i) its Board, (ii) its officers, or (iii) its agents; without limiting the generality of the foregoing, the term "agents" as used in this Section 12.12(e)(iii) shall include a tenant or operator of a portion of the Master Association Property, e.g., the Golf Course and/or the Equestrian Facility Area.

(f) **Court Order.** Any act done or proposed to be done upon the Property, or any condition created thereon, by any person pursuant to court order, or the order of any public officer or public agency; provided, however, that the orders contemplated in this subparagraph are only those which are the result of action initiated by public officers or agencies and which embody mandatory requirements with penalties for non-performance, and are not those orders which result from the application of private parties or are merely permissive.

12.13 TERM:

This Declaration and the covenants, conditions and restrictions contained herein, as amended from

0098-0708

time to time, shall be and remain in full force and effect for a term of fifty (50) years from the date this Declaration is recorded, after which time said Declaration shall be automatically extended for successive periods of ten (10) years, unless a certificate of the Secretary of the Master Association has been recorded in the office of the recording office of Deschutes County, certifying that a Super Majority of Owners has, by vote or written consent, agreed to terminate said Declaration, and specifying the provisions made to ensure the public health, safety, and welfare of the Owners shall not be impaired thereby.

12.14 PLURALS; GENDER:

Whenever the context so requires, the use of the singular shall include and be construed as including the plural, and the masculine shall include the feminine.

12.15 HEADINGS:

Sections headings are inserted for convenience only and are not intended to be a part of this document or, in any way, to define, limit, or describe the scope or intent of the particular section to which they refer.

IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first hereinabove written.

"DECLARANT"

EAGLE CREST PARTNERS LIMITED,
an Oregon limited partnership

By Barry G. Evans, Trustee
Atlantic National Trust,
a California intervivos trust,
General Partner

By: [Signature]
Barry G. Evans, Trustee

STATE OF OREGON

ss.

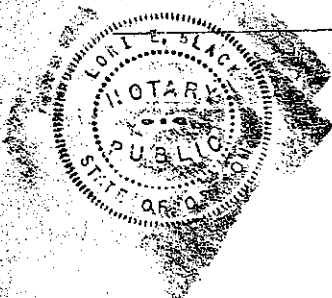
COUNTY OF DESCHUTES

On June 24, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared Barry G. Evans, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) who executed this instrument as the trustee for Atlantic National Trust, a California intervivos trust, the sole general partner of the limited partnership and acknowledged to me that such limited partnership executed the same.

WITNESS my hand and official seal.

Lori E. Black
Notary Public

My commission expires:
5-11-87



0098-0709

EXHIBIT A-1

"Initial Property"

VACATION RESORT OWNERSHIP PROJECT:

All of the following described lots as shown on the Eagle Crest Plat filed June 24, 1985 in the office of the county recorder in Deschutes County, Oregon:

Unit Lots:

Lots 14, 15, 16, Block 5
Lots 19 & 20, Block 5

Recreational Facilities:

Lots 22 & 23, Block 5

Road Lot:

Lot 3, Block 11

Open Space:

Lot 13, Block 5

ESTATE HOMESITE PROJECT:

All of the following described lots as shown on the Eagle Crest Plat filed June 24, 1985 in the office of the county recorder in Deschutes County, Oregon:

Estate Homesites:

Lots 3-12, Block 6
Lots 2-12, Block 9
Lots 14-24, Block 9
Lots 3-10, Block 7
Lots 13-22, Block 7

Recreational Lots:

Lot 11, Block 7
Lot 1, Block 8

Recreational Pathways:

Lot 12, Block 7
Lot 13, Block 9.

Road Lots:

Lot 10, Block 11
Lot 11, Block 11

Open Space:

Lot 13, Block 6
Lot 2, Block 7

MASTER ASSOCIATION PROPERTY:

All of the following described lots as shown on the Eagle Crest Plat filed June 24, 1985 in the office of the county recorder in Deschutes County, Oregon:

Golf Course:

Lots 6, 8 & 11, Block 2
Lot 1, Block 6
Lot 1, Block 9
Lot 1, Block 7

Road Lots:

Lots 1 & 2, Block 11
Lot 5-7, Block 11

Recreational Areas/Open Space:

Lot 1, Block 1
Lots 1, 10, 12, 14, Block 2
Lots 1 & 3, Block 4

Restricted Areas:

Lots 9 & 17, Block 2.

EXHIBIT A-2
EAGLE CREST MASTER ASSOCIATION

0098-0710

"Master Association Property"

The following described lots located in the Eagle Crest Plat filed in the office of the county recorder in Deschutes County, Oregon:

Golf Course:

- Lot 1, Block 6
- Lot 1, Block 9
- Lot 1, Block 7
- Lot 11, Block 2
- Lot 6, Block 2
- Lot 8, Block 2

Road Lots:

- Lot 1, Block 11
- Lot 2, Block 11
- Lots 5-7, Block 11

Recreational/Open Space:

- Lot 1, Block 2
- Lot 1, Block 1
- Lot 12, 14, 10, Block 2
- Lot 1, Block 4
- Lot 3, Block 4

Restricted Areas:

- Lot 9, Block 2
- Lot 17, Block 2

OK in Rev
RST 6/24

EXHIBIT B

0098-0711

"Master Association Annexable Property"

The South Half of the Southeast Quarter ($S\frac{1}{2}$ SE $\frac{1}{4}$), and the Northwest Quarter of the Southeast Quarter (NW $\frac{1}{4}$ SE $\frac{1}{4}$) of Section Fourteen (14), Township 15 South, Range 12 East, Willamette Meridian, Deschutes County, Oregon, EXCEPT those portions described as follows:

A parcel of land lying in the Northwest Quarter of the Southeast Quarter (SE $\frac{1}{4}$) of Section Fourteen (14) South, Range Twelve (12), East of the Deschutes County, Oregon, being described:

Beginning at the Northeast corner of the Northwest Quarter of the Southeast Quarter (NW $\frac{1}{4}$ SE $\frac{1}{4}$) of said Section 14; said point also being 1309.8 feet West of the Quarter corner on the East line of said Section 14; thence South along line between the Northwest Quarter of the Northeast Quarter of said Southeast Quarter (NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$) a distance of 518.8 feet to a point on the Northerly bank of the Deschutes River; thence along the bank of said river as follows: North 72° 12' West a distance of 83.9 feet; thence North 48° 05' West a distance of 280.0 feet; thence North 1° 45' East a distance of 155.00 feet; thence North 24° 49' East a distance of 166.5 feet to a point on the North line of said Southeast Quarter (SE $\frac{1}{4}$) of Section 14; thence East along said North line a distance of 213.7 feet to the Point of Beginning.

ALSO EXCEPT: Beginning at the Northwest corner of said Northwest Quarter of the Southeast Quarter (NW $\frac{1}{4}$ SE $\frac{1}{4}$), and running thence East along the North line thereof a distance of 271.43 feet, more or less, to the Easterly right-of-way line of the Tumalo Cline Falls Market Road, as now located over said premises, being the Point of Beginning; thence East along said North line to the Westerly bank of the Deschutes River, thence Southerly along said Westerly bank of said river a distance of 260 feet; thence West on a line parallel to the North line of said Northwest Quarter of the Southeast Quarter (NW $\frac{1}{4}$ SE $\frac{1}{4}$) to the intersection of the said Easterly right-of-way line of said Tumalo-Cline Falls Road, thence Northerly along said Easterly right-of-way line to the Point of Beginning.

ALSO EXCEPT: Starting at the center of said Section 14, the initial point; thence North 87° 52' East along the North line of said NW $\frac{1}{4}$ SE $\frac{1}{4}$, 474.00 feet; thence South 15° 19' West 272.53 feet to the Point of Beginning; thence North 87° 52' East 443.15 feet to the high water mark on the Westerly side of the Deschutes River, thence South 12° 59' East 310.70 feet; thence South 87° 52' West 794.05 feet to the Easterly boundary line of Cline Falls-Tumalo State Highway; thence North 04° 54' East 113.10 feet along the Easterly boundary of the said Client Falls-Tumalo Highway to the point of curve right; thence North 14° 51' East 202.95 feet; thence North 87° 52' East 220.45 feet to the Point of Beginning.

EXHIBIT B

0098-0712

ALSO EXCEPT: A parcel of land, situated in the NW1/4 SE1/4, more particularly described as follows: Starting at the center of said Section 14, the initial point; thence North 87° 52' East along the North line of said NW1/4 SE1/4, 474.00 feet; thence South 15° 10' West 272.53 feet; thence South 87° 52' West 220.45 feet to the Easterly right-of-way line of the Cline Falls-Tumalo Highway; thence South 14° 51' West 202.95 feet; thence South 04° 54' West 113.10 feet to the Point of Beginning; thence North 87° 52' East 600.00 feet; thence South 02° 08' East 25.00 feet; thence South 87° 52' West 603.09 feet; thence North 04° 54' East 25.19 feet to the Point of Beginning.

ALSO EXCEPT: A parcel of land containing 11.90 acres, more or less, located in the Southeast One-Quarter of Section 14, Township 15 South, Range 12 East, Willamette Meridian, Deschutes County, Oregon, being more particularly described as follows:

Beginning at a point from which a 1/2" iron rod marking the South one-quarter corner of said Section 14 bears South 51° 50' 21" West a distance of 930.81 feet and from which a 1" iron rod marking the Southeast corner of said Section 14 bears South 74° 04' 02" East a distance of 1999.52 feet; thence North 61° 26' 48" West a distance of 125.00 feet; thence North 00° 23' 34" West a distance of 100.00 feet; thence North 14° 46' 09" East a distance of 354.30 feet; thence North 05° 24' 51" West a distance of 313.89 feet; thence North 20° 56' 08" West a distance of 185.78 feet; thence North 13° 28' 08" East a distance of 179.93 feet; thence North 80° 53' 25" East a distance of 64.95 feet; thence South 76° 28' 11" East a distance of 130.00 feet; thence South 57° 25' 57" East a distance of 167.06 feet; thence South 00° 29' 55" West a distance of 259.16 feet; thence South 37° 27' 13" East a distance of 435.07 feet; thence South 07° 36' 22" West a distance of 299.49 feet; thence South 19° 32' 26" West a distance of 180.53 feet; thence North 87° 30' 10" West a distance of 419.74 feet to the Point of Beginning, the terminus of this description.

ALSO EXCEPT: That portion of the NW1/4 of the SE1/4 of said Section 14 lying within the right-of-way of the Tumalo-Cline Falls Market Road (right-of-way is 60 feet in width).

That portion of Section Twenty-three (23), Township Fifteen (15) South, Range Twelve (12) East, Willamette Meridian, Deschutes County, Oregon lying northerly and easterly of the following described line:

0098-0713

Beginning at the northwest corner of the northeast one-quarter of the northwest one-quarter (NE1/4 NW1/4) of said Section 23; thence following the west line of said northeast one-quarter of the northwest one-quarter (NE1/4 NW1/4) South 00°15'28" East 1316.60 feet to a 5/8" iron rod, set during plat, being the northwest corner of Lot 3 of Canyon River Territories (a plat on file with Deschutes County Surveyor prepared by Century West Resources Corporation dated 10/11/72); thence following the north line of Lot 3 and 4 of said plat, South 89°23'47" East 1333.16 feet to a 5/8" iron rod, set for plat, marking the NE corner of said Lot 4; thence along the east line of said Lot 4 South 00°25'33" East a distance of 1308.13 feet to a 1-1/2" iron pipe, set during plat, marking the southeast corner of said Lot 4; thence following the north line of Lots 9 and 10 of said plat South 89°45'44" East a distance of 1331.54 feet to a 5/8" iron rod, set during plat, marking the northeast corner of said Lot 10; thence along the east line of said Lot 10 South 00°40'24" East a distance of 1326.85 feet to a 5/8" iron rod set for plat marking the southeast corner of said lot; thence leaving said plat boundary and following the south line of the northeast one-quarter of the southeast one-quarter (NE1/4 SE1/4) South 89°45'31" East a distance of 1337.27 feet to the southeast corner of said northeast one-quarter of the southeast one-quarter (NE1/4 SE1/4) being the terminus of this described line.

Except therefrom: that portion of the NE1/4 of the NW1/4 of Section 23 lying within the right-of-way of the Tumalo Cline Falls Market Road.

AND

IN TOWNSHIP FIFTEEN (15) SOUTH, RANGE TWELVE (12) EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon:

Section Twenty-four (24): That portion of the Southwest Quarter of the Northwest Quarter (SW1/4 NW1/4) lying West of the centerline of the Deschutes River and that portion of the Northwest Quarter of the Southwest Quarter (NW1/4 SW1/4) lying West of the centerline of the Deschutes River.

AND

That portion of the Northwest Quarter of the Northwest Quarter (NW1/4 NW1/4) of Section Twenty-four (24), lying Westerly of the centerline of the Deschutes River. In TOWNSHIP FIFTEEN (15) SOUTH, RANGE TWELVE (12) EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon. EXCEPTING THEREFROM a portion of the Northwest Quarter of the Northwest Quarter (NW1/4 NW1/4) of Section 24, TOWNSHIP 15 SOUTH, RANGE 12 EAST OF THE

0098-0714

WILLAMETTE MERIDIAN, lying Westerly of the centerline of the Deschutes River in Deschutes County, Oregon, and more particularly described as follows: Commencing at a 1-1/2 inch pin at the Northwest section corner of said Section 24, the initial point; thence South 00°37'10" East along the section line common to said Sections 24 and 23, 685.48 feet to a 1/2 inch pipe and the POINT OF BEGINNING; thence North 88°15'13" East, 967.23 feet to the centerline of the Deschutes River witness by a 1/2" pipe 217.58 feet from the Easterly extremity; thence 720.40 feet along the arc of a 857.30 foot radius curve right forming a delta angle of 48°08'47" and a long chord bearing South 16°22'29" East, 699.39 feet; thence North 89°58'46" West along the Southerly line of said Northwest Quarter of the Northwest Quarter (NW1/4 NW1/4), 1157.02 feet to a 1/2 inch pipe; thence North 00°37'10" West along the section line common to said Sections 24 and 23, 641.16 feet to the POINT OF BEGINNING.

AND

Description of a parcel of land situated in a portion of the Southwest Quarter of the Southwest Quarter (SW1/4 SW1/4) of Section Twenty-four (24), TOWNSHIP FIFTEEN (15) SOUTH, RANGE TWELVE (12) EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon, more particularly described as follows:

Commencing at a 1" rod monumenting the South 1/4 corner of Section 24, TOWNSHIP 15 SOUTH, RANGE 12 EAST OF THE WILLAMETTE MERIDIAN, the Initial Point; thence North 89°58'31" West, along the South line of the Southwest Quarter (SW1/4) of said Section 24, 1391.13 feet to the East line of the Southwest Quarter of the Southwest Quarter (SW1/4 SW1/4); thence North 00°05'47" West, along said East line, 1325.32 feet to the North line of said Southwest Quarter of the Southwest Quarter (SW1/4 SW1/4); thence North 89°55'47" West, along said North line, 678.15 feet to the centerline of the Deschutes River and the TRUE POINT OF BEGINNING; thence North 89°55'47" West, along said North line 713.83 feet to the West line of said Southwest Quarter (SW1/4); thence South 00°07'58" East, along said West line 1124.02 feet to a 1/2" pipe with a plastic cap stamped "PLS 1652", a point witnessed by the Southwest corner of said Section 24 which bears South 00°07'58" East 202.42 feet and also witnessed by a 1/2" pipe per Mansfield's 1972 survey which bears South 89°58'31" East 30.16 feet; thence South 89°58'31" East, parallel with the South line of said Southwest Quarter (SW1/4), 218.43 feet to the centerline of the Deschutes River; thence along said centerline as follows: North 33°52'04" East, 95.39 feet; thence North 30°31'12" East, 160.32 feet; thence North 46°04'29" East, 382.57 feet; thence North 22°16'24" East, 269.87 feet; thence North 04°07'05" East, 168.73 feet; thence North 08°07'04" West, 224.75 feet to the TRUE POINT OF BEGINNING.

AND

A portion of the Northwest Quarter of the Northwest Quarter (NW1/4 NW1/4) of Section Twenty-four (24), TOWNSHIP FIFTEEN (15) SOUTH, RANGE TWELVE (12) EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon, lying Westerly of the centerline of the Deschutes River, and more particularly described as follows:

0098-0715

Commencing at a 1-1/2" pin at the Northwest section corner of said Section 24, the Initial Point; thence South 00°37'10" East along the section line common to said Sections 24 and 23, 685.48 feet to 1/2 inch pipe and the POINT OF BEGINNING; thence North 88°15'13" East, 967.23 feet to the centerline of the Deschutes River witness by a 1/2 inch pipe 217.58 feet from the Easterly extremity; thence 720.40 feet along the arc of a 857.30 foot radius curve right forming a delta angle of 48°08'47" and a long chord bearing South 16°22'29" East, 699.39 feet; thence North 89°58'46" West along the Southerly line of said Northwest Quarter of the Northwest Quarter (NW1/4 NW1/4), 1157.02 feet to a 1/2 inch pipe; thence North 00°37'10" West along the section line common to said Sections 24 and 23, 641.16 feet to POINT OF BEGINNING.

AND

That certain real property situated in Deschutes County, State of Oregon, described as follows:

That portion of the Southwest Quarter of the Southwest Quarter (SW1/4 SW1/4) of Section Thirteen (13), lying Westerly of the centerline of the Deschutes River, in TOWNSHIP FIFTEEN (15) SOUTH, RANGE TWELVE (12) EAST OF THE WILLAMETTE MERIDIAN, Deschutes County, Oregon.

SUBJECT TO: All easements, restrictions, and rights-of-way of record and those common and apparent on the land.

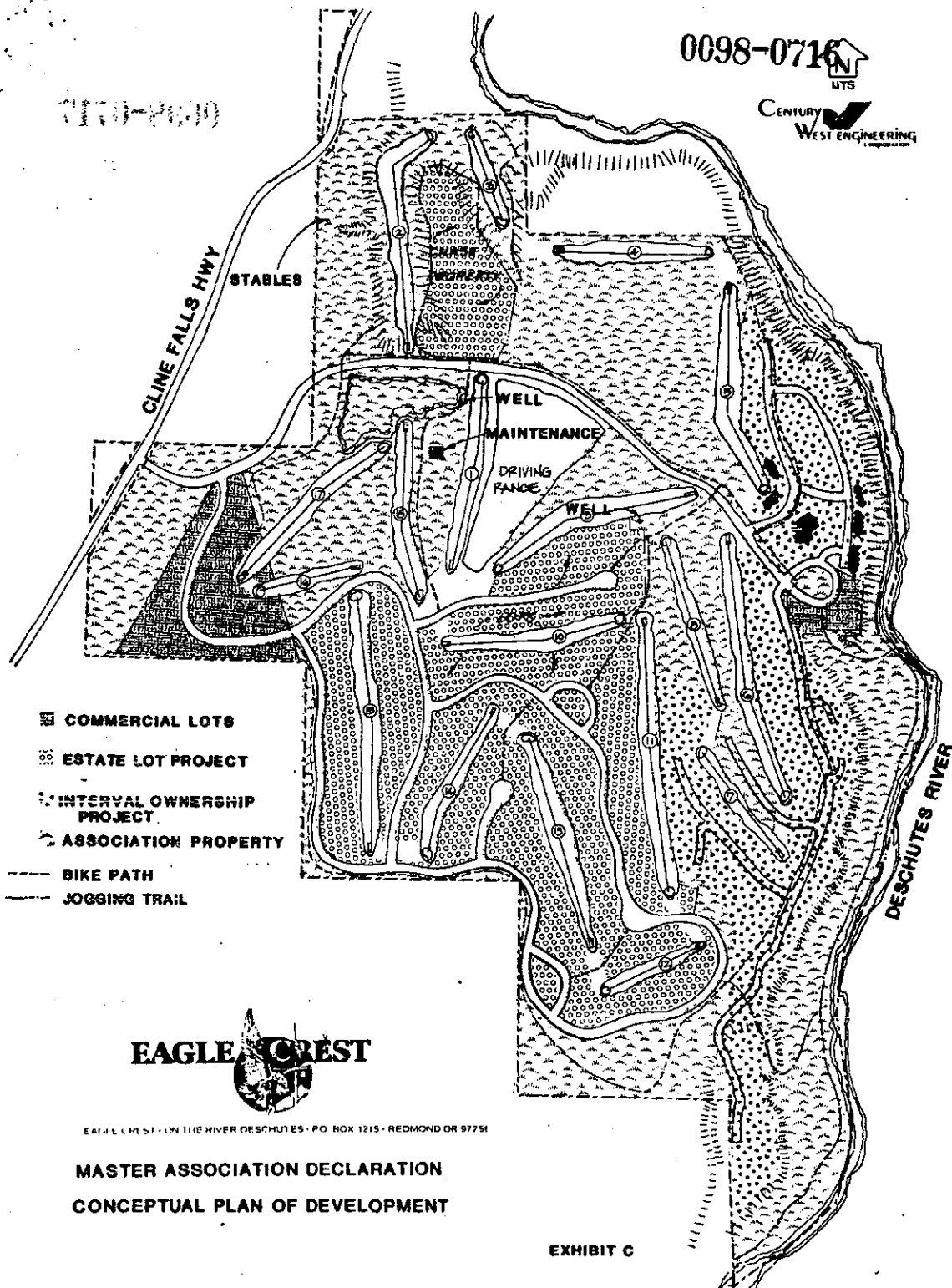
AND

That certain real property situated in Deschutes County, State of Oregon, described as follows:

That portion of the Northeast Quarter of the Southeast Quarter (NE1/4 SE1/4) of Section Fourteen (14), lying southerly of the centerline of the Deschutes River in Township Fifteen (15) South, Range Twelve (12) East of the Willamette Meridian, Deschutes County, Oregon.

0098-0716

CENTURY
WEST ENGINEERING



0032-0318

0098-0717

STATE OF OREGON)
COUNTY OF DESCHUTES) SS.

I, MARY SUE PENHOLLOW, COUNTY CLERK AND
RECORDER OF CONVEYANCES, IN AND FOR SAID
COUNTY, DO HEREBY CERTIFY THAT THE WITHIN
INSTRUMENT WAS RECORDED THIS DAY:

1995 JUN 24 PM 4:41
MARY SUE PENHOLLOW
COUNTY CLERK

BY

Al Gardner DEPUTY

NO.

85-13062

NO.

FEE 169

DESCHUTES COUNTY OFFICIAL RECORDS