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After Recording Return to:
Ridgewater Homeowners' Association, Inc.
c/o Cascade Bookkeeping
361 NE Franklin
Bend, Oregon 97701
Attn: Bill Friedman

**PLANNED COMMUNITY SUBDIVISION
DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS
OF RIDGEWATER SUBDIVISION**

THIS DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR RIDGEWATER SUBDIVISION (this "Declaration"), to be effective upon its recording in Deschutes County, Oregon, is made and executed on the date hereinafter set forth by Ridgewater Investments, LLC, hereinafter referred to as the "Declarant".

WITNESSETH

Declarant is the owner of that certain real property in Deschutes County, Oregon, described on Exhibit "A" attached hereto and incorporated herein by reference; and

Declarant desires to create an exclusive planned community known as RIDGEWATER on the land described on Exhibit "A" as shown on the duly recorded plat of RIDGEWATER and on such other land as may be added thereto pursuant to the terms and provisions of this Declaration.

NOW THEREFORE, the Declarant declares that the real property described on attached Exhibit "A" shall be held, sold, hypothecated, and conveyed subject to the covenants, conditions, and restrictions declared below, which shall be deemed to be covenants running with the land and imposed on and intended to benefit and burden each Lot and other portions of the Property in order to maintain within the Property a community of high standards. Such covenants shall be binding on all parties having any right, title or interest therein or any part thereof, their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of each Owner thereof.

By recordation of this Declaration in the real property records of Deschutes County, Oregon, Declarant is hereby creating a Class I planned community, pursuant to and subject to ORS 94.550 to 94783, and applicable successor provisions.

ARTICLE I - DEFINITIONS

Section 1.1 "Association"

"Association" shall mean the Ridgewater Homeowners' Association, Inc., an Oregon nonprofit corporation established for the purposes set forth herein and pursuant to ORS Chapter 65.

Section 1.2 "Board"

"Board" shall mean the Board of Directors of the Ridgewater Homeowners' Association.

Section 1.3 "Builder"

"Builder" shall mean Declarant and any residential building company acquiring Lots from the Declarant for the purposes of construction and sale of homes.

Section 1.4 "Bylaws"

"Bylaws" shall mean the Bylaws of the Association, as amended from time to time. The Bylaw shall be recorded in the real property records of Deschutes County, Oregon.

Section 1.5 "Common Areas"

"Common Areas" as used herein, shall mean only that portion of the Property that is established for the common use and benefit of the Ridgewater Subdivision and shall be conveyed to the Association for the use and benefit of the Owners. The Common Areas shall initially be Common 1 and Common 2 as identified on the Plat. The Declarant shall have the right to designate additional Common Areas in the future by recordation of a duly approved amendment to this Declaration or by recordation of a supplemental declaration.

Section 1.6 "Common Maintenance Areas"

"Common Maintenance Areas" shall mean the Common Areas and any areas within public rights-of-way, public easements, tracts, public parks or other property that the Board deems necessary or appropriate to maintain for the common benefit of the members.

Section 1.7 "Conversion Date"

"Conversion Date" shall be the date upon which Class "B" membership shall cease and be converted to Class "A" membership. Such date shall be the date which is the earliest of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed to Class "A" members; or (ii) fifteen (15) years after conveyance of the first Lot to a Class "A" member; or (iii) at such earlier time as Declarant may elect in writing to terminate Class "B" membership.

Section 1.8 “County”

“County” shall mean Deschutes County, Oregon.

Section 1.9 “Declarant”

“Declarant” shall mean Ridgewater Investments, LLC and/or its successors and assigns, who are designated as such in writing by Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assign.

Section 1.10 “Declaration”

“Declaration” shall mean this Declaration of Protective Covenants, Conditions, and Restrictions for Ridgewater Subdivision and any amendments and supplements thereto made in accordance with its terms.

Section 1.11 “Directors”

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

Section 1.12 “Improvement”

“Improvement” shall mean every structure or improvement of any kind, including, but not limited to, a Unit, landscaping, fences, wall, driveways, fixtures, shelters, or other product of construction efforts (including painting, alterations, and reconstruction) on or with respect to the Ridgewater Subdivision.

Section 1.13 “Lot”

“Lot” shall mean any of the plots of land indicated upon the recorded subdivision map of the Property or any part thereof creating single-family home sites, with the exception of the Common Areas and areas deeded to a governmental authority or utility, together with all Improvements thereon.

Section 1.14 “Owner”

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

Section 1.15 “Plat”

“Plat” shall mean the duly recorded plat of Ridgewater Phases 1 & 2, PUD, recorded in Cabinet “F,” Page 174 under Recorder’s No. Volume 2002-32380, Official Records, Deschutes County, Oregon.

Section 1.16 "Property"

"Property" shall mean the real property described on the attached Exhibit "A", and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to this Declaration.

Section 1.17 "Ridgewater" or "Ridgewater Subdivision"

"Ridgewater" or "Ridgewater Subdivision" shall mean the planned community created on the Property by the Plat.

Section 1.18 "Turnover Meeting"

"Turnover Meeting" shall be the meeting of the Owners called by the Declarant to turn over control of the Association to the Class A members.

Section 1.19 "Unit"

"Unit" shall mean any residential dwelling situated upon any Lot.

ARTICLE II - RIDGEWATER HOMEOWNERS' ASSOCIATION, INC.

Section 2.1 Membership

The Declarant and every Owner of a Lot by virtue of ownership of such Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Until the Conversion Date, there shall be two (2) classes of membership, Class A and Class B as described in Section 2.2.

Section 2.2 Voting Rights

The Association shall have two (2) classes of voting membership:

A. Class A

Class A members shall be all Owners with the exception of Declarant (except that beginning on the date on which Class B membership is converted to Class A membership, and thereafter, Class A members shall be all Owners, including Declarant) and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot.

B. Class B

The Class B members shall be the Declarant, who shall be entitled to three (3) votes for each Lot it owns.

Section 2.3 Suspension

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

Section 2.4 Turnover Meeting

The Declarant shall call a Turnover Meeting within one hundred twenty (120) days following the Conversion Date for the purposes of turning over control of the Association to the Class A members. The Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. The Turnover Meeting shall be conducted in accordance with the Bylaws of the Association. At the Turnover Meeting, the Declarant shall turn over to the Association the responsibility for the planned community of Ridgewater and of the Association and the Association shall accept such administrative responsibility. At the Turnover Meeting, the Owners shall elect a Board in accordance with the Bylaws. At the Turnover Meeting, the Declarant shall deliver to the Association those items and documents required by ORS 94.616 or applicable successor provisions. In order to facilitate an orderly transition, during the three-month period following the Turnover Meeting, the Declarant or an informed representative shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to this Section 2.4.

Section 2.5 Transitional Advisory Committee

Declarant or the Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the planned community of Ridgewater to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners other than Declarant Lots representing fifty (50) percent or more of the Lots in the Property (which shall exclude any property annexed to the Property for purposes of the foregoing calculation), Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. The Transitional Advisory Committee shall consist of three (3) or more members. The Owners, other than Declarant, shall select two (2) or more members. Declarant may select no more than one (1) member. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3).

Section 2.6 Funding

Subject to the terms of this Article II, the Declarant hereby covenants for each Lot owned within the Property, and each Owner of any Lot by acceptance of a deed therefor, whether

or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (i) annual or periodic assessments or charges; and (ii) special assessments for capital improvements to the Common Areas and Common Maintenance Areas, such assessments to be established and collected as hereinafter provided. The annual or periodic assessments shall include any reserve assessments necessary to establish and maintain any reserve funds created under Section 2.10. Such assessments will remain effective for the full term (and extended term, if applicable) of the within covenants. The annual and special and other assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to the successors in title of such Owner unless expressly assumed by them, in writing.

Section 2.7 Annual Assessment or Charge for Lots

Subject to the terms of this Article, each Lot is hereby subject to an initial assessment in an amount not to exceed an amount determined by the Board (until such assessment charge shall be modified as provided in the Bylaws of the Association), for the purpose of creating a fund to be designated and known as the "maintenance fund" for matters described under Section 2.9, the "reserve fund" for matters described under Section 2.10, as well as any other funds contemplated under this Declaration, or any other fund called for by this Declaration or a Declaration of Annexation. Charges and assessments for funding such funds will be paid by the Owner or Owners of each such Lot in advance in monthly, quarterly or annual installments, commencing as to all Lots upon the recordation of this Declaration. The rate at which each Lot will be assessed, and whether such assessment shall be payable monthly, quarterly or annually, will be determined by the Board at least thirty (30) days in advance of each assessment period. Said rate may be adjusted within the limit permitted by the Bylaws from time to time by the Board as the needs of the Association may, in the judgment of the Board, require. The assessment for each Lot shall be uniform except as provided in any Declaration of Annexation for Ridgewater Subdivision. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment for a particular Lot has been paid for a particular assessment period. No Lot Owner shall have any right to any common profits of the Association.

Section 2.8 Declarant Responsibility

So long as there is Class B membership, Declarant hereby covenants and agrees that in the event that the annual maintenance fund revenues are insufficient to pay the operating expenses of the Association, it shall provide the funds necessary to make up the deficit, within thirty (30) days of receipt of request for payment thereof from the Association, provided that if the deficit is the result of the failure or refusal of an Owner or Owners to pay their annual maintenance assessments, the Association shall diligently pursue all available remedies against

such defaulting Owners, including the immediate institution of litigation to recover the unpaid assessments, and shall reimburse the Declarant the amounts, if any, so collected.

Section 2.9 Purposes of Maintenance Fund

The Association shall establish a maintenance fund composed of annual maintenance assessments and shall use the proceeds of such fund in providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: (i) normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for landscaping) and the Improvements to such Common Maintenance Areas, such as sprinkler systems, provided that the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; (ii) perpetual maintenance, repair, and enhancement for any fences, columns, walls, grounds, landscaping, lights, irrigation systems, and entry monuments; (iii) perpetual maintenance of storm water quality/quantity pond facilities within or which serve the Property; (iv) payment of all legal and other expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the maintenance fund applies; (v) payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment; (vi) and all other activities necessary or desirable in the opinion of the Board to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith.

Section 2.10 Reserve Funds

A. Reserve Fund for Replacing Common Maintenance Areas.

Declarant shall in addition establish a reserve fund in the name of the Association for replacement, in whole or in part, of the Common Maintenance Area and any Improvements located in, on, or under the Common Maintenance Area for which the Association is responsible pursuant to this Declaration, that will normally require replacement in more than three (3) and fewer than thirty (30) years, including exterior painting, if the Common Maintenance Area includes exterior painted surfaces. The reserve account need not include those items that could reasonably be funded from the maintenance fund. Assessments for the reserve fund under this Section shall begin accruing from the date the first Lot assessed is conveyed. Declarant may elect to defer payment of accrued assessments for reserves for a Lot until the date the Lot is conveyed; provided, however, the Declarant may not defer such payment beyond the date of the Turnover Meeting. The book and records of the Association shall reflect the amount owing from the Declarant for all reserve assessments. For purposes of funding the reserve fund, the

Association shall impose an assessment to be called the "Reserve Fund Assessment" against each Lot, which assessment shall be spread equally over the Lots. The reserve fund shall be kept separate from other funds and may be used only for the purposes for which reserves have been established as specified in this Section. However, after the Turnover Meeting (as required by ORS 94.616 or applicable successor provisions), the Board may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses. Funds borrowed under this Section must be repaid later from assessments if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period. The Association shall administer the reserve fund and shall make periodic payments into the account. Following the second year after the Turnover Meeting (pursuant to ORS 94.616 or applicable successor provisions), future assessments for the reserve fund may be reduced or increased by an affirmative vote of Owners of at least seventy-five percent (75%) of the Lots. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner. The reserve portion of the initial assessment determined by the Declarant shall be based upon the initial reserve study described in Section 2.10.B.a, or other sources of reliable information.

B. Reserve Study.

a) Prior to conveying the first Lot, the Declarant shall conduct an initial reserve study, which shall comply with the requirements for reserve studies set forth in Section 2.10.B.b. below.

b) The Board shall annually conduct a reserve study, or review and update an existing study, to determine the reserve fund account requirements and may adjust the amount of payments as indicated by the study or update and provide for other reserve items that the Board, in its discretion, may deem appropriate. The reserve study shall include (a) identification of all items for which reserves are required to be established; (b) the estimated remaining useful life of each item as of the date of the reserve study; (c) the estimated cost of maintenance, repair, or replacement of each item at the end of its useful life; and (d) a thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule.

Section 2.11 Non-payment of Assessments: Remedies of the Association

Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the highest rate of interest allowed by Oregon law at the time of the non-payment. The Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly

adopted resolutions and the Association may bring an action at law against the Owner personally obligated to pay the same. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Maintenance Area or abandonment of Owner's Lot and/or Unit.

Section 2.12 Subordinated Lien to Secure Payment

To secure the payment of the maintenance charge and assessment established hereby and to be levied on individual Lots as provided in this Article II, there is hereby reserved a lien for the benefit of the Association on each Lot, said lien to be enforceable through appropriate proceedings at law or in equity by such beneficiary; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the instance and request of the Owner of any such Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Lot upon which there is an outstanding valid and subsisting first mortgage lien, the Association shall give the holder of such first mortgage lien sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of such first mortgage lienholder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lienholder, the Association shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such first mortgage lien to the holder thereof. The provisions regarding the attachment, notice, recordation, and duration of liens established on real property under ORS 94.709 shall apply to the Association's lien. Sale or transfer of a Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure shall extinguish the lien of such assessment as to payments that became due before such sale or transfer. No sale, foreclosure or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association shall have the right to file notices of liens in favor of such Association in the real property records of Deschutes County, Oregon.

Section 2.13 Additional Assessments

In addition to the periodic assessments described in this Article II, the Association shall have the authority to assess an Owner for costs and expenses incurred by the Association for corrective action which is required as a result of the willful or negligent actions or omissions of such Owner or such Owner's family members, tenants, guests, contractors or invitees. Each such additional assessment, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land, a continuing lien upon the Lot, and the personal obligation of the Owner in the manner described in Section 2.6 for annual and special assessments.

Section 2.14 Reallocation Upon Annexation of Property

When additional property is annexed to the Property, the Association shall, within sixty (60) days after the annexation, recompute the budget based upon the additional Lots and

Common Areas and Common Maintenance Areas and recompute all applicable assessments for each Lot. New Lots shall be subject to assessment from the time of annexation of such Lots to the Property. The Association shall send notice of any applicable assessment to the Owners of new Lots not later than sixty (60) days after the annexation or with the next occurring annual assessment, whichever is sooner. Assessments shall be due and payable on or before a date set forth in the notice which shall be not less than thirty (30) days after the date the notice is mailed or at such other time or times as the Association may specify in the notice in accordance with this Declaration or the Bylaws. If additional property is annexed to the planned community of Ridgewater during the Association's fiscal year, the Association shall send notice of and shall collect adjustments to assessments for Lots which were within the Property prior to the annexation. Notice of the adjustment in the assessments shall be sent to such Owners not later than sixty (60) days after the annexation or with the next occurring annual assessment, whichever is sooner. To the extent that any adjustment results in a credit with respect to assessments payable by an Owner, such credit shall be applied toward the next occurring payment or payments of the applicable assessment.

ARTICLE III - GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 3.1 Interim Board

Declarant shall have the right to appoint an interim board of three (3) directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting.

Section 3.2 Purpose of Maintenance Fund

The Board, for the benefit of the Owners, shall provide and shall pay for out of the maintenance fund provided for in Article II above the following:

A. Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Lots and/or Owners, if any.

B. Maintenance, repairs, and enhancement of the Common Maintenance Areas and any Improvements therein.

C. The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board, and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager; provided that a management agreement entered into prior to the Turnover Meeting shall not have a term in excess of three (3) years and shall be terminable without penalty if the Board gives not less than thirty (30) days written notice of termination to the other party not later than sixty (60) days after the Turnover Meeting.

D. Legal and accounting services.

E. A policy or policies of insurance insuring the Association and/or its Board and officers against any liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board, including a policy or policies of insurance as provided herein in Article IV.

F. Workers compensation insurance to the extent necessary to comply with any applicable laws.

G. Such fidelity bonds as may be required by the Bylaws or as the Board may determine to be advisable.

H. Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments which the Board is required to obtain or pay for pursuant to the terms of this Declaration or by law or which in its opinion shall be necessary or proper for the enforcement of this Declaration.

Section 3.3 Powers and Duties of Board

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

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

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

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

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

E. To make reasonable rules and regulations for the operation of the Common Areas and to amend them from time to time; provided that, any rule or regulation may be amended or repealed by an instrument in writing signed by a majority of the Owners, or with respect to a rule applicable to less than all of the Common Areas, by the Owners in the portions affected.

F. To make available for inspection by Owners within sixty (60) days after the end of each year an annual report and to make all books and records of the Association available for inspection by Owners at reasonable times and intervals.

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

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

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

Section 3.4 Board Powers Exclusive

The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the maintenance fund and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

Section 3.5 Maintenance Contracts

The Board, on behalf of the Association, shall have full power and authority to contract with any Owner or other person or entity for the performance by the Association of services which the Board is not otherwise required to perform pursuant to the terms hereof, such contracts to be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association.

ARTICLE IV - COMMON MAINTENANCE AREAS

Section 4.1 Improvements

The Declarant shall construct the following Improvements: a fence on the northerly edge of the property, adjacent to Ferguson Road. Notwithstanding the foregoing, the Declarant does not choose to limit its right to add Improvements not described in this Declaration to the planned community of Ridgewater.

Section 4.2 Association to Hold

Declarant shall convey the Common Areas to the Association, free and clear of financial liens and encumbrances by not later than the Conversion Date. The Association shall own all Common Areas in fee simple and assume all maintenance obligations with respect to any Common Maintenance Areas, including any Common Areas which may be hereafter established. Nothing contained herein shall create an obligation on the part of Declarant to establish any Common Area. Following the conveyance of the Common Areas to the Association, the dedication, mortgage, or conveyance of any Common Areas shall require the affirmative vote of

at least seventy five percent (75%) of the outstanding votes, as well as the approval of FHA and VA (as those terms are defined herein) so long as there is Class B membership in the Association. If neither FHA nor VA notifies Declarant or the Association of objections within fifteen (15) days of the date of request for approval, such approval shall be deemed to have been granted.

Section 4.3 Liability Insurance; Casualty Insurance

From on and after the date on which title to or responsibility for any Common Areas or Common Maintenance Areas vests in the Association, the Association shall purchase and carry (i) insurance for all insurable improvements in the Common Areas against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief, which insurance shall cover the full replacements costs of any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost; and (ii) a general comprehensive public liability insurance policy for the benefit of the Association, covering occurrences on the Common Areas and in the Common Maintenance Areas and all damage or injury caused by the negligence of the Association, which policy limits shall be as determined by the Board of the Association, but shall include public liability insurance of at least One Million Dollars (\$1,000,000.00) per person, per occurrence. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability endorsements or other appropriate provisions for the benefit of the Board, the Owners and other insureds, as their interests may be determined by the Board, ensuring all against liability to each other insured as well as third parties. Any proceeds of insurance policies owned by the Association shall be received, held in a segregated account and distributed to all interested parties, as their interests may be determined. In addition, from and after the date on which the Common Area vests in the Association, the Board shall obtain in the Common Areas and in the Common Maintenance Areas, insurance for all insurable Improvements against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief.

Section 4.4 Condemnation

If there is a condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the Association shall represent the Owners in negotiations with the condemning authority. The funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. If the Board of Directors of the Association determines that the funds cannot be used in such a manner due to the lack of available land for additional Common Areas or for whatever reason, any remaining funds may be distributed to each Owner based on an equal amount per Lot.

Section 4.5 Maintenance of Common Maintenance Areas

The Association will permanently maintain and repair as necessary:

- A. The fence installed pursuant to Section 4.1;
- B. All landscaping, planting strips and concrete sidewalks along the public roadways within the Property;
- C. Association irrigation lines within the public rights-of-way and street or sidewalk repairs resulting from failure to maintain, repair, or replace such lines; and
- D. Any other area determined by the Board to be in the interest of the Association to maintain.

Section 4.6 Prohibited Activities

The following activities are expressly prohibited within any Common Maintenance Area or Common Area: i) the removal of any tree greater than six (6) inches dba without the written opinion of a certified Arborist that the tree is diseased and will not survive, or the tree poses a substantial threat of property damage or personal injury, and the written consent of the City of Bend; ii) the removal of any other vegetation without the written consent of the City of Bend; iii) the division, partitioning, or splitting of any Common Area without the written consent of the City of Bend; iv) the modification, grading, excavation, filling or other activities which would alter the topography or vegetative cover of any Common Maintenance Area or Common Area without the written consent of the City of Bend; v) the disposal or placement of any debris, refuse, soil, rock, landscape debris or other deleterious materials; vi) parking, storage, repair, or disposal of any motor vehicle; vii) motor vehicle access (except as may be necessary for repairs or maintenance approved by the Board or in conjunction with maintenance of utilities).

ARTICLE V - ARCHITECTURAL REVIEW

Section 5.1 Architectural Control Committee

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

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

B. The purpose of the ACC is to enforce the architectural standards of the community and to approve or disapprove plans for Improvements proposed for the Lots.

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

Section 5.2 Architectural Manual

The Board may adopt, and from time to time, amend, modify, or revise an Architectural Manual. Adoption of the Architectural Manual may occur without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Amendments, modifications, or revisions to the Architectural Manual may be made by the Declarant, without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Thereafter the ACC shall have the right to amend, modify, or revise the Architectural Manual, subject to the approval of the Board. No such amendments, modifications, or revisions shall affect any prior ACC approval.

Section 5.3 Scope of Review

No building, fence, wall, patio, deck, outbuilding, landscaping, pool, athletic facility or other structure or Improvement shall be erected, altered, added onto or repaired upon any portion of the Property without the prior written consent of the ACC, provided however, that all Improvements erected, altered, added onto or repaired by Declarant shall be exempt from the provisions of this Article V.

Section 5.4 Submission of Plans

Before the initiation of construction upon any Lot (including material changes to landscaping), the Owner thereof shall first submit to the ACC a complete set of plans and specifications for the proposed Improvements, including site plans, grading plans, landscape plans, floor plans depicting room sizes and layouts, exterior elevations, specifications of materials and exterior colors, and any other information deemed necessary by the ACC for the performance of its function pursuant to the procedure outlined in the Architectural Manual (if any). In addition, the Owner shall submit the identity of the individual or company intended to perform the work and projected commencement and completion dates and funds in the amount of the applicable review fee. The review fee schedule shall be established by the ACC from time to time and shall set the review fee for various review/approval requests. The initial review fee for a new dwelling shall be \$200, but shall be subject to increase from time to time by the ACC in its reasonable discretion. The Association's Board shall have the authority to disapprove any fees that it deems unreasonable.

Section 5.5 Plan Review

Upon receipt by the ACC of all of the information required by this Article V, it shall have twenty-one (21) days in which to review said plans. The proposed Improvements will be approved if, in the sole opinion of the ACC: (i) the Improvements will be of an architectural style and material compatible with the other structures in the Property; (ii) the Improvements will

not violate any restrictive covenant or encroach upon any easement or cross building setback lines; (iii) the Improvements will not result in the reduction in property value, use or enjoyment of any of the Property; (iv) the individual or company intended to perform the work is acceptable to the ACC; and (v) the Improvements will be substantially completed, including all cleanup, within three (3) months of the date of commencement (twelve (12) months for the construction of a complete house). If the ACC fails to issue its written approval, or rejection, within twenty-one (21) days of its receipt of the last of the materials or documents required to complete the Owner's submission, the ACC's approval shall be deemed to have been granted without further action.

Section 5.6 Non-Conforming Structures

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

Section 5.7 Immunity of ACC Members

No individual member of the ACC shall have any personal liability to any Owner or any other person for the acts or omissions of the ACC if such acts or omissions were committed in good faith and without malice. The Association shall defend any action brought against the ACC or any member thereof arising from acts or omissions of the ACC committed in good faith and without malice.

Section 5.8 Limited Review

Any review and approval made by the ACC is limited to compliance with the intent of the architectural standards of the neighborhood as may from time to time be established by the Board and/or the Architectural Manual. The review and approval made by the ACC is not to be construed as superseding, replacing, or modifying any review, approval, or permit required by any local, state or federal jurisdictional agencies. It is the applicant's responsibility to obtain and comply with any permits that may be required by any local, state, or federal jurisdictional agency. Nor shall any such review or approval be deemed an assurance or statement of compliance with any applicable laws, ordinances or regulations.

Section 5.9 Address for Notice

Requests for ACC approval or correspondence with the ACC shall be addressed to Ridgewater Architectural Control Committee, c/o Cascade Bookkeeping, 361 NE Franklin, Bend, Oregon 97701, or such other address as may be designated from time to time by the ACC in a writing addressed to all Owners. No correspondence or request for approval shall be deemed to have been received until actually received by the ACC in a form satisfactory to the ACC.

ARTICLE VI - EASEMENTS

Section 6.1 Utility Easements

As long as the Declarant owns a Lot, the Declarant hereby reserves the right to grant perpetual, nonexclusive easements for the benefit of Declarant or its designees, upon, across, over, through and under any portion of the Common Area for ingress, egress, installation, replacement, repair, maintenance, use and operation of all utility and service lines and service systems, public and private, including, without limitation, cable television. Declarant, for itself and its designees, reserves the right to retain title to any and all pipes, lines, cables or other improvements installed on or in such easements. The Association shall also have the right to grant the easements described herein, subject to the approval of the Declarant so long as Declarant owns a Lot.

Section 6.2 Declarant's Easement to Correct Drainage

Declarant hereby reserves for the benefit of Declarant and any Builder a blanket easement on, over and under the ground within the Property to maintain and correct drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and shall be entitled to remove trees or vegetation, without liability for replacement or damages, as may be necessary to provide adequate drainage facilities. Notwithstanding the foregoing, nothing herein shall be interpreted to impose any duty upon Declarant or any Builder to correct or maintain any drainage facilities within the Property.

Section 6.3 Easement for Unintentional Encroachment

The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon the Common Area caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of the Property, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

Section 6.4 Entry Easement

If the Owner of any Lot fails to maintain the Lot as required herein, or if there is an emergency, the Association shall have the right to enter upon the Lot to make emergency repairs and to do other work reasonably necessary for the proper maintenance and operation of the Property. Except in the case of emergency, such entry shall first require at least twenty-four hours' written notice to the Owner, which notice may be made by a posting on the front door of the Unit located on such Lot. Entry upon the Lot as provided herein shall not be deemed a trespass, and the Association shall not be liable for any damage so created unless such damage is caused by the Association's willful misconduct or gross negligence.

Section 6.5 Reserved Easements

Easements for installation and maintenance of utilities, storm water retention/detention ponds, and/or a conservation area are reserved as may be shown on the recorded Plat. Within these easement areas, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may hinder or change the direction of flow of drainage channels or slopes in the easements. The easement area of each Lot and all improvements contained therein shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

Section 6.6 Temporary Completion Easement

All Lots shall be subject to an easement of ingress and egress for the benefit of the Declarant, its employees, subcontractors, successors and assigns, over and upon the front, side and rear yards of the property as may be expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon Lots adjacent to the property, provided that such easement shall terminate twenty-four (24) months after the date such Lot is conveyed to the Owner by the Declarant.

Section 6.7 Maintenance Easements

An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across, upon, the Common Areas and any Common Maintenance Areas or other areas of the Ridgewater Subdivision necessary or appropriate for purposes of accomplishing the maintenance, repair, replacement or other obligations of the Association hereunder.

ARTICLE VII - USE, OCCUPANCY, CASUALTY, AND INSURANCE

Section 7.1 Residential Use

All Lots and Units shall be used only for single-family residential purposes in accordance with, and subject to, the other provisions of this Declaration.

Section 7.2 Commercial, Institutional, or Other Non-Residential Uses

No commercial, institutional, or other non-residential use (including residential day care facilities) shall be conducted on any Lot without the written approval of the Board. Any such use must comply with applicable law, including, without limitation, zoning requirements. The decision of the Board shall be final and conclusive. The Board may review, and repeal, any such approval from time to time at the discretion of the Board if, in the opinion of the Board, the use has changed or increased to a level not consistent with the original approval. In no event shall the decision of the Board as to permissibility of a requested non-residential use be construed as a representation of the legal permissibility of such use.

Section 7.3 Declarant or Builder Use

The provisions of this Article shall not apply to the use of any Lot or Unit by the Declarant or any Builder as i) a model home, sales office, or construction office; or ii) the use of any Lot as a site for a sales office trailer or construction office trailer.

Section 7.4 Owner Insurance

Each Owner of a Lot shall obtain, and maintain in effect, from a reputable insurance company authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot with limits of not less than Three Hundred Thousand Dollars (\$300,000.00) per person per occurrence and Three Hundred Thousand Dollars (\$300,000) for property damage. Additionally, each Owner shall obtain and maintain in effect, from such companies, fire and extended coverage casualty insurance with respect to the Owner's Unit in an amount equal to one hundred (100) percent of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property. No Owner shall be obligated to obtain any of the insurance coverages described in Section 4.3, nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association. The Association shall have the right, but not the obligation, to request evidence that any Owner has procured the required insurance. Upon written request from the Association, an Owner shall present a certificate of insurance evidencing the required coverages. The Association shall have the right, but not the obligation, to increase the coverage limits established by this Section 7.4 from time to time to reflect increases in the cost of living. Such increases shall require neither an amendment to this Section 7.4, nor a vote of the Owners, and shall be effected, if at all, by providing written notice to each Owner not less than thirty (30) days prior to the effective date of such increases.

Section 7.5 Casualty

In the event of damage to or destruction of a Unit, the Owner of the Unit shall repair, reconstruct, and rebuild the damaged or destroyed portions of the Unit to substantially the same condition that existed prior to the damage or destruction. All repair, reconstruction, or rebuilding shall begin within six (6) months following the damage or destruction, and shall be diligently pursued to completion within twelve (12) months following the damage or destruction, unless work is delayed by causes beyond the reasonable control of the Owner. If an Owner fails to repair such damage timely, the Association shall have all rights of enforcement and remedies set forth under this Declaration.

ARTICLE VIII - PROPERTY RIGHTS

Section 8.1 Owner's Use and Occupancy

The Owner of a Lot shall be entitled to the exclusive use and benefit of such Lot. Declarant, the ACC and any representative of the Association authorized by the Association may

at any reasonable time, and from time to time at reasonable intervals, enter upon any Lot for the purpose of determining whether or not the use of and/or Improvements on such Lot are then in compliance with this Declaration. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Lot.

Section 8.2 Owners' Easements of Enjoyment

Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to, from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

A. The right of the Association to establish and publish rules and regulations governing the use of the Common Areas affecting the welfare of Association members.

B. The right of the Association to suspend the right of use of the Common Areas and the voting rights of an Owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

C. The right of the Association, subject to the provisions hereof, to dedicate or transfer all or any part of the Common Areas, if any, to any public agency, authority or utility for public right-of-way purposes. Any other transfer or mortgage of Common Areas requires the consent of at least seventy-five percent (75%) of the votes outstanding, and the consent of the Declarant so long as Declarant owns a Lot.

D. All easements herein described are easements appurtenant to and running with the land; they shall at all times inure to the benefit of and be binding upon the undersigned, all of their grantees, and their respective heirs, successors, personal representatives and assigns, perpetually and in full force.

Section 8.3 Effect of Declaration

Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 8.4 Rezoning Prohibited

No Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the prior written consent of the Board and of the Declarant so long as Declarant owns a Lot, which may be withheld in the Board's or Declarant's sole

discretion, as applicable. Declarant or the Board may enforce this covenant by obtaining an injunction against any non-approved rezoning at the expense of the enjoined party.

Section 8.5 Lot Consolidation and Division

No Lot may be consolidated with another Lot and no Lot may be subdivided.

Section 8.6 Drainage Alteration Prohibited

The surface water drainage contours of each Lot shall conform to the approved grading plan established by the Declarant or any Builder. No Owner shall fill or alter any drainage swale established by the Declarant or any Builder, nor shall any Owner install landscaping or other improvements that divert surface water runoff from the drainage patterns, swales and easements established by the Declarant or any Builder. Each Owner shall take steps to assure that its Lot has adequate drainage and does not cause runoff to be directed onto any adjacent property.

ARTICLE IX- USE RESTRICTIONS/BUILDING STANDARDS

Section 9.1 Required Lighting, Exterior Lighting and Noise-making Devices.

Upon completion of construction on a Unit, an Owner shall install an address pedestal with a downward facing light at the street edge of his or her Lot to identify the Lot address. To assure that all address pedestals match, the ACC shall select the model. and all Lot Owners shall install such model.

Except as provided in this Section 9.1 or as otherwise approved by the ACC, no exterior light or noise-making devices, other than security and fire alarms, shall be installed or maintained on any Lot. Any exterior lighting shall be directed downward. Notwithstanding the foregoing, ornamental lighting shall be permitted, provided the same uses no greater than a 10 watt white light bulb, and provided further, that in the event of disputes over the impact of such lighting on adjacent properties, the determination of the ACC shall be definitive.

Section 9.2 Nuisances

No noxious or offensive activity shall be carried out upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. Without limiting the generality of the foregoing, "noxious or offensive activity" shall include the generation of noxious odors or noise. The Board shall have the sole authority to determine nuisances and its decision shall be final and conclusive.

Section 9.3 Development Activity

Notwithstanding any other provision herein, Declarant and its successors and assigns, including Builders, shall be entitled to conduct on the Property all activities normally

associated with and convenient to the development of the Property and the construction and sale of dwelling units on the Property.

Section 9.4 Temporary Structures

No structure of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, and no prefabricated or relocated structure shall be used on any Lot at any time as a residence, either temporarily or permanently. This restriction shall not be interpreted to limit the right of Declarant or any Builder to use trailers or outbuildings as sales offices, construction offices, material storage facilities, or sanitation facilities.

Section 9.5 Signs

No sign or emblem of any kind may be kept or placed upon any Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Lot so as to be visible from public view or mounted on any vehicle or trailer parked or driven in the subdivision or carried by any person or by any other means displayed within the subdivision except as provided below:

A. "For Sale" Signs

An Owner may erect one (1) sign not exceeding two (2) feet by three (3) feet in dimension, fastened only to a stake in the ground and extending not more than three (3) feet above the surface of the ground advertising the property for sale.

B. "For Rent" Signs

An Owner may erect one (1) sign not exceeding three (3) square feet in area advertising the property for rent. Such signs shall be visible from the front of the Unit only, and shall be displayed from within the Unit. No such sign shall be erected within a lawn or landscape area on any Lot, or attached to the outside of the Unit.

C. Declarant's Signs

Signs or billboards may be erected by the Declarant or any Builder, and are exempt from the provisions of this Section 9.5.

D. Political Signs

Political signs may be erected upon a Lot by the Owner of such Lot advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal provided that such signs shall not be erected more than ninety (90) days in advance of the election to which they pertain and shall be removed within fifteen (15) days after the election.

E. Subdivision Identification Signs

Signs, monumentation or billboards may be erected by the Declarant or the Association to identify the subdivision, with approval from the local jurisdictional authority, if applicable.

F. Commercial Vehicle Emblems

Vehicle displaying commercial emblems shall not be kept or parked on any Lot except as provided in Section 9.6.

Section 9.6 Campers, Boats, Recreational Vehicles, Certain Trucks, Commercial Vehicles, and other Non-Passenger Vehicles

No campers, boats, boat trailers, recreational vehicles, commercial vehicles, trucks weighing more than 10,000 pounds GVW, or other types of non-passenger vehicles, equipment, implements, or accessories shall be kept or stored on any Lot except (i) with the Board's approval, or (ii) as provided below:

A. Subject to parking restrictions contained herein or posted on streets from time to time, recreational vehicles may be parked in front of a Lot or in the driveway for a Lot for up to 48 hours at any one time for loading or unloading purposes, but in no event more than 120 hours during any calendar month. Except for the foregoing purposes, no recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-passenger vehicles, equipment, implements, or accessories shall be parked or stored on or adjacent to Lots 18-35. Recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-passenger vehicles, equipment, implements, or accessories may be kept or stored on all other lots, provided the same are adequately screened from the view of adjacent properties and the street.

B. No commercial vehicle bearing commercial insignia or names shall be kept or stored on any Lot unless approval of the Board is granted. Commercial vehicles bearing commercial insignia or names which are temporarily parked on any Lot for the sole purpose of serving such Lot are exempt from this restriction. The Board, as designated in this Declaration, shall have the absolute authority to grant approval for storing or keeping a commercial vehicle on a Lot; provided, however, no such vehicles shall be permitted on Lots 18-35. Any Owner wishing to keep a commercial vehicle on any Lot shall apply for approval to the Board, and shall provide such information as the Board, in its sole authority, may require. The Board may from time to time in its sole discretion review the approval to keep a commercial vehicle on any Lot to determine if the vehicle complies with the intent of the original approval. Upon an adverse determination by the Board, any commercial vehicle shall be removed and/or otherwise brought into compliance with the requirements of this Section 9.6.

C. Except as otherwise specifically provided herein, no recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-

passenger vehicles, equipment, implements, or accessories may be kept or stored on any street within the Property.

D. The Board, as designated in this Declaration, shall have the absolute authority to determine from time to time whether a vehicle, equipment, implements and/or accessory is operable and adequately screened from public view. Upon an adverse determination by said Board, the vehicle and/or accessory shall be removed and/or otherwise brought into compliance with this Section 9.6.

E. No dismantling or assembling of motor vehicles, boats, trailers, recreational vehicles, or other machinery or equipment shall be permitted in the streets within the Property, or in any driveway or yard adjacent to a street, or that is not screened from view.

Section 9.7 Pets, Livestock and Poultry

No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot, except for cats, dogs or other generally recognized household pets of a reasonable number, provided that they are not kept, bred, or maintained for any commercial purpose; and provided further, than no more than three (3) adult animals may be kept on a single Lot. All such animals shall be kept in the rear yard only and in strict accordance with all local laws and ordinances (including leash laws) and in accordance with all rules established by the Association. No animal shall be allowed to run at large, and all animals shall be kept within enclosed areas which must be clean, sanitary, and reasonably free of refuse, insects and waste at all times. Such enclosed area shall be constructed in accordance with plans approved by the Board, shall be of reasonable design and construction to adequately contain such animals in accordance with the provisions hereof, and shall be screened so as not to be visible from any other portion of the Property.

Section 9.8 Garbage and Refuse Disposal; Wood Piles

No Lot, Common Area or any other portion of the Ridgewater Subdivision shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept, or disposed of, on any Lot or Common Area except in sanitary containers. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. No cans, bags, containers or receptacles for the storing or disposal of trash, garbage, refuse, rubble, debris, or recyclable materials shall be stored, kept, placed or maintained on any Lot where visible from any street except solely on a day designated for removal of garbage, rubbish, or recyclable materials, and on which days only such cans, bags, containers, and receptacles may be placed in front of a residence and beside a street for removal, but shall be removed from view before the following day. All wood piles shall be screened from the view of the remainder of Ridgewater as well as from the view of the adjacent Mountain High development. All such screening shall be of an attractive nature, consistent with the overall development scheme of Ridgewater.

Section 9.9 Parking in Common Areas/No Parking Signage

No vehicles, trailers, implements or apparatus may be driven or parked in the Common Areas, or on any easement unless in use for maintaining such Common Areas, provided however, that this restriction shall not apply to driveways, streets or paved areas intended for vehicular use. In addition, parking of vehicles is prohibited on any public or private street within the Property that is signed or otherwise marked for "No Parking" by the Association or a governmental authority. The Association shall have the right to tow any vehicles in violation of this Section 9.9 at the vehicle owner's expense.

Section 9.10 Commercial or Institutional Use

No Lot, and no building erected or maintained on any Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non-residential purposes, except as set forth in Article VII.

Section 9.11 Detached Buildings

No detached accessory buildings, including, but not limited to, detached garages and storage buildings, shall be erected, placed or constructed upon any Lot without the prior consent of the ACC. Every detached accessory building, inclusive of such structures as storage buildings, greenhouses, doghouses, or children's playhouses shall be compatible with the dwelling to which it is appurtenant in terms of its design and material composition.

Section 9.12 General Landscaping and Exterior Maintenance

A. Decorative ground cover consisting of bark dust/mulch or rock in the front and side yard may not exceed ten (10) percent of the total area of the front and side yard unless otherwise approved by the ACC. Decorative ground cover consisting of bark dust/mulch or rock in the back yard may not exceed forty (40) percent of the total area of the back yard excluding side yards, decks, patios, or sidewalks, unless otherwise approved by the ACC. Growth of grasses in lawns must be properly maintained not to exceed six (6) inches in height. Landscaping of front yards shall contain at least five hundred (500) square feet of lawn or sod unless otherwise approved by the ACC.

B. Each Lot Owner shall keep all shrubs, trees, grass, and plantings of every kind on his or her Lot cultivated, pruned, free of trash, and other unsightly material. Each Lot Owner shall keep all Improvements upon his or her Lot in good condition and repair and adequately painted or otherwise maintained. Declarant, the Association, and the ACC shall have the right at any reasonable time to enter upon any Lot to replace, maintain, and cultivate shrubs, trees, grass, or other plantings as deemed necessary; and to paint, repair, or otherwise maintain any improvements in need thereof, and to charge the cost thereof to the Lot Owner; provided, however, except in the case of emergency, the Association shall first provide the Owner with at least 24 hours' prior written notice, which notice may be given by a posting on the front door of the Unit located on such Lot.

C. The initial landscaping, as well as all subsequent material changes to such landscaping, shall be subject to final approval by the ACC; provided, however, the planting of annual flowers or plants shall not require ACC approval. In the event that an Owner complains to the ACC that the annual flowers or plants planted by another Owner are not in keeping with the general character and appearance of Ridgewater, the ACC shall review the same and its determination shall be conclusive. The front yard of each Lot shall be fully landscaped and irrigated no later than twelve (12) months after commencement of construction on the initial Unit on such Lot. Front yard landscaping shall remain fully irrigated unless otherwise approved by the ACC. The rear yard of Lots 18-35 shall be landscaped no later than twelve (12) months after commencement of construction on the initial Unit on such Lot. The rear yard of all other Lots shall be landscaped no later than eighteen (18) months after commencement of construction on the initial Unit on such Lot. All Owners shall keep their Lots, including all Improvements thereon, well-maintained and in an attractive condition, consistent with the overall development approved within Ridgewater by the ACC.

D. Each Lot Owner shall assure that his Lot includes at least one (1) evergreen tree of a minimum of eight (8) feet in height in the front yard. Except in the case of imminent threat of harm to persons or Improvements, the removal of trees greater than four inches D.B.H. (diameter at breast height, measured 4.5 feet above ground) shall require the prior written approval of the ACC.

E. The Owners of Lots 18-35 shall assure that their Lots are maintained in a clean and attractive manner so as not to create a nuisance to or otherwise materially negatively impact the value of the adjacent property to the south, owned as of the date hereof by Jan Ward. Such lots shall be landscaped and irrigated in the front and back yards, commencing twelve (12) months after commencement of construction of the initial Unit on the Lot. This subsection 9.12.E shall not be amended without the written consent of Jan Ward or his successors or assigns.

Section 9.13 Antennae, Satellite Dishes and Solar Collectors

No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Lot unless such apparatus is erected and maintained in such a way that it is screened from public view along the public street right-of-way directly in front (and side, in the case of a corner Lot) of the house erected on such Lot; and no such apparatus shall be erected without the prior written consent of the ACC. The ACC, as designated in this Declaration, shall have the absolute authority to determine whether an accessory is adequately screened from public view. The authority of the ACC in this matter shall be subject to any regulations issued by the Federal Communications Commission ("FCC") or any other applicable governmental authority.

Section 9.14 Clothes Hanging Devices/Fences

Clothes hanging devices exterior to a dwelling shall be temporary, unaffixed structures not exceed six (6) feet in height and shall not be placed nearer to any street abutting

the Lot than the side yard setback line or the back of the Unit constructed on the Lot. Clothes hanging devices shall be screened from public view by a fence approved by the ACC. All fences shall be subject to the prior approval of the ACC.

Section 9.15 Unit Construction/Square Footage

The roof on each Unit shall be of a 30-year architectural composition roofing minimum. The minimum square footage area of Units erected on Lots, exclusive of open porches, garages and outbuildings, shall be not less than 1,500 square feet for single-story Units, nor less than 1,800 square feet for two-story Units. No less than 10% and no more than 50% of the front of each Unit shall be constructed of or covered by stone, brick and/or stucco. The exterior colors of each Unit shall be subject to approval by the ACC. At a minimum, all garbage cans or dumpsters and exterior heating, ventilation and air conditioning features shall be screened or otherwise hidden from view from the front of a Lot. The ACC shall have the right to require additional screening of these elements as it deems necessary to preserve the character of Ridgewater. Each Unit shall have a garage with a minimum of two car capacity.

Section 9.16 Driveways/Walkways

Any driveways and/or walkways installed on a Lot shall be concrete, unless otherwise approved by the ACC.

Section 9.17 Setback Lines

All buildings or other structures (including fences), permanent or temporary, habitable or uninhabitable, must be constructed, placed and maintained in conformity with setback standards imposed by the local governmental jurisdictional authority.

Section 9.18 Security

Neither Declarant nor the Association shall be responsible for security of the neighborhood, the Common Areas or any Unit or Lot, and the Owners are exclusively responsible for security of their homes and property.

Section 9.19 Water and Sewage Systems

No individual water supply system or sewage disposal system shall be permitted on any Lot, including but not limited to water wells, cesspools or septic tanks.

Section 9.20 Construction Activities

This Declaration shall not be construed so as to unreasonably interfere with or prevent normal construction activities during the construction or remodeling of or making of additions to improvements by a Lot Owner (including Declarant) upon any Lot within the Property. Specifically, no such construction activities shall be deemed to constitute a nuisance or a violation of this Declaration by reason of noise, dust, presence of vehicles or construction

machinery, posting of signs or similar activities, provided that such construction is pursued to completion with diligence and conforms to usual construction practices in the City of Bend area. In the event that construction upon any Lot does not conform to usual practices in the area as determined by the ACC in its sole good faith judgment, the ACC shall have the authority to obtain an injunction to stop such construction. In addition, if during the course of construction upon any Lot, there is excessive accumulation of debris of any kind which is offensive, or detrimental to it or any other portion of the Property, then the ACC may contract for or cause such debris to be removed, and the Lot Owner shall be liable for all expenses incurred in connection therewith.

ARTICLE X - ANNEXATION

Section 10.1 Annexation by Declarant

At any time during the Initial Term of this Declaration, the Declarant may, at its sole option, annex additional property into the Association to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Declarant currently anticipates that there will be a total of approximately fifty-one (51) Lots in the planned community of Ridgewater, including the Lots shown on the Plat, and Lots expected to be created in property to be annexed to the subdivision, but this number may be adjusted at the sole discretion of Declarant. Declarant shall have no obligation of any kind to annex any additional property to the Property.

So long as there is Class B membership, Declarant shall submit a written request for approval of any annexation under this Section to the FHA and the VA accompanied by a copy of the Declaration of Annexation. If neither FHA nor VA notifies Declarant of objections to the annexation within fifteen (15) days of the date of Declarant's request for approval, such approval shall be deemed to have been granted.

A. Eligible Property

Any or all of certain real property in the City of Bend adjacent to ("adjacent" property shall include property on the other side of a street) or contiguous with the Property shall be eligible for annexation. There is no limitation on the number of Lots which Declarant may annex to the Property, or the right of Declarant to annex common property, except as may be established by applicable ordinances, agreements, or land use approvals.

B. Consent or Joinder Not Required

No consent or joinder of any Class A member or other party except the record owner of the land being annexed shall be necessary to effect any annexation made pursuant to this Section.

C. Declaration of Annexation

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

- i) establish such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property;
- ii) establish additional or different limitations, uses, restrictions, covenants and conditions as Declarant may deem to be appropriate for the development of such annexed property; and/or
- iii) contain provisions necessary or appropriate to comply with any condition, requirement, or imposition of any governmental or regulatory authority.

Without limitation of the meaning of the foregoing provisions of this Section 10.1, in any Declaration of Annexation Declarant may, but shall not be obligated to, establish easements particular to different Lots.

D. Voting Rights; Allocation of Assessments

Upon annexation, additional Lots so annexed shall be entitled to the voting rights as set forth in Section 2.2, and assessments shall be reallocated and reapportioned in the manner set forth in Section 2.14.

Section 10.2 Annexation by Action of Members

At any time the Board may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved by at least seventy-five percent (75%) of the outstanding votes, and by FHA and VA as set forth in Section 10.1 above and by Declarant so long as Declarant owns at least one (1) Lot. Any property that is contiguous to existing property subject to this Declaration may be annexed hereto according to the foregoing requirements, provided however, that no such annexation shall be effective without the consent and joinder of the owners of the property to be annexed. Such annexation must be evidenced by a Declaration of Annexation as set forth in Subsection 10.1.C above executed by the parties herein described.

Section 10.3 No Duty to Annex

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

ARTICLE XI - GENERAL

Section 11.1 Remedies

If any default by any Owner under the provisions of the Declaration, Bylaws or rules and regulations of the Association shall occur, the Association and any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the Bylaws and said rules and regulations, and those which may be available at law or in equity, and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Lot and ownership interest of such Owner, or for damages or injunction, or specific performance, or for judgment for payment of money and collection thereof, or for any combination of remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the maximum rate permitted by law but, with reference to any Lots financed by FHA insured loans, not in excess of the maximum rate of FHA loans at the time of delinquency, from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of his respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments), upon the Lot and upon all of his additions and improvements thereto, and upon all of his personal property upon the Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner.

Section 11.2 Fines Imposed by the Association

In addition to any other remedies available to the Association hereunder, the Association shall have the right to impose reasonable fines upon an Owner who violates the Declaration, Bylaws and any rules or regulations of the Association, in the manner and amount the Board deems appropriate in relation to the violation.

Section 11.3 Term and Amendments

The covenants and restrictions of this Declaration shall run with and bind the land for a term of thirty (30) years from the date this Declaration is recorded (the "Initial Term"), after which time they shall be automatically extended for successive periods of ten (10) years each, unless a signed petition containing the signatures of at least seventy-five percent (75%) of the votes outstanding is presented to the Board or other duly appointed and authorized persons,

which shall authorize the Board, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the real property records of Deschutes County, Oregon. This Declaration may be amended at any time during the first thirty (30) year period or any extension thereof, by a signed petition containing the signatures of at least seventy-five percent (75%) of the votes outstanding, and the consent of the Declarant so long as the Declarant is a Class B Member, being presented to the Board, or other duly appointed and authorized persons, which shall authorize the Board, or other duly appointed and authorized persons, to execute and properly record an instrument amending this Declaration. Subject to the provisions of Section 11.4, notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Deed Records of Deschutes County, Oregon.

Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. Amendments shall be subject to prior approval of FHA and VA in accordance with the procedure as described in Section 10.1, for so long as there is Class B membership in the Association. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

Section 11.4 Regulatory Amendments

Notwithstanding the provisions of Section 11.3, until the Turnover Meeting described in the Bylaws and to the extent permitted by applicable law, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with any applicable law, including, without limitation, the Oregon Planned Community Act.

Section 11.5 Severability

Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions that shall remain in full force and effect.

Section 11.6 Rights and Obligations

The provisions of this Declaration and the Articles of Incorporation and Bylaws and the rights and obligations established thereby shall be deemed to be covenants running with

the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Lot or any ownership interest in the Lot whatsoever, the person to whom such Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration and the Articles of Incorporation and Bylaws, whether or not mention thereof is made in said deed.

Section 11.7 Miscellaneous Provisions

Any provision of the within Declaration or of the Articles of Incorporation and Bylaws to the contrary notwithstanding, the following provisions shall control:

A. Notice to Institutional Holders of First Mortgage Liens

The following actions will require notice to all institutional holders of first mortgage liens: (i) abandonment or termination of the Association; or (ii) material amendment to the Declaration.

B. Notice to Institutional Holders of First Mortgage of Default or Liens

Upon the request of any first mortgagee of a dwelling on a Lot, the Association shall furnish to such mortgagee a written notice of any default by the Owner of such dwelling in the performance of such Owner's obligations under the within Declaration or the Bylaws or Association rules or regulations which is not cured within thirty (30) days. Any first mortgagee of a dwelling who comes into possession of the said dwelling pursuant to the remedies provided in the mortgage, a foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall take such property free of any claims for unpaid assessments or charges in favor of the Association against the mortgaged dwelling which accrued before the time such holder comes into possession of the dwelling.

C. Consent of Institutional Holders of First Mortgage Liens

Unless at least seventy-five percent (75%) of the first mortgagees (based upon one (1) vote per Lot for each mortgage) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof or interest therein except for the purpose of dedication for public right of way. (The granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause.);

ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;

iii) 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 the Units or maintenance of the Units or Lots;

iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred (100) percent of the insurable value (based on current replacement costs).

Section 11.8 Personal Pronouns

All personal pronouns used in this Declaration, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

Section 11.9 Headings

The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration.

Section 11.10 Conflicts

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

Section 11.11 Partial Invalidity

The invalidation of any one of these covenants by judgment or court order shall in no way affect any of the other provisions, which shall remain in full force and effect.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf, attested and its corporate seal to be hereunto affixed as of this 6 day of June, 2002.

DECLARANT:

RIDGEWATER INVESTMENTS, LLC,
an Oregon limited liability company

By: 

Name: Tim Bantz

Title: Managing Member LLC

STATE OF OREGON }
 Deschutes }
COUNTY OF }

The foregoing instrument was acknowledged before me the 17th day of June 2002, by Jim Pentz, the managing member of Ridgewater Investments, LLC, an Oregon limited liability company, on behalf of the company.



Cynthia M. Smith
Notary Public, State of Oregon
My Commission Expires: June 8, 2004

EXHIBIT "A"

PROPERTY SUBJECT TO DECLARATION

The property known as Ridgewater, in the duly recorded plat of Ridgewater Phases 1 & 2, PUD, recorded in Cabinet "F," Page 174 under Recorder's No. Volume 2002-32380, Official Records, Deschutes County, Oregon.



After Recording Return to:
Ridgewater Homeowners' Association, Inc.
c/o Cascade Bookkeeping
361 NE Franklin
Bend, Oregon 97701
Attn: Bill Friedman

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—
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PLANNED COMMUNITY SUBDIVISION
BY-LAWS OF
RIDGEWATER HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the Association is Ridgewater Homeowners' Association, Inc., hereinafter referred to as the "Association". The initial registered office of the Association shall be located at 361 NE Franklin, Bend, Oregon 97701, but meetings of members and directors may be held at such places within the State of Oregon as may be designated by the Board of Directors.

ARTICLE II
DEFINITIONS

2.1 "Architectural Control Committee" or "ACC"

"Architectural Control Committee" or "ACC" shall mean the committee appointed pursuant to Article XVIII of these Bylaws.

2.2 "Association"

"Association" shall have the meaning given in the introductory paragraph to these Bylaws.

2.3 "Board"

"Board" shall mean the Board of Directors of Ridgewater Homeowners Association, Inc. constituted in accordance with Article V of these Bylaws.

2.4 "Class A Members" or "Class A Membership"

"Class A Members" or "Class A Membership" shall mean all Owners with the exception of Declarant or a Builder as that word is defined in the Declaration (except that beginning on the date on which the Class B Membership is converted to Class A Membership, as

set forth in the Articles of Incorporation, Class A Members shall be all Owners, including Declarant).

2.5 “Class B Members” or “Class B Membership”

“Class B Members” or “Class B Membership” shall mean Declarant (or a Builder) or Declarant's (or a Builder's) membership in the Association until such membership is converted to Class A Membership in accordance with the Articles of Incorporation.

2.6 “Common Areas”

“Common Areas” shall mean only that portion of the Property which is established for the common use and benefit of the Ridgewater community and is or is to be conveyed to the Association for the use and benefit of the Owners.

2.7 “Common Maintenance Areas”

“Common Maintenance Areas” shall mean and refer to the Common Areas and any other areas within public rights-of-way, easements (public and private), tracts or public parks that the Board of Directors of the Association deems it necessary or appropriate to maintain for the common benefit of the members.

2.8 “Conversion Date”

“Conversion Date” shall be the date upon which Class “B” membership shall cease and be converted to Class “A” membership. Such date shall be the date which is the earliest of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed to Class “A” members; or (ii) fifteen (15) years after conveyance of the first Lot to a Class “A” member; or (iii) at such earlier time as Declarant may elect in writing to terminate Class “B” membership.

2.9 “Declarant”

“Declarant” shall mean Ridgewater Investments, LLC, an Oregon limited liability company and/or its successors and assigns who are designated in writing as such by Declarant, and who consent in writing to assume the duties and obligations of Declarant with respect to the Lots acquired by each successor or assign.

2.10 “Declaration”

“Declaration” shall mean and refer to the Declaration of Protective Covenants, Conditions, and Restrictions for Ridgewater Subdivision, Bend, Deschutes County, recorded of even date herewith at 2002-____ in the real property records of Deschutes County, Oregon, and any amendments or supplements thereto made in accordance with its terms.

2.11 “Director”

“Director” shall mean a director or the Association as described in and elected in accordance with Article VII of these By-laws.

2.12 “Lot”

“Lot” shall mean and refer to any of the plots of land indicated upon the recorded Plat for the Property or any part thereof creating single-family homesites, with the exception of the Common Area and areas deeded to a governmental authority or utility, together with all improvements thereon.

2.13 “Member”

“Member” or “Members” shall mean all Owners, including Declarant or a Builder as that word is defined in the Declaration.

2.14 “Officer”

“Officer” shall mean an officer of the Association as described in and elected in accordance with Article XI of these Bylaws.

2.15 “Owner”

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

2.16 “Plat”

“Plat” shall mean the duly recorded plat of Ridgewater Phases 1 & 2, PUD, recorded in Cabinet “F,” Page 174 under Recorder’s No. Volume 2002-32380, Official Records, Deschutes County, Oregon.

2.17 “The Property”

“The Property” shall mean the real property described in Exhibit A to the Declaration and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to the Declaration.

2.18 “Turnover Meeting”

“Turnover Meeting” shall be the meeting called by the Declarant for the purpose of turning over administrative responsibility of the Association to the Class A Members.

2.19 Other Terms

Capitalized terms used herein without definition shall have the respective meanings given to them in the Declaration.

**ARTICLE III
MEMBERSHIP AND VOTING RIGHTS**

3.1 Membership

The Declarant and every Owner of a Lot by virtue of being an Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Such membership shall commence, exist, and continue simply by virtue of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

3.2 Suspension

All voting rights of a Member shall be suspended during any period in which such Member is delinquent in the payment of an assessment duly established pursuant to Article II of the Declaration or is otherwise in default hereunder or under the Declaration or Rules and Regulations of the Association. The Board of Directors may also suspend the Member's right to use of any of the Common Areas during such period of default.

3.3 Voting Rights

The Association shall have two classes of voting membership:

3.3.1 Class A. Class A Members shall be all Owners with the exception of Declarant and any Builder (as defined in the Declaration) (except that beginning on the date on which Class B Membership is converted to Class A Membership and thereafter, Class A Member shall be all Owners, including Declarant and any Builder) and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot.

3.3.2 Class B. The Class B Members shall be the Declarant and any Builder (as defined in the Declaration) who shall be entitled to three (3) votes for each Lot they own.

**ARTICLE IV
PROPERTY RIGHTS: RIGHTS OF ENJOYMENT**

4.1 Use and Enjoyment

Each member shall be entitled to the use and enjoyment of the Common Areas as provided in the Declaration.

**ARTICLE V
BOARD OF DIRECTORS; ELECTION; TERM OF OFFICE**

5.1 Number

The affairs of the Association shall be managed by a Board of three (3) Directors prior to the Turnover Meeting and not less than three (3) nor more than five (5) directors after the Turnover Meeting. The Directors need not be members of the Association prior to the Turnover Meeting but shall be members of the Association after the Turnover Meeting.

5.2 Appointment by Declarant Prior to Turnover Meeting

Until the Turnover Meeting, Declarant shall appoint all Directors, except that Declarant may revocably or irrevocably delegate the power to appoint Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Article V, Section 5.3. Voting for Directors shall not be cumulative.

5.3 Election of Directors

At the Turnover Meeting, the members shall elect one (1) Director for a term of one (1) year, one (1) Director for a term of two (2) years, and one (1) Director for a term of three (3) years, with each Owner entitled to the votes specified in Article III above. If more than three (3) Directors are elected at the Turnover Meeting, the additional Directors shall be elected as follows: i) one (1) additional Director – one (1) for a term of one (1) year; ii) two (2) additional Directors – one (1) for a term of one (1) year and one (1) for a term of two (2) years. Thereafter, at each annual meeting of the Association, the members shall elect a number of Directors equal to the number whose terms are then expiring, each to serve a term of two (2) years. Any Director may serve more than one term.

5.4 Term of Office

On the date of the Turnover Meeting, the Directors appointed by Declarant or its appointee shall submit their resignations, effective as provided in this Section. The Directors elected at any Meeting held for the purpose of Election of Officers, except to replace an Officer who leaves their position prior to the expiration of their term, shall assume all of the duties of

office two (2) weeks after the date of the Meeting held for such purpose, at which time the resignation of the Directors in office prior to such Meeting shall become effective, and they shall have no further powers as Officers.

5.5 Removal

Any Director, other than a Director appointed by Declarant, may be removed, with or without cause, by the affirmative majority vote of Owners present and entitled to vote at any meeting of the Owners at which a quorum is present. No removal of a Director is effective unless the matter of removal was included in the notice of the meeting. At such meeting, the Owners shall elect a replacement Director to serve the remainder of the replaced Director's term.

5.6 Resignation

Any Director may resign at any time by sending a written notice of such resignation to the secretary. Unless otherwise specified in such notice, a resignation shall take effect upon receipt of the notice by the secretary.

5.7 Vacancies

Vacancies on the Board caused by the death, resignation, or removal of a Director shall be filled by vote of the majority of the remaining Directors, even if they constitute less than a quorum. Any Director so elected shall serve the remainder of the replaced Director's term.

5.8 Compensation

No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

**ARTICLE VI
MEETINGS OF BOARD**

6.1 Initial Meeting

The initial meeting of the Board shall occur within ninety (90) days after the date the Articles of Incorporation for the Association are filed and shall be called in accordance with Article VI, Section 6.3.

6.2 Annual Meetings

The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Owners. At each annual meeting, in addition to the actions required by the Declaration, the treasurer shall present to the Board a report on the financial condition of the

Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year.

6.3 Special Meetings

Special meetings of the Board may be called at any time by the president or two Directors. Such meetings shall be scheduled by the secretary at least two (2), but not more than thirty (30), days after the secretary's receipt of written requests signed by two or more Directors; provided that if the purpose of a special meeting is to elect a successor secretary pursuant to Section 11.2 of Article XI or to consider removal of the secretary pursuant to Section 11.5 of Article XI, such meeting may be scheduled by the president or, if the meeting is also for the purpose of electing a successor president or removing the president, any other Director.

6.4 Place of Meetings

Meetings of the Board shall be held at such place within Oregon, as may be designated from time to time by the Board.

6.5 Notice of Meetings

The secretary shall give written notice to each Director of each Board meeting at least three (3), but not more than thirty (30), days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice shall be sent to the address of each Director as listed on the books of the Association, or to such other address as any Director may designate by written notice to the secretary given at least ten (10) days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. Emergency meetings of the Board may be conducted by telephone. All meetings of the Board shall be open to all Owners. For other than emergency meetings, notice of Board meetings shall be mailed to all Owners, at the last address for each Owner in the records of the Association, not less than ten (10) days before the meeting; posted at a place or places on the Property at least three (3) days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Owners of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication.

6.6 Voting by the Board

Each Director shall have one vote. So long as a quorum is constituted, the vote of Directors together holding more than fifty (50) percent of the total votes shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law or the Declaration.

6.7 Quorum

The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present.

6.8 Right of Owners to Attend

Except as otherwise permitted by applicable law, all meetings of the Directors shall be open to all Owners.

**ARTICLE VII
NOMINATION AND ELECTION OF DIRECTORS**

7.1 Nomination

At and following the Turnover Meeting, nominations for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who need not be a member of the Board of Directors prior to the Turnover Meeting but who shall be a member of the Board of Directors following the Turnover Meeting, and two or more members of the Association or Board of Directors. The Nominating Committee shall be appointed by the Board of Directors prior to the Turnover Meeting to nominate directors to be elected at the Turnover Meeting. Thereafter, a Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members to make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

7.2 Election

Election to the Board of Directors shall be by secret written ballot cast at the annual meeting. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation. The person(s) receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

**ARTICLE VIII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

8.1 Powers

The Board of Directors shall have the power:

- (a) To adopt and publish rules and regulations governing the use of the Lots and Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) To exercise for the Association all power, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, and the Declaration;
- (c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;
- (d) To establish, and disburse and maintain such petty cash fund as is necessary for efficiently carrying on the business of the Association;
- (e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;
- (f) To exercise powers of a nonprofit corporation pursuant to the general nonprofit Association laws of the State of Oregon and of a homeowners association pursuant to ORS 94.630, as amended from time to time; and
- (g) To exercise any additional or different powers necessary or desirable for the purpose of carrying out the functions of the Association pursuant to the Declaration or otherwise promoting the general benefit of the Owners within the Property.

8.2 Duties

It shall be the duty of the Board of Directors:

- (a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the votes of the members of both classes who are entitled to vote;

(b) To supervise all Officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) To establish membership fees or assessments;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association as described in Article XV and, if deemed appropriate, insurance on the behalf of any Director, Officer, employee, or agent of the Association against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such;

(e) To cause all Officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate;

(f) To cause the Common Maintenance Areas to be maintained, repaired and, when necessary, replaced;

(g) To maintain a current mailing list of the Association; and

(h) To prepare and adopt an annual budget. Within thirty (30) days of adopting each budget, the Board shall provide a summary of the same to all Owners.

ARTICLE IX COMMITTEES

9.1 Committees

The Board of Directors may appoint committees as deemed appropriate in carrying out its purposes, which may include for example, but not by way of limitation, the following:

(a) A Recreation Committee to advise the Board of Directors on all matters pertaining to the recreational program and activities of the Association and to perform other such functions as the Board in its discretion determines;

(b) A Maintenance Committee to advise the Board of Directors on all matters pertaining to the maintenance, repair, improvement or replacement of the Common Areas and all Improvements thereto, if any, and to perform such other functions as the Board in its discretion determines;

(c) A Publicity Committee to inform the members of all activities and functions of the Association and after consulting with the Board of Directors, to make such public releases and announcements as are in the best interest of the Association;

(d) A Review Committee to supervise the annual review of the Association's books and, if the Board so delegates, approve the annual budget and statement of income and expenditures to be presented to the membership at its regular annual meeting, as provided in Article XI, Section 11.8(d). The treasurer shall be an ex-officio member of this committee if and when formed; and

(e) A Traffic and Security Committee to enforce traffic rules of the community and supervise security watch programs.

9.2 Committee Function

It shall be a function of each committee to receive complaints from members on any matter involving Association duties and activities within its field of responsibility. It shall dispose of such complaints as it deems appropriate or refer them to such other committee, Director or Officer of the Association as is further concerned with the matter presented.

ARTICLE X MEETINGS OF MEMBERS

10.1 Annual Meetings Prior to Turnover Date

A regular or annual meeting of Owners shall be held annually. Such meeting shall be called in accordance with Article X, Section 10.4 below.

10.2 Meetings to Elect Directors; Annual Meetings Following Turnover Meeting

The first meeting of the Owners held for the purpose of electing Directors pursuant to this Article X shall be the Turnover Meeting. The first annual meeting of the Association shall be held within one (1) year from the date of incorporation of the Association and each subsequent regular annual meeting of the members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the members. If the day for the annual meeting is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. At the annual meeting, the president, and any other Officer of the Board or whom the president may designate, shall report on the activities and financial condition of the Association.

10.3 Special Meetings

Special meetings of the members may be called at any time by the president or by a majority of the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership. Business transacted at a special meeting shall be confined to the purposes stated in the notice of such special meeting.

10.4 Notice of Meetings

Except as otherwise provided in the Articles of Incorporation, or these By-Laws, written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days before such meeting, but no more than fifty (50) days before such meeting, to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these By-laws, any budget changes, or any proposal to remove a Director or Officer. Notice of any such meeting may be waived by any Owner at any time. No Owner who is present at a meeting may object to the adequacy or timeliness of the notice given. Copies of the notice of meeting shall be sent to all mortgagees who have requested the same. Mortgagees may designate a representative to attend a meeting called under this Section 10.4.

10.5 Quorum

The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-third (1/3) of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws and provided that no quorum shall be required for the Turnover Meeting. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present or be represented.

10.6 Proxies

At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon cessation of membership or restriction of the member's voting rights.

10.7 Canvass in Lieu of Meeting

In the event that a quorum of members is not achieved at any scheduled meeting, the Board of Directors may authorize a door-to-door canvass of all members whose votes shall be duly recorded, and any action so taken shall have the same force and effect as if taken at a meeting at which a quorum of members was present. Any such canvass must be completed within thirty (30) days of the Board's decree.

10.8 Majority Vote; Withdrawal of Quorum

When a quorum is present at any meeting of the members, the vote of the holders of a majority of the votes, present in person or represented by proxy, shall decide any question brought before such meeting unless the question is one upon which by express provision of the statutes, the Articles of Incorporation or these By-laws, a different vote is required, in which case such express provision shall govern and control the deciding of such question. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

10.9 Voting By Mail

In any case in which voting by mail is necessary or desirable, the secretary shall give written notice to all Owners, which notice shall (a) include a written resolution setting forth the proposed action, (b) state that the Owners are entitled to vote by mail for or against such resolution, and (c) specify a date not less than twenty five (25) days after the date of such notice by which all votes must be received at the principal office of the Association. Votes received after the date specified shall be of no effect. Any voting by mail shall be conducted in accordance with applicable law, including without limitation, the provisions of ORS 94.647 or applicable successor provisions.

**ARTICLE XI
OFFICERS AND THEIR DUTIES**

11.1 Enumeration of Officers

The Officers of this Association shall be a president and a vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other Officers as the Board may from time to time by resolution create.

11.2 Election of Officers

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

11.3 Term

The Officers of this Association shall be elected annually by the Board and shall hold office for two (2) years unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

11.4 Special Appointments

The Board may elect such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

11.5 Resignation and Removal

Any Officer may be removed from office with or without cause by the Board and a successor may be elected at a special meeting of the Board called for such purpose. Any Officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

11.6 Vacancies

A vacancy in any office may be filled by election at a special meeting of the Board called for such purpose. The Officer elected to such vacancy shall serve for the remainder of the term of the Officer he replaces.

11.7 Multiple Offices

The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 11.4 of this Article.

11.8 Duties

The duties of the Officers are as follows:

President

(a) The president shall be a Director and shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign (together with either the vice-president or treasurer) all checks, payment vouchers, and promissory notes of the Association.

Vice-President

(b) The vice-president shall act in the place and stead of the president in his absence or inability or refusal to act, shall co-sign (together with either the president or treasurer) all checks, payment vouchers, and promissory notes of the Association and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members, keep the corporate seal of the Association and affix it on all papers requiring said seal, serve notice of meetings of the Board and of the members, keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors, shall co-sign (together with either the president or vice-president) all checks, payment vouchers, and promissory notes of the Association, keep proper books of account, cause an annual review of the Association books to be made by a public accountant at the completion of each fiscal year, and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the members.

11.9 Compensation

Other than reimbursement of out-of-pocket expenses incurred on behalf of the Association, neither the president, nor the treasurer, nor the secretary, nor the vice-president, nor any other officer shall receive any compensation from the Association for acting as an Officer, unless such compensation is authorized by the Board.

ARTICLE XII ASSESSMENTS

12.1 Conformance with Declaration

The Association shall levy, collect, and enforce the payment of assessments in accordance with all relevant provisions of the Declaration.

12.2 Basis of Annual Assessments for Class A Members

Subject to the other provisions of this Section 12.2 and without consideration of special assessments, the maximum annual assessment for any Lot shall not exceed an amount determined in good faith by the Board.

From and after January 1st of the year immediately following the conveyance of the first Lot by Declarant, the maximum annual assessment for the Lots may be increased each year by a percentage above the prior year's assessment determined to be reasonable by the Board (but not in excess of a twenty percent (20%) increase), without a vote of the membership.

12.3 Assessments to be Levied by Board

After consideration of current operating costs, maintenance, repair and replacement costs and all other future needs of the Association, the Board of Directors may levy the annual assessments at an amount not in excess of the maximum set forth in Article XII, Section 12.2. The Board of Directors shall have the authority to adjust the amount of annual assessments during any assessment period, upon not less than thirty (30) days notice to the members, subject to the limitations as set forth in Article XII, Section 12.2. Assessments may be used to fund all costs incurred by the Association pursuant to the Declaration, these Bylaws or otherwise in the reasonable discretion of the Directors, including without limitation, maintenance, insurance, taxes, management and administrative costs.

12.4 Special Assessments for Working Capital Fund, Non-recurring Maintenance and Capital Improvements

In addition to the annual assessments authorized above, the Association may levy special assessments as follows:

(a) In any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any non-recurring maintenance, or the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Maintenance Areas, including fixtures and personal property related thereto may be assessed. The Association shall not commingle the proceeds of such special assessments with other assessment funds. Such proceeds shall be used solely and exclusively to fund the non-recurring maintenance or improvements in question.

(b) The Board of Directors shall determine the necessity and the amount of any special assessment. Special assessments shall not be effective unless approved by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any. Written notice of such meeting shall be sent to each such member not less than ten (10) days nor more than fifty (50) days in advance of the meeting.

12.5 Uniform Rate

Both annual and special assessments must be fixed at a uniform rate for each Lot and may be collected on a monthly, quarterly or annual basis as determined by the Directors at least thirty (30) days in advance of each assessment period.

12.6 Quorum for any Action Authorized under Sections 12.2 and 12.4

At any meeting called, as provided in Article XII, Sections 12.2 and 12.4 hereof, the presence at the meeting of members or of proxies entitled to cast a majority of all the votes of

each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Article XII, Sections 12.2 and 12.4; however, the quorum requirement shall be one-half (1/2) of the previous quorum requirements. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. The necessary approval may also be obtained by a canvass of the members as set forth in Article X, Section 10.7.

12.7 Date of Commencement of Annual Assessments: Due Dates

The annual assessment provided for herein as it relates to operating expenses shall commence as to all Lots on the first day of a month determined by the Board of Directors at the organization meeting. The annual assessment in connection with the reserve fund specified in the Declaration shall begin accruing on the date the first Lot assessed is conveyed. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; provided, however, that the Board of Directors shall have the right to adjust the annual assessment as long as any such adjustment does not exceed the maximum permitted hereunder with thirty (30) days written notice given to each Owner. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall upon demand, at any time furnish a certificate in writing signed by an Officer of the Association setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

12.8 Effect of Non-payment of Assessments: Remedies of the Association

Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within ten (10) days after the due date, the Association shall have the remedies set forth herein and in the Declaration. The Association or its agents shall have the right and power to bring all actions against the defaulting Owner personally for the collection of such charges as a debt and to enforce the Association's lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage or deed of trust lien on real property. The lien provided for in this section shall be in favor of the Association, shall be for the benefit of all other Owners. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 87.352 to 87.382 shall apply to the Association lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The lien shall be subordinate to any prior recorded deed of trust securing payment for the house on the subject Lot. The Association acting on behalf of the Owners shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease,

mortgage and convey the Lot. If any assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due. The Association acting on behalf of the Owners shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding non-payment of such defaulting Owner's portion of the premium. An election by the Association to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein are not exclusive but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Association. The Association shall have no right to deprive an Owner of access to or from such Owner's lot.

12.9 No Reimbursement to Declarant

The proceeds of the regular annual assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facilities, if any, nor for the operation or maintenance of such facilities incurred before conveyance to the Association.

12.10 Reallocation Upon Annexation or Withdrawal

If new property is added to the Property by annexation or withdrawal from the Property, common expenses shall be reallocated as set forth in Section 2.14 of the Declaration.

**ARTICLE XIII
BOOKS AND RECORDS**

13.1 Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Articles of Incorporation and the By-Laws of the Association shall be available for inspection by any members at the principal office of the Association, where copies may be purchased at reasonable cost.

13.2 Financial Records

The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Association may be inspected by any Director, or his agent or attorney, for any proper purpose at any reasonable time.

13.3 Financial Statements

The Board shall appoint a certified public accountant or certified public accounting firm, who shall not be an Officer or own any interest in any Lot, annually to review the books and financial records of the Association. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any mortgagee of a Lot a copy of the annual financial statement of the Association, consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Association shall make available to Owners and to holders, insurers or guarantors of any mortgage on a Lot, for their inspection and copying, upon request, during normal business hours or under other reasonable circumstances, current copies of: (i) the Declaration, Articles of Incorporation, Bylaws, and rules concerning the Property, (ii) the Association's most recent financial statement, (iii) the current operating budget of the Association, and (iv) all other records of the Association. Upon written request of a prospective purchaser of a Lot, the Association shall make available for examination and duplication during reasonable hours the documents and items described in items (i) through (iii) in the preceding sentence. The Association may charge a reasonable fee for furnishing copies of any documents, information, or records described in this Section 13.3.

13.4 Tax Returns

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

ARTICLE XIV FISCAL YEAR

14.1 Fiscal Year

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE XV INSURANCE

15.1 By the Association

The Board shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, (i) public liability insurance with respect to all the Common Areas in such amounts and in such forms as the Board deems advisable to provide adequate protection for bodily injury, including deaths of persons, and property damage, whether caused by the negligence of the Association or otherwise; provided, however, that such policy(ies) shall not be for an amount of less than \$300,000.00 per person, per

occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least 10 days' written notice to the Association; and (ii) hazard insurance for all insurable improvements in the Common Area against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief, sufficient to cover the full replacement costs or any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost. The insurance coverage obtained and maintained by the Board may not be brought into contribution with insurance bought by Owners or their mortgagees. Any insurance policy obtained by the Association pursuant to the Declaration shall show the Association as the named insured and shall, if possible, be written by an insurer with a "B" general policyholder's rating and a "III" financial size category in Best's "Key Rating Guide." The policies obtained by the Association pursuant to the Declaration may contain a reasonable deductible not to exceed the lesser of \$10,000 or one percent of the face value of the policy, and the amount thereof shall be added to the face amount of the policy in determining whether the insurance equals at least the required full replacement cost. In the event of any conflict between the provisions of this Section 15.1 and the provisions of Section 4.2 of the Declaration, this Section 15.1 shall prevail.

At least annually, the Board of Directors shall review the insurance coverage of the Association.

15.2 By the Owners

Each Owner of a Lot shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot in an amount of not less than \$300,000.00 per person, per occurrence. Additionally, each Owner shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance with respect to the Unit in an amount equal to 100% of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property.

15.3 Insurance for Annexed Lots

The Board and Owners of annexed Lots shall be responsible for obtaining any additional insurance coverages specified in any Declaration of Annexation made pursuant to the Declaration of Annexation.

15.4 Director and Officer Insurance

At the discretion of the Board, the Association may purchase and maintain insurance on behalf of any person who is or was a Director, Officer, employee, or agent of the Association, or is or was serving at the request of the Association, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his or her

status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of the Articles of Incorporation of the Association.

15.5 General Provisions

Premiums for insurance obtained by the Board pursuant to this Article XV shall be a common expense of the Association. At least annually, the Board shall review the insurance coverage of the Association.

ARTICLE XVI RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the conduct of persons and the operation and use of the Lots and the Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property, and to establish penalties for the infraction thereof. Such rules and regulations may be adopted upon a majority vote of the members of the Board present at a meeting at which there is a quorum of Board members and as to which notice has been given as provided in these Bylaws. Such notice shall include a verbatim copy of all proposed rules and regulations. No rule or regulation shall be adopted without a copy thereof first having been delivered or mailed to each Owner at the last address for such Owner in the records of the Association. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Owner. All such rules and regulations become binding on all Owners and occupants of all Lots upon the date of delivery. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

ARTICLE XVII SHARES OF STOCK AND DIVIDENDS PROHIBITED

17.1 Stock and Dividends

The Association shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Association shall be distributed to its Directors or Officers, or to the Owners. The Association may pay compensation in a reasonable amount to its Officers or Directors for services rendered as provided by the Articles of Incorporation, the Declaration, other provisions of these Bylaws, or resolution of the Board of Directors.

**ARTICLE XVIII
ARCHITECTURAL AND DESIGN CONTROL**

18.1 Architectural Control Committee

The Architectural Control Committee shall perform and shall be empowered to perform all acts relating to building restrictions as provided in Article V of the Declaration on behalf of the Association.

**ARTICLE XIX
TRANSFER OF CONTROL**

19.1 Transitional Advisory Committee

Within sixty (60) days after the conveyance to Owners other than Declarant of Lots representing 50% or more of the Lots in the first or only phase of Ridgewater to owners other than Declarant, Declarant shall call a special meeting of the Owners to select a transitional committee. Declarant shall give notice in accordance with Article X, Section 10.4 to each Owner of the special meeting. At such meeting, the Owners in attendance, other than Declarant, by vote of a majority of those present, shall select two (2) members of a transitional committee composed of three (3) members. The third member shall be selected by Declarant. The members of the transitional committee shall serve until the Turnover Meeting. The function of the transitional committee shall be to facilitate the transition from control of the administration of the Association by Declarant to control by the Owners. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3) or applicable successor provision. If the meeting required pursuant to this Section 19.1 is not called by Declarant within the time specified, the meeting may be called and notice given by any Owner. Notwithstanding the foregoing, if the Owners do not select members of the transitional committee as provided above, Declarant shall have no further obligation to form the transitional committee. There shall be no requirement that a transitional committee be formed and no transitional committee shall be appointed, once the Turnover Meeting has been held.

19.2 Turnover Meeting

On a date that is not later than one hundred twenty (120) days following the Conversion Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Article X, Section 10.4 to each Owner. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting required by this Article XIX within the required period, any Owner may call such a meeting and give notice as required by this Article XIX. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the

Owners shall assume the control thereof, (b) the Directors of the Association then serving shall resign and the Owners shall elect a Board of Directors in accordance with these Bylaws, and (c) Declarant shall deliver to the Association the books, records, and other materials belonging to the Association that are in Declarant's control.

ARTICLE XX WAIVER OF NOTICE

20.1 Waiver of Notice

Whenever any notice is required to be given under the provisions of the nonprofit Association laws of the State of Oregon, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XXI ACTION WITHOUT A MEETING

21.1 Meeting not Required

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

ARTICLE XXII AMENDMENTS

22.1 Amendments

Except as expressly provided in the Declaration, these By-Laws may be amended or repealed and new By-Laws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two (2) days' written notice is given of intention to amend or repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment; provided however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties or terms of Directors without the approval of the Owners given at a special meeting called for such purpose. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal these By-Laws at any time before the closing of the sale of the first Lot to a Class A Member. The

Department of Housing and Urban Development (HUD) and the Veterans' Administration (VA) shall have the right to veto amendments to these By-Laws so long as there exists Class B Membership in the Association.

22.2 HUD/VA Approval

If neither HUD nor VA notifies Declarant, or the Board of Directors, of objections to any amendment or intent to repeal these By-Laws within fifteen (15) days of the date of Declarant's or the Board of Directors', request for approval, such approval shall be deemed to have been granted.

**ARTICLE XXIII
GENDER AND GRAMMAR**

23.1 Gender and Grammar

The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provision hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

**ARTICLE XXIV
ENFORCEMENT**

24.1 Legal Proceedings

If the Association institutes legal action to enforce any restrictive covenant or other condition of the Declaration, Articles of Incorporation or By-Laws, and the violator voluntarily corrects or abates such violation after litigation has been filed, the Association shall not dismiss or abandon such legal action until it has been reimbursed all of its expenses, including reasonable attorney's fees and court costs.

**ARTICLE XXV
LOANS TO DIRECTORS AND OFFICERS PROHIBITED**

25.1 No Loans to Directors or Officers

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

25.2 Contribution; Subrogation

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

**ARTICLE XXVI
CONFLICTS AND PARTIAL INVALIDITY**

26.1 Conflicts

These Bylaws are intended to comply with applicable law and the Declaration. In case of any irreconcilable conflict, applicable law and the Declaration shall control over these By-Laws (unless the Bylaws expressly provide otherwise) and any amendments hereto, and any rules or regulations adopted hereunder.

26.2 Partial Invalidity

The invalidation of any one of the provisions of these By-Laws by judgment or court order shall in now affect any other provisions, which shall remain in full force and effect.

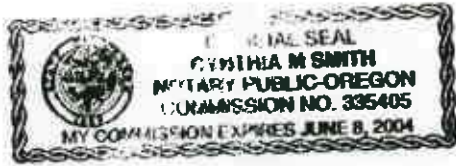
I, Michael Hoffmann, as secretary of The Ridgewater Homeowners' Association, Inc., do hereby certify the foregoing to be the By-Laws of the Association, as adopted by the Board on the 6th day of June, 2002.


Michael Hoffmann
Secretary

STATE OF OREGON)

COUNTY OF DESCHUTES)

The foregoing instrument was acknowledged before me the 17th day of June 2002, by Michael Hoffman, the Secretary of The Ridgewater Homeowner' Association, Inc., an Oregon nonprofit corporation, on behalf of the corporation.



Cynthia M. Smith

Notary Public, State of Oregon

My Commission Expires: June 8, 2004

AFTER RECORDING, RETURN TO:

DESCHUTES COUNTY OFFICIAL RECORDS
MARY SUE PENHOLLOW, COUNTY CLERK

2002-70182



\$35.00

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12/13/2002 03:19:52 PM

D-BYA Cnt=1 Stn=3 PAM
\$10.00 \$11.00 \$10.00 \$5.00

After Recording Return to:
Ridgewater Homeowners' Association, Inc.
c/o Cascade Bookkeeping
361 NE Franklin
Bend, Oregon 97701
Attn: Bill Friedman

**FIRST AMENDMENT TO BY-LAWS OF
RIDGEWATER HOMEOWNERS' ASSOCIATION, INC.**

THIS FIRST AMENDMENT TO BY-LAWS OF RIDGEWATER HOMEOWNERS' ASSOCIATION, INC. (this "Amendment"), to be effective on its recording in the deed records of Deschutes County, Oregon, pursuant to the provisions of the Oregon Planned Community Act, is made and executed this 13th day of December, 2002, by Ridgewater Investments, LLC (the "Declarant").

Recital:

The Association has been organized for the purpose of administering the operation and management of Ridgewater Subdivision, in accordance with the terms of the By-laws of Ridgewater Homeowners' Association, Inc., recorded in the deed records of Deschutes County, Oregon on June 17, 2002 as Document Number 2002-32625 (the "Bylaws"). Capitalized terms used in this Amendment and not otherwise defined shall have the meanings given in the Bylaws. Pursuant to ORS 94.585, Declarant desires to amend the Bylaws as provided herein.

The Bylaws are hereby amended as follows:

1. The following Section 4.2 is hereby added to the Bylaws:

"4.2 Storm Water Management and Spill Containment

The Association and each Owner shall take all action necessary to obtain and maintain compliance with the federal and Oregon Underground Injection Control program applicable to the design and operation of catch basins and dry wells located at the Subdivision. Compliance will include, but may not be limited to, obtaining approval from the Oregon Department of Environmental Quality of a Storm Water Management Injection Plan describing the actions required to comply with the UIC program, and the continued implementation of the actions required pursuant to that approved Plan."

2. Effect of Amendment. Except as expressly amended hereby, the Bylaws remain unamended and in full force and effect.

IN WITNESS WHEREOF, the undersigned, as Declarant, has hereunto set its hand and seal this 13th day of December, 2002.

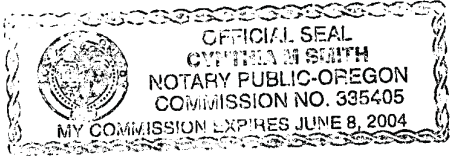
RIDGEWATER INVESTMENTS, LLC

By:
Its:

[Signature]
Manager

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on this 13th day of December, 2002, by James P. Pentz, who is the Manager, of the Ridgewater Investments, LLC, on behalf of the limited liability company.



[Signature]
Notary Public for Oregon
My Commission Expires: June 8, 2004



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D-COR Cnt=2 Str=3 PAM

\$10.00 \$5.00 \$11.00 \$10.00 \$5.00

AFTER RECORDING, RETURN TO:

After Recording Return to:
Ridgewater Homeowners' Association, Inc.
c/o Cascade Bookkeeping
361 NE Franklin
Bend, Oregon 97701
Attn: Bill Friedman

**FIRST AMENDMENT TO DECLARATION OF
PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS
FOR RIDGEWATER SUBDIVISION**

THIS FIRST AMENDMENT TO DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS FOR RIDGEWATER SUBDIVISION
(this "Amendment") is made and entered into effective this 13th day of December,
2002, by Ridgewater Investments, LLC ("Declarant").

Recital:

The Declarant caused to be recorded that certain Declaration of Protective Covenants,
Conditions and Restrictions for Ridgewater Subdivision dated June 17, 2002,
recorded as Document No. 2002-32624 in the deed records of Deschutes County (the
"Declaration"). Pursuant to Section 11.4 of the Declaration and ORS 94.585, Declarant desires
to amend the Declaration as provided herein.

The Declaration is amended as follows:

1. The following Section 4.5(E) is hereby added to the Declaration:

"E. The Association shall take all action necessary to obtain and maintain compliance with the federal and Oregon Underground Injection Control program applicable to the design and operation of catch basins and dry wells located at the Subdivision. Compliance will include, but may not be limited to, obtaining approval from the Oregon Department of Environmental Quality of a Storm Water Management Injection Plan describing the actions required to comply with the UIC program, and the continued implementation of the actions required pursuant to that approved Plan."

2. The following Section 9.21 is hereby added to the Declaration:

"Section 9.21 Storm Water Management and Spill Containment

Federal and Oregon laws and regulations require the owners and operators of dry wells used for the discharge of storm water to comply with certain criteria to prevent storm water contamination and to remove pollutants from storm water

prior to discharge. To comply with these federal and Oregon regulations, the Association has adopted a Storm Water Injection Management Plan (SWIMP). Lot Owners shall maintain their Lots in accordance with the SWIMP, as it may be amended from time to time, and take such other action as may be required under the SWIMP.”

3. Effect of Amendment. Except as expressly amended hereby, the Declaration remains unamended and in full force and effect.

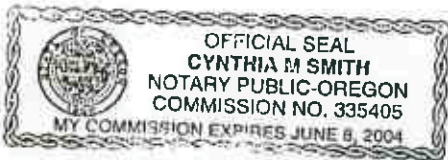
IN WITNESS WHEREOF, the undersigned, as Declarant, has hereunto set its hand and seal this 13th day of December, 2002.

RIDGEWATER INVESTMENTS, LLC

By: [Signature]
Its: Manager

STATE OF OREGON)
) ss.
County of Deschutes)

The foregoing instrument was acknowledged before me on this 13th day of December, 2002, by James P. Pentz, who is the Manager, of the Ridgewater Investments, LLC, on behalf of the limited liability company.



Cynthia M. Smith
Notary Public for Oregon
My Commission Expires: June 8, 2004

216 -

DESCHUTES COUNTY OFFICIAL RECORDS
NANCY BLANKENSHIP, COUNTY CLERK

2003-45481



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\$190.00 \$5.00 \$11.00 \$10.00 \$5.00

After Recording Return to:
Ridgewater II Homeowners' Association, Inc.
c/o Cascade Bookkeeping
361 NE Franklin
Bend, Oregon 97701
Attn: William M. Friedman

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**DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS
OF RIDGEWATER II SUBDIVISION**

THIS DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR RIDGEWATER II SUBDIVISION (this "Declaration"), to be effective upon its recording in Deschutes County, Oregon, is made and executed on the date hereinafter set forth by M3K INVESTMENTS, LLC, hereinafter referred to as the "Declarant".

WITNESSETH

Declarant is the owner of that certain real property in the City of Bend, Deschutes County, Oregon, described on **Exhibit A** attached hereto and incorporated herein by reference; and

Declarant desires to create a planned community known as RIDGEWATER II on the land described on **Exhibit A** as shown on the duly recorded plat of RIDGEWATER II and on such other land as may be added thereto pursuant to the terms and provisions of this Declaration.

NOW THEREFORE, the Declarant declares that the real property described on attached **Exhibit A** and any property subsequently annexed into Ridgewater II and this Declaration (collectively, the "Property") shall be held, sold, hypothecated, and conveyed subject to the covenants, conditions, and restrictions declared below, which shall be deemed to be covenants running with the land and imposed on and intended to benefit and burden each Lot and other portions of the Property in order to maintain within the Property a community of high standards. Such covenants shall be binding on all parties having any right, title or interest therein or any part thereof, their respective heirs, personal representatives, successors and assigns, and shall inure to the benefit of each Owner thereof.

By recordation of this Declaration in the real property records of Deschutes County, Oregon, Declarant is hereby creating a Class I planned community, pursuant to and subject to ORS 94.550 to 947.83, and applicable successor provisions.

Funds for the maintenance and operation of common maintenance areas will be provided through assessments against those who purchaser property within Ridgewater II, although to assist with the development, Declarant may from time to time itself provide some improvements. For the protection of all owners of property in Ridgewater II, there will be a

Declaration of Protective Covenants, Conditions and Restrictions
Ridgewater II

After recording, return to 1
AmeriTitle
15 OREGON AVENUE, BEND

system designed to assure that each person who purchases property in Ridgewater II will pay an equitable share of the costs for maintenance and development of the common maintenance areas.

ARTICLE I - DEFINITIONS

Section 1.1 “Architectural Guidelines” or “Guidelines”

“Architectural Guidelines” or “Guidelines” shall mean the Ridgewater II Architectural Rules and Design Guidelines, established and revised pursuant to Section 5.2.

Section 1.2 “Association”

“Association” shall mean the Ridgewater II Homeowners’ Association, Inc., an Oregon nonprofit corporation established for the purposes set forth herein and pursuant to ORS Chapter 65.

Section 1.3 “Board”

“Board” shall mean the Board of Directors of the Ridgewater II Homeowners’ Association.

Section 1.4 “Builder”

“Builder” shall mean Declarant and any residential building company acquiring Lots from the Declarant for the purposes of construction and sale of homes.

Section 1.5 “Bylaws”

“Bylaws” shall mean the Bylaws of the Association, as amended from time to time. The Bylaw shall be recorded in the real property records of Deschutes County, Oregon.

Section 1.6 “Common Areas”

“Common Areas” as used herein, shall mean only that portion of the Property (together with all improvements constructed thereon) that is established for the common use and benefit of property owners within Ridgewater II Subdivision and identified as “Common Areas” on a plat of any portion of the Property, in this Declaration, in an amendment to this Declaration or in a supplemental declaration (or Declaration of Annexation) and which shall be conveyed to the Association for the use and benefit of the Owners. The initial Common Areas are the tracts identified on the Plat as “Common”, “Common 1”, “Common 2”, “Common 3”, “Park” and all roads within the Ridgewater II subdivision. Until the Conversion Date, the Declarant shall have the right to designate Common Areas in the future by recordation of a duly approved amendment to this Declaration or by recordation of a supplemental declaration or Declaration of Annexation. Not later than the Turnover Meeting, Declarant shall convey in fee the Common Areas to the Association, subject to the Association’s agreement to continue maintenance thereon.

Section 1.7 “Common Maintenance Areas”

“Common Maintenance Areas” shall mean and include the following: the Common Areas, pedestrian walkways and/or sidewalks within Ridgewater II, any portion of roads within Ridgewater II that are not otherwise owned by the Association, and any areas within public rights-of-way, public easements, tracts, public parks, the right of way frontage along Ferguson Road, (including the fence, landscaping and walkways/sidewalks) and any other property (including Improvements) that the Board deems necessary or appropriate to maintain for the common benefit of the members. Until the Conversion Date, the Declarant shall have the right to designate additional Common Maintenance Areas (including Common Areas) in the future or to remove Common Maintenance Areas (including Common Areas) by recordation of a duly approved amendment to this Declaration or by recordation of a supplemental declaration or Declaration of Annexation.

Section 1.8 “Conversion Date”

“Conversion Date” shall be the date upon which Class “B” membership shall cease and be converted to Class “A” membership. Such date shall be the date which is the earliest of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed to Class “A” members; or (ii) fifteen (15) years after conveyance of the first Lot to a Class “A” member; or (iii) at such earlier time as Declarant may elect in writing to terminate Class “B” membership.

Section 1.9 “County”

“County” shall mean Deschutes County, Oregon.

Section 1.10 “Declarant”

“Declarant” shall mean M3K Investments, LLC and/or its successors and assigns, who are designated as such in writing by Declarant, and who consent in writing to assume the duties and obligations of the Declarant with respect to the Lots acquired by such successor or assign.

Section 1.11 “Declaration”

“Declaration” shall mean this Declaration of Protective Covenants, Conditions, and Restrictions for Ridgewater II Subdivision and any amendments and supplements thereto made in accordance with its terms.

Section 1.12 “Directors”

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

Section 1.13 "Improvement"

"Improvement" shall mean every structure or improvement of any kind, including, but not limited to, a Unit, landscaping, fences, wall, driveways, fixtures, shelters, or other product of construction efforts (including painting, alterations, and reconstruction) on or with respect to the Ridgewater II Subdivision.

Section 1.14 "Lot"

"Lot" shall mean any of the plots of land indicated upon the recorded subdivision map of the Property or any part thereof creating single-family home sites, with the exception of the Common Areas and areas deeded to a governmental authority or utility, together with all Improvements thereon.

Section 1.15 "Owner"

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

Section 1.16 "Plat"

"Plat" shall mean the duly recorded plat of Ridgewater II, P.U.D., recorded in Cabinet "F," Pages 567-576 under Recorder's No. Volume 2003-44905, on July 3, 2003, in the Official Records, Deschutes County, Oregon, any replats of the Property and any subsequent plat(s) covering any additional property annexed into Ridgewater II pursuant to a Declaration of Annexation.

Section 1.17 "Property"

"Property" shall mean the real property described on the attached **Exhibit A**, and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to this Declaration by a Declaration of Annexation.

Section 1.18 "Ridgewater II" or "Ridgewater II Subdivision"

"Ridgewater II" or "Ridgewater II Subdivision" shall mean the planned community created on the Property by the Plat.

Section 1.19 "Turnover Meeting"

"Turnover Meeting" shall be the meeting of the Owners called by the Declarant to turn over control of the Association to the Class A members.

Section 1.20 "Unit"

"Unit" shall mean any residential dwelling situated upon any Lot.

ARTICLE II - RIDGEWATER II HOMEOWNERS' ASSOCIATION, INC.

Section 2.1 Membership

The Declarant and every Owner of a Lot by virtue of ownership of such Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be separated from ownership of any Lot. Until the Conversion Date, there shall be two (2) classes of membership, Class A and Class B as described in Section 2.2.

Section 2.2 Voting Rights

The Association shall have two (2) classes of voting membership:

A. Class A

Class A members shall be all Owners with the exception of Declarant (except that beginning on the date on which Class B membership is converted to Class A membership, and thereafter, Class A members shall be all Owners, including Declarant) and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot.

B. Class B

The Class B members shall be the Declarant, who shall be entitled to three (3) votes for each Lot it owns, until the Conversion Date, at which time the Class B membership shall cease and be converted to Class A membership.

Section 2.3 Suspension

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

Section 2.4 Turnover Meeting

The Declarant shall call a Turnover Meeting within ninety (90) days following the Conversion Date for the purposes of turning over control of the Association to the Class A members. The Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. The Turnover Meeting shall be conducted in accordance with the Bylaws of the Association. At the Turnover Meeting, the Declarant shall turn over to the Association the responsibility for the planned community of Ridgewater II and of the Association and the Association shall accept such administrative responsibility. At the Turnover Meeting, the Owners shall elect a Board in accordance with the Bylaws. At the Turnover Meeting, the Declarant shall deliver to the Association those items and documents required by ORS 94.616 or

applicable successor provisions. In order to facilitate an orderly transition, during the three-month period following the Turnover Meeting, the Declarant or an informed representative shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to this Section 2.4. Not later than ninety (90) days after the Turnover Meeting, the Association shall provide Declarant with an estoppel certificate (i) certifying that Declarant has satisfied all of its obligations owed to the Association, including, without limitation, any obligations arising out of or related to this Declaration, or (ii) identifying with specificity the extent to which any such obligations remain unsatisfied.

Section 2.5 Transitional Advisory Committee

Declarant or the Owners shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the planned community of Ridgewater II to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners other than Declarant Lots representing fifty (50) percent or more of the Lots in the Property (which shall exclude any property annexed to the Property for purposes of the foregoing calculation), Declarant shall call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee. The Transitional Advisory Committee shall consist of three (3) or more members. The Owners, other than Declarant, shall select two (2) or more members. Declarant may select no more than one (1) member. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3).

Section 2.6 Funding

Subject to the terms of this Article II, the Declarant hereby covenants for each Lot owned within the Property, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (i) annual or periodic assessments or charges; and (ii) special assessments for capital improvements to the Common Areas and Common Maintenance Areas, such assessments to be established and collected as hereinafter provided. The annual or periodic assessments shall include any reserve assessments necessary to establish and maintain any reserve funds created under Section 2.10. Such assessments will remain effective for the full term (and extended term, if applicable) of the within covenants. The annual and special and other assessments, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such Lot(s) at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to the successors in title of such Owner unless expressly assumed by them, in writing.

Section 2.7 Annual Assessment or Charge for Lots

Subject to the terms of this Article, each Lot is hereby subject to an assessment in an amount not to exceed an amount determined by the Board (until such assessment charge shall

be modified as provided in the Bylaws of the Association), for the purpose of creating a fund to be designated and known as the "maintenance fund" for matters described under Section 2.9, the "reserve fund" for matters described under Section 2.10, as well as any other funds contemplated under this Declaration, or any other fund called for by this Declaration or a Declaration of Annexation. Charges and assessments for funding such funds will be paid by the Owner or Owners of each such Lot in advance in monthly, quarterly or annual installments, commencing as to all Lots upon the recordation of this Declaration. The rate at which each Lot will be assessed, and whether such assessment shall be payable monthly, quarterly or annually, will be determined by the Board at least thirty (30) days in advance of each assessment period. Said rate may be adjusted within the limit permitted by the Bylaws from time to time by the Board as the needs of the Association may, in the judgment of the Board, require. The annual assessment (excluding additional assessments pursuant to Section 2.13 and/or Section 2.15) for each Lot shall be uniform except as specifically provided herein or as provided in any Declaration of Annexation for Ridgewater II Subdivision. The Association shall, upon written demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether or not the assessment for a particular Lot has been paid for a particular assessment period. No Lot Owner shall have any right to any common profits of the Association.

Section 2.8 Declarant Responsibility

So long as there is Class B membership, Declarant hereby covenants and agrees that in the event that the annual maintenance fund revenues are insufficient to pay the operating expenses of the Association, it shall provide the funds necessary to make up the deficit, within thirty (30) days of receipt of request for payment thereof from the Association, provided that if the deficit is the result of the failure or refusal of an Owner or Owners to pay their annual maintenance assessments, the Association shall diligently pursue all available remedies against such defaulting Owners, including the immediate institution of litigation to recover the unpaid assessments, and shall reimburse the Declarant the amounts, if any, so collected.

Section 2.9 Purposes of Maintenance Fund

The Association shall establish a maintenance fund composed of annual maintenance assessments and shall use the proceeds of such fund in providing for normal, recurring maintenance charges for the Common Maintenance Areas for the use and benefit of all members of the Association. Such uses and benefits to be provided by the Association may include, by way of clarification and not limitation, any and all of the following: (i) normal, recurring maintenance of the Common Maintenance Areas (including, but not limited to, mowing, edging, watering, clipping, sweeping, pruning, raking, and otherwise caring for landscaping) and the Improvements to such Common Maintenance Areas, such as sprinkler systems, provided that the Association shall have no obligation (except as expressly provided hereinafter) to make capital improvements to the Common Maintenance Areas; (ii) perpetual maintenance, repair, and enhancement for any fences, columns, walls, grounds, landscaping, lights, irrigation systems, and entry monuments that serve or benefit Ridgewater II; (iii) perpetual maintenance of storm water quality/quantity pond facilities within or which serve the Property; (iv) payment of all legal and other expenses incurred in connection with the enforcement of all recorded covenants, restrictions and conditions affecting the property to which the maintenance

fund applies; (v) payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment; (vi) payment of expenses for utilities serving Common Maintenance Areas, if any; and (vii) all other activities necessary or desirable in the opinion of the Board to keep the Property neat and in good order, or which is considered of general benefit to the Owners or occupants of the Property, it being understood that the judgment of the Board in the expenditure of said funds and the determination of what constitutes normal, recurring maintenance shall be final and conclusive so long as such judgment is exercised in good faith.

Section 2.10 Reserve Funds

A. Reserve Fund for Replacing Common Maintenance Areas.

Declarant shall in addition establish a reserve fund in the name of the Association for replacement, in whole or in part, of the Common Maintenance Area (including Common Areas) and any Improvements located in, on, or under the Common Maintenance Area for which the Association is responsible pursuant to this Declaration, that will normally require replacement in more than three (3) and fewer than thirty (30) years, including exterior painting, if the Common Maintenance Area includes exterior painted surfaces. The reserve account need not include those items that could reasonably be funded from the maintenance fund. Assessments for the reserve fund under this Section shall begin accruing from the date the first Lot assessed is conveyed. Declarant may elect to defer payment of accrued assessments for reserves for a Lot until the date the Lot is conveyed; provided, however, the Declarant may not defer such payment beyond the date of the Turnover Meeting. The book and records of the Association shall reflect the amount owing from the Declarant for all reserve assessments. For purposes of funding the reserve fund, the Association shall impose an assessment to be called the "Reserve Fund Assessment" against each Lot, which assessment shall be spread equally over the Lots. The reserve fund shall be kept separate from other funds and may be used only for the purposes for which reserves have been established as specified in this Section. However, after the Turnover Meeting (as required by ORS 94.616 or applicable successor provisions), the Board may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses. Funds borrowed under this Section must be repaid later from assessments if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a written payment plan providing for repayment of the borrowed funds within a reasonable period. The Association shall administer the reserve fund and shall make periodic payments into the account. The Board shall set future assessments for the reserve fund annually. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board. The amount of the reserve fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner. The reserve portion of the initial assessment determined by the Declarant shall be based upon the initial reserve study described in Section 2.10.B.a, or other sources of reliable information.

B. Reserve Study.

a) Prior to conveying the first Lot, the Declarant shall conduct an initial reserve study, which shall comply with the requirements for reserve studies set forth in Section 2.10.B.b. below.

b) The Board shall annually conduct a reserve study, or review and update an existing study, to determine the reserve fund account requirements and may adjust the amount of payments as indicated by the study or update and provide for other reserve items that the Board, in its discretion, may deem appropriate. The reserve study shall include (a) identification of all items for which reserves are required to be established; (b) the estimated remaining useful life of each item as of the date of the reserve study; (c) the estimated cost of maintenance, repair, or replacement of each item at the end of its useful life; and (d) a thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule.

Section 2.11 Non-payment of Assessments: Remedies of the Association

Any assessment not paid within ten (10) days after the due date shall bear interest from the due date at the rate set by the Board from time to time but in no event greater than the highest rate allowed by Oregon law at the time of the non-payment. The Association shall have the authority to impose late charges to compensate for the administrative and processing costs of late payments on such terms as it may establish by duly adopted resolutions and the Association may bring an action at law against the Owner personally obligated to pay the same. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Maintenance Area or abandonment of Owner's Lot and/or Unit.

Section 2.12 Subordinated Lien to Secure Payment

To secure the payment of the maintenance charge and all other assessments (including for reserves) established hereby and to be levied on individual Lots as provided in this Article II and all other obligations of a Lot Owner under this Declaration, there is hereby reserved a lien for the benefit of the Association on each Lot, said lien to be enforceable through appropriate proceedings at law or in equity by such beneficiary; provided, however, that each such lien shall be specifically made secondary, subordinate and inferior to all liens, present and future, given, granted, and created by or at the instance and request of the Owner of any such Lot to secure the payment of monies advanced or to be advanced on account of the purchase price and/or the improvement of any such Lot; and further provided that as a condition precedent to any proceeding to enforce such lien upon any Lot upon which there is an outstanding valid and subsisting first mortgage lien, the Association shall give the holder of such first mortgage lien sixty (60) days written notice of such proposed action, such notice, which shall be sent to the nearest office of such first mortgage lien holder by prepaid U.S. registered mail, to contain the statement of the delinquent maintenance charges upon which the proposed action is based. Upon the request of any such first mortgage lien holder, the Association shall acknowledge in writing its obligation to give the foregoing notice with respect to the particular property covered by such

first mortgage lien to the holder thereof. The provisions regarding the attachment, notice, recordation, and duration of liens established on real property under ORS 94.709 shall apply to the Association's lien. Sale or transfer of a Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure shall extinguish the lien of such assessment as to payments that became due before such sale or transfer. No sale, foreclosure or transfer shall relieve such Lot from liability for any assessments thereafter becoming due or from the lien thereof. The Association shall have the right to file notices of liens in favor of such Association in the real property records of Deschutes County, Oregon.

Section 2.13 Additional Assessments

In addition to the periodic assessments described in this Article II, the Association shall have the authority to assess an Owner's Lot(s) for costs and expenses incurred by the Association for corrective action which is required as a result of the willful or negligent actions or omissions of such Owner or such Owner's family members, tenants, guests, contractors or invitees, including, without limitation, a breach of this Declaration. Each such additional assessment, together with interest, costs, and reasonable attorney's fees, shall be a charge on the land, a continuing lien upon the Lot, and the personal obligation of the Owner in the manner described in Section 2.6 for annual and special assessments.

Section 2.14 Reallocation Upon Annexation of Property

When additional property is annexed to the Property, the Association shall, within sixty (60) days after the annexation, recompute the budget based upon the additional Lots and Common Areas and Common Maintenance Areas and recompute all applicable assessments for each Lot. New Lots shall be subject to assessment from the time of annexation of such Lots to the Property. The Association shall send notice of any applicable assessment to the Owners of new Lots not later than sixty (60) days after the annexation or with the next occurring annual assessment, whichever is sooner. Assessments shall be due and payable on or before a date set forth in the notice which shall be not less than thirty (30) days after the date the notice is mailed or at such other time or times as the Association may specify in the notice in accordance with this Declaration or the Bylaws. If additional property is annexed to the planned community of Ridgewater II during the Association's fiscal year, the Association shall send notice of and shall collect adjustments to assessments for Lots that were within the Property prior to the annexation. Notice of the adjustment in the assessments shall be sent to such Owners not later than sixty (60) days after the annexation or with the next occurring annual assessment, whichever is sooner. To the extent that any adjustment results in a credit with respect to assessments payable by an Owner, such credit shall be applied toward the next occurring payment or payments of the applicable assessment.

ARTICLE III - GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 3.1 Interim Board

Declarant shall have the right to appoint an interim board of three (3) directors, who shall serve as the Board until replaced by Declarant or until their successors have been elected by the Owners at the Turnover Meeting.

Section 3.2 Purpose of Maintenance Fund

The Board, for the benefit of the Owners, shall provide and shall pay for out of the maintenance fund provided for in Article II above the following:

- A. Taxes and assessments and other liens and encumbrances which shall properly be assessed or charged against the Common Areas rather than against the individual Lots and/or Owners, if any.
- B. Maintenance, repairs, and enhancement of the Common Maintenance Areas and any Improvements therein.
- C. The services of a professional person or management firm to manage the Association or any separate portion thereof to the extent deemed advisable by the Board, and the services of such other personnel as the Board shall determine to be necessary or proper for the operation of the Association, whether such personnel are employed directly by the Board or by the manager; provided that a management agreement entered into prior to the Turnover Meeting shall not have a term in excess of three (3) years and shall be terminable without penalty if the Board gives not less than thirty (30) days written notice of termination to the other party not later than sixty (60) days after the Turnover Meeting.
- D. Legal and accounting services.
- E. A policy or policies of insurance insuring the Association and/or its Board and officers against any liability to the public or to the Owners (and/or invitees or tenants) incident to the operation of the Association in any amount or amounts as determined by the Board, including a policy or policies of insurance as provided herein in Article IV.
- F. Workers compensation insurance to the extent necessary to comply with any applicable laws.
- G. Such fidelity bonds as may be required by the Bylaws or as the Board may determine to be advisable.
- H. Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes, assessments, fees or costs which the Board is required to obtain or pay for pursuant to the terms of this Declaration or by law, which are necessary to fulfill the obligations of the Association hereunder, or which in the Board's opinion shall be necessary or proper for the enforcement of this Declaration.

Section 3.3 Powers and Duties of Board

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

- A. To execute all declarations of ownership for tax assessment purposes with regard to the Common Areas, if any, on behalf of all Owners.
- B. To borrow funds to pay costs of operation secured by assignment or pledge of rights against delinquent Owners if the Board sees fit.
- C. To enter into contracts, maintain one (1) or more bank accounts, and generally to have all the power necessary or incidental to the operation and management of the Association.
- D. To protect or defend the Common Areas from loss or damage by suit or otherwise and to provide adequate reserves for replacements.
- E. To make reasonable rules and regulations for Ridgewater II, including the operation of the Common Areas, and to amend them from time to time; provided that, any rule or regulation may be amended or repealed by an instrument in writing signed by a majority of the Owners, or with respect to a rule applicable to less than all of the Common Areas, by the Owners in the portions affected.
- F. Within ninety (90) days after the end of the fiscal year, to distribute to each Owner and, upon written request, any mortgagee of a Lot, a copy of the annual financial statement consisting of a balance sheet and income and expenses statement for the preceding fiscal year.
- G. To make all books and records of the Association available for inspection by Owners at reasonable times and intervals.
- H. To adjust the amount, collect and use any insurance proceeds to repair damage or replace lost property, and if proceeds are insufficient to repair damage or replace lost property, to assess the Owners in proportionate amounts to cover the deficiency.
- I. To enforce the provisions of any rules made hereunder and to enjoin and seek damages from any Owner for violation of such provisions or rules.
- J. To collect all assessments and enforce all penalties for non-payment including the filing of liens and institution of legal proceedings.
- K. To grant easements, licenses and concessions through or over the Common Areas.

Section 3.4 Board Powers Exclusive

The Board shall have the exclusive right to contract for all goods, services and insurance, payment of which is to be made from the maintenance fund and the exclusive right and obligation to perform the functions of the Board except as otherwise provided herein.

Section 3.5 Maintenance Contracts

The Board, on behalf of the Association, may enter into contracts by which the Association agrees to perform services that the Association is not otherwise required to perform. Such contracts may be with any Owner or other person or entity and shall be upon such terms and conditions and for such consideration as the Board may deem proper, advisable and in the best interest of the Association. Without limiting the generality of the foregoing and by way of example, the Association may contract to install an Owner's driveway at the same time as the Association is completing road projects on Common Maintenance Areas.

ARTICLE IV - COMMON MAINTENANCE AREAS

Section 4.1 Improvements

The Declarant shall construct the following Improvements: cluster box mailboxes on the entry common area; a ten-foot paved pedestrian path providing access to the land along the canal; an entry median; landscaping and a sight-obscuring fence in the right of way along Ferguson Road; grass and sprinklers in the park; and the roads and pedestrian walkways/sidewalks within the Ridgewater II subdivision identified on the Plat. Notwithstanding the foregoing, the Declarant does not choose to limit its right to add Improvements not described in this Declaration to the planned community of Ridgewater II, whether as part of the Common Maintenance Areas or otherwise.

Section 4.2 Association to Hold

Declarant shall convey the Common Areas to the Association, free and clear of financial liens and encumbrances by not later than the Turnover Meeting. The Association shall own all Common Areas in fee simple and assume all maintenance obligations with respect to any Common Maintenance Areas, including any Common Areas that may be hereafter established. Nothing contained herein shall create an obligation on the part of Declarant to establish any Common Area. Following the conveyance of the Common Areas to the Association, the dedication, mortgage, or conveyance of any Common Areas shall require the affirmative vote of at least seventy five percent (75%) of the outstanding votes, as well as the approval of FHA and VA (as those terms are defined herein) so long as there is Class B membership in the Association. If neither FHA nor VA notifies Declarant or the Association of objections within fifteen (15) days of the date of request for approval, such approval shall be deemed to have been granted.

Section 4.3 Liability Insurance; Casualty Insurance

From on and after the date on which title to or responsibility for any Common Areas or Common Maintenance Areas vests in the Association, the Association shall purchase and carry (i) insurance for all insurable improvements in the Common Maintenance Areas against loss or damage by fire or other hazards, including extended coverage, vandalism and malicious mischief, which insurance shall cover the full replacements costs of any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost; and (ii) a general comprehensive public liability insurance policy for the benefit of the Association, covering occurrences on the Common Areas and in the Common Maintenance Areas and all damage or injury caused by the negligence of the Association, which policy limits shall be as determined by the Board of the Association, but shall include public liability insurance of at least One Million Dollars (\$1,000,000.00) per occurrence. The Association shall use its best efforts to see that such policy shall contain, if available, cross-liability endorsements or other appropriate provisions for the benefit of the Board, the Owners and other insureds, as their interests may be determined by the Board, ensuring all against liability to each other insured as well as third parties. Any proceeds of insurance policies owned by the Association shall be received, held in a segregated account and distributed to all interested parties, as their interests may be determined. The insurance coverage obtained and maintained by the Association may not be brought into contribution with insurance bought by Owners or their mortgagees.

Section 4.4 Condemnation

If there is a condemnation or a sale in lieu thereof of all or any portion of the Common Areas, the Association shall represent the Owners in negotiations with the condemning authority. The funds payable with respect thereto shall be payable to the Association and shall be used by the Association to purchase additional Common Areas to replace that which has been condemned or to take whatever steps it deems reasonably necessary to repair or correct any damage suffered as a result of the condemnation. If the Board of Directors of the Association determines that the funds cannot be used in such a manner due to the lack of available land for additional Common Areas or for whatever reason, any remaining funds may be distributed to each Owner based on an equal amount per Lot.

Section 4.5 Maintenance of Common Maintenance Areas

The Association will permanently maintain, repair and replace as necessary:

- A. All Common Maintenance Areas (including Common Areas and all improvements thereon);
- B. All improvements installed pursuant to Section 4.1;
- C. All landscaping, planting strips and concrete sidewalks along the public roadways within or adjacent to the Property;

D. Association irrigation lines within the public rights-of-way and street or sidewalk repairs resulting from failure to maintain, repair, or replace such lines; and

E. Any other area determined by the Board to be in the interest of the Association to maintain.

Section 4.6 Prohibited Activities

Neither the Association nor any Owner shall conduct any of the following activities within Common Maintenance Area (including all Common Areas): i) the removal of any tree greater than six (6) inches dbh (diameter at breast height, measured 4.5 feet above ground) without the written opinion of a certified Arborist that the tree is diseased and will not survive, or the tree poses a substantial threat of property damage or personal injury, and the written consent of the Board; ii) the removal of any other vegetation without the written consent of the Board; iii) the division, partitioning, or splitting of any Common Area without the written consent of the City of Bend; iv) the modification, grading, excavation, filling or other activities which would alter the topography or vegetative cover of any Common Maintenance Area or Common Area without the written consent of the Board; v) the disposal or placement of any debris, refuse, soil, rock, landscape debris or other deleterious materials; vi) parking, storage, repair, or disposal of any motor vehicle; and vii) motor vehicle access (except on roads or roadways as may be necessary for repairs or maintenance approved by the Board or in conjunction with maintenance of utilities).

ARTICLE V - ARCHITECTURAL REVIEW

Section 5.1 Architectural Control Committee

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

A. The members of the ACC shall be appointed, terminated and/or replaced by the Declarant so long as there is Class B membership. Thereafter the Board shall appoint the members of the ACC. After the Conversion Date, members of the ACC may be terminated and/or replaced by the Board with or without cause. Individuals may serve as members of the Board and members of the ACC simultaneously.

B. The purpose of the ACC is to enforce the architectural standards of the community and to approve or disapprove plans for Improvements proposed for the Lots.

C. The ACC shall act by simple majority vote, and shall have the authority to delegate its duties or to retain the services of a professional engineer, architect, designer, inspector or other person to assist in the performance of its duties; provided, however, if the costs of a professional engaged by the ACC is to be borne by a particular Owner whose plans are being reviewed, the Owner shall first be apprised in writing of the estimated costs thereof.

D. The ACC may establish an appeal procedure from time to time. After an Owner has exhausted all appeal remedies, if any, provided by the ACC, he may appeal the ACC's final decision to the Board. The Board shall have discretion as to whether to hear any such appeal, and in the event it elects not to hear an appeal, the ACC's decision in such matter shall be final. In the event that the Board hears an appeal, the Board's decision shall be final.

E. No approval of the ACC required hereunder shall be valid unless and until the same is granted in writing.

Section 5.2 Architectural Guidelines

Subject to the terms of this Section 5.2, the Board shall adopt and may from time to time, amend, modify or revise written Architectural Rules and Design Guidelines (the "Architectural Guidelines" or "Guidelines"). Adoption of the Architectural Guidelines may occur without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Amendments, modifications, or revisions to the Architectural Guidelines may be made by the Declarant, without the consent of anyone prior to conveyance of the first Lot to an Owner other than the Declarant. Thereafter the ACC shall have the right to amend, modify, or revise the Architectural Guidelines, subject to the approval of the Board. No such amendments, modifications, or revisions shall affect any prior ACC approval.

Section 5.3 Scope of Review

No building, fence, wall, patio, deck, outbuilding, landscaping, pool, athletic facility or other structure or Improvement shall be erected, altered or added onto upon any portion of the Property without the prior written consent of the ACC, provided however, that all Improvements erected, altered, added onto or repaired by Declarant shall be exempt from the provisions of this Article V. The Guidelines may include restrictions on, and ACC review shall include a review of, materials, colors, design, location and such other items as the ACC shall determine from time to time in its sole discretion.

Section 5.4 Submission of Plans

Before the initiation of construction upon any Lot (including material changes to landscaping), the Owner thereof shall first submit to the ACC a complete set of plans and specifications for the proposed Improvements, including site plans, grading plans, landscape plans, floor plans depicting room sizes and layouts, exterior elevations, specifications of materials and exterior colors, and any other information deemed necessary by the ACC for the performance of its function pursuant to the procedure outlined in the Architectural Guidelines (if any). In addition, the Owner shall submit the identity of the individual or company intended to perform the work and projected commencement and completion dates and funds in the amount of the applicable review fee. The review fee schedule shall be established by the ACC from time to time and shall set forth the review fee for various review/approval requests. The ACC shall have the right to amend the schedule, adjusting the fee amounts, from time to time, in its reasonable discretion. The initial review fee for a new dwelling shall be \$200, but shall be subject to

increase from time to time by the ACC in its reasonable discretion. The Association's Board shall have the authority to disapprove any fees that it deems unreasonable.

Section 5.5 Plan Review

Upon receipt by the ACC of all of the information required by this Article V, it shall have twenty-one (21) days in which to review said plans. The proposed Improvements will be approved if, in the sole opinion of the ACC: (i) the Improvements will be of an architectural style and material compatible with the other structures in the Property; (ii) the Improvements will not violate any restrictive covenant or encroach upon any easement or cross building setback lines; (iii) the Improvements will not result in the reduction in property value, use or enjoyment of any of the Property; (iv) the individual or company intended to perform the work has provided proof that it is licensed under the laws of the State of Oregon and has procured insurance reasonably acceptable to the ACC; and (v) the Improvements will be substantially completed, including all cleanup, within three (3) months of the date of commencement (twelve (12) months for the construction of a complete house). If the ACC fails to issue its written approval, or rejection, within twenty-one (21) days of its receipt of the last of the materials or documents required to complete the Owner's submission, the ACC's approval shall be deemed to have been granted without further action.

Section 5.6 Non-Conforming Structures

If there shall be a material deviation from the approved plans in the completed Improvements, such Improvements shall be in violation of this Article V to the same extent as if erected without prior approval of the ACC unless the Owner subsequently obtains ACC approval for such deviation, which approval may be granted or denied in the ACC's sole discretion. The ACC, the Association or any Owner may maintain an action at law or in equity for the removal or correction of the non-conforming structure and, if successful, shall recover from the Owner in violation all costs, expenses and fees incurred in the prosecution thereof, which, if incurred by the Association, shall constitute an assessment against the applicable Lot(s).

Section 5.7 Immunity of ACC Members

No individual member of the ACC shall have any personal liability to any Owner or any other person for the acts or omissions of the ACC if such acts or omissions were committed in good faith and without malice. The Association shall defend any action brought against the ACC or any member thereof arising from acts or omissions of the ACC committed in good faith and without malice.

Section 5.8 Limited Review

Any review and approval made by the ACC is limited to compliance with the intent of the architectural standards of the neighborhood as may from time to time be established by the Board and/or the Architectural Guidelines. The review and approval made by the ACC is not to be construed as superseding, replacing, or modifying any review, approval, or permit required by any local, state or federal jurisdictional agencies. It is the applicant's responsibility

to obtain and comply with any permits that may be required by any local, state, or federal jurisdictional agency. Nor shall any such review or approval be deemed an assurance or statement of compliance with any applicable laws, ordinances or regulations.

Section 5.9 Address for Notice

Requests for ACC approval or correspondence with the ACC shall be addressed to Ridgewater II Architectural Control Committee, c/o Cascade Bookkeeping, 361 NE Franklin, Bend, Oregon 97701, or such other address as may be designated from time to time by the ACC in a writing addressed to all Owners. No correspondence or request for approval shall be deemed to have been received until actually received by the ACC in a form satisfactory to the ACC.

Section 5.10 Completion of Improvements

Once construction has commenced, each Owner shall have twelve (12) months during which to substantially complete construction, including all cleanup, of the initial Unit and three (3) months thereafter to complete the installation of landscaping on the Lot. ACC approval shall be deemed invalid if construction does not commence on the approved Improvement within three (3) months of approval or such longer period of time as may be specified by the ACC. The ACC shall have the right to grant extensions for any deadline in this Section 5.10 with respect to any Lot when it deems the same reasonable under the circumstances.

Section 5.11 Unimproved Lot Maintenance

Each Owner shall maintain any vacant Lot he or she owns in a manner consistent with those standards set forth by the ACC for vacant Lots. An Owner who chooses to hold a Lot for future construction may do so provided the Lot is maintained in an attractive and neat condition. Unimproved Lots shall be maintained to assure that grasses and other vegetation does not exceed eight inches in height and are not otherwise a fire hazard. If a Lot is not maintained as required by this Section 5.11, the Association shall have the right to perform the necessary maintenance and assess the Lot Owner for such costs.

Section 5.12 Construction Damage to Common Areas

Each Owner shall be responsible for any damage to any Common Area or Common Maintenance Area, including without limitation, damage to roads within Ridgewater II, to the extent the same is caused by construction activities at the Owner's Lot or Unit. The foregoing shall include, without limitation, damage caused by vehicles entering and/or exiting Ridgewater II for purposes of performing construction on, or supplying materials to, the Owner's Lot or Unit.

ARTICLE VI - EASEMENTS

Section 6.1 Utility Easements

As long as the Declarant owns a Lot, the Declarant hereby reserves the right to grant perpetual, nonexclusive easements for the benefit of Declarant or its designees, upon,

across, over, through and under any portion of the Common Area for ingress, egress, installation, replacement, repair, maintenance, use and operation of all utility and service lines and service systems, public and private, including, without limitation, cable television. Declarant, for itself and its designees, reserves the right to retain title to any and all pipes, lines, cables or other improvements installed on or in such easements. The Board shall also have the right to grant the easements described herein, subject to the approval of the Declarant so long as Declarant owns a Lot.

Section 6.2 Declarant's Easement to Correct Drainage

Declarant hereby reserves for the benefit of Declarant and any Builder a blanket easement on, over and under the ground within the Property to maintain and correct drainage of surface waters and other erosion controls in order to maintain reasonable standards of health, safety and appearance and shall be entitled to remove trees or vegetation, without liability for replacement or damages, as may be necessary to provide adequate drainage facilities. Notwithstanding the foregoing, nothing herein shall be interpreted to impose any duty upon Declarant or any Builder to correct or maintain any drainage facilities within the Property.

Section 6.3 Easement for Unintentional Encroachment

The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon the Common Area caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of the Property, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

Section 6.4 Entry Easement

If the Owner of any Lot fails to maintain the Lot as required herein, fails to comply with any requirements hereunder, or if there is an emergency, the Association and/or the ACC shall have the right to enter upon the Lot as provided herein. The Association shall have the right to enter upon the Lot to make emergency repairs without providing advance notice. The Association shall have the right to enter upon the Lot to do other work reasonably necessary for the proper maintenance and operation of the Lot after providing one (1) days' written notice to the Owner. In the event that the failure to comply is related to Article V and/or the Guidelines, the ACC shall have the right to enter upon the Lot to do the work reasonably necessary to bring the Lot into compliance by providing one (1) days' written notice to the Owner. In each case that notice is required, such notice may be made by a posting on the front door of the Unit located on the particular Lot. Entry upon the Lot as provided herein shall not be deemed a trespass, and neither the Association nor the ACC shall be liable for any damage so created unless such damage is caused by the Association's or the ACC's willful misconduct or gross negligence.

Section 6.5 Reserved Easements

Easements for installation and maintenance of utilities, storm water retention/detention ponds, and/or buffers with adjacent property are reserved as may be shown on

the recorded Plat or any replat of the Property. Within these easement areas, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may hinder or change the direction of flow of drainage channels or slopes in the easements. The easement area of each Lot and all improvements contained therein shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

Section 6.6 Temporary Completion Easement

All Lots shall be subject to an easement of ingress and egress for the benefit of the Declarant, its employees, subcontractors, successors and assigns, over and upon the front, side and rear yards of the property as may be expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon Lots adjacent to the property, provided that such easement shall terminate twenty-four (24) months after the date such Lot is conveyed to the Owner by the Declarant.

Section 6.7 Maintenance Easements

An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across and upon the Common Areas and any Common Maintenance Areas or other areas of the Ridgewater II Subdivision necessary or appropriate for purposes of accomplishing the maintenance, repair, replacement or other obligations of the Association hereunder.

ARTICLE VII - USE, OCCUPANCY, CASUALTY, INSURANCE, MAINTENANCE

Section 7.1 Residential Use; Compliance with Applicable Laws

All Lots and Units shall be used only for residential purposes in accordance with, and subject to, the other provisions of this Declaration; provided, however, no duplexes or townhouses shall be permitted. No Owner or Owners of any Lot may rent his or her Unit to any person or persons for transient occupancy. As used herein, "transient occupancy" shall mean a period of thirty (30) days or less. Transient use shall not include a rental of any Unit for a period of in excess of thirty (30) consecutive calendar days. Each Owner shall be responsible for compliance by all of such Owner's visitors, tenants or invitees, whether such visitor, tenant or invitee is occupying the Owner's Lot and/or Unit or otherwise visiting or using any portion of the Property, with all provisions of this Declaration, any and all rules and regulations, and all applicable laws. All construction and use of Lots and Units shall be in accordance with all applicable laws, including, without limitation, City of Bend ordinances and codes.

Section 7.2 Commercial, Institutional, or Other Non-Residential Uses

No commercial, institutional, or other non-residential use (including residential day care facilities) shall be conducted on any Lot without the written approval of the Board. Any such use must comply with applicable law, including, without limitation, zoning requirements.

The decision of the Board shall be final and conclusive. The Board may review, and repeal, any such approval from time to time at the discretion of the Board if, in the opinion of the Board, the use has changed or increased to a level not consistent with the original approval. In no event shall the decision of the Board as to permissibility of a requested non-residential use be construed as a representation of the legal permissibility of such use.

Section 7.3 Declarant or Builder Use

The provisions of this Article shall not apply to the use of any Lot or Unit by the Declarant or any Builder as i) a model home, sales office, or construction office; or ii) the use of any Lot as a site for a sales office trailer or construction office trailer.

Section 7.4 Owner Insurance

Each Owner of a Lot shall obtain, and maintain in effect, from a reputable insurance company authorized to do business in the State of Oregon, public liability and property damage insurance with respect to such Lot with limits of not less than Three Hundred Thousand Dollars (\$300,000.00) per person per occurrence and Three Hundred Thousand Dollars (\$300,000) for property damage. Additionally, each Owner shall obtain and maintain in effect, from such companies, fire and extended coverage casualty insurance with respect to the Owner's Unit in an amount equal to one hundred (100) percent of the replacement cost thereof. Each Owner shall also be responsible for obtaining fire and extended coverage casualty insurance with respect to that Owner's personal property. No Owner shall be obligated to obtain any of the insurance coverages described in Section 4.3, nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association. The Association shall have the right, but not the obligation, to request evidence that any Owner has procured the required insurance. Upon written request from the Association, an Owner shall present a certificate of insurance evidencing the required coverages. The Association shall have the right, but not the obligation, to increase the coverage limits established by this Section 7.4 from time to time to reflect increases in the cost of living. Such increases shall require neither an amendment to this Section 7.4, nor a vote of the Owners, and shall be effected, if at all, by providing written notice to each Owner not less than thirty (30) days prior to the effective date of such increases.

Section 7.5 Casualty

In the event of damage to or destruction of a Unit, the Owner of the Unit shall repair, reconstruct, and rebuild the damaged or destroyed portions of the Unit to substantially the same condition that existed prior to the damage or destruction. All repair, reconstruction, or rebuilding shall begin within six (6) months following the damage or destruction, and shall be diligently pursued to completion within twelve (12) months following the damage or destruction, unless work is delayed by causes beyond the reasonable control of the Owner. If an Owner fails to repair such damage timely, the Association shall have all rights of enforcement and remedies set forth under this Declaration. The ACC shall have the right to extend the deadlines contained in this Section 7.5 if it deems the same reasonable under the circumstances; provided, however, in no event may any Owner leave his or her Unit or Lot in a condition that poses a health or

safety hazard. Notwithstanding the foregoing terms of this Section 7.5, an Owner may elect not to reconstruct a Unit that has been more than fifty percent (50%) destroyed, provided the Owner demolishes the remaining portions of the Unit and removes all debris from the Lot within six (6) months of the date of the casualty and thereafter keeps the Lot in good and safe condition and repair; and provided further, any later reconstruction of a Unit shall be completed within twelve (12) months of the date of commencement of construction and shall be subject to ACC review and approval procedures.

Section 7.6 Lots Fronting Ferguson Road

By acceptance of a deed to a Lot fronting Ferguson Road, the Owner thereof acknowledges that he or she is responsible to the City of Bend, pursuant to the City's approval of Ridgewater II, for the maintenance of the frontage on his or her Lot (including all Improvements located therein). Notwithstanding the foregoing, this Declaration identifies such frontage as a Common Maintenance Area and obligates the Association to undertake all maintenance thereof. However, in the event that the Association fails to maintain such frontage, the City shall have the right to take action against the individual Lot Owners.

ARTICLE VIII- PROPERTY RIGHTS

Section 8.1 Owner's Use and Occupancy

Except as otherwise provided herein, by applicable law or by the terms of any instruments recorded against the applicable Lot, the Owner of a Lot shall be entitled to the exclusive use and benefit of such Lot. Declarant, the ACC and any representative of the Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any Lot for the purpose of determining whether or not the use of and/or Improvements on such Lot are then in compliance with this Declaration; provided that, except in the case of emergency, the Owner is first provided with one day's written notice, which notice may be posted upon the Unit. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Lot.

Section 8.2 Owners' Easements of Enjoyment

Every Owner shall have a right and easement in and to the Common Areas and a right and easement of ingress and egress to, from and through said Common Areas, and such easement shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

A. The right of the Association to establish and publish rules and regulations governing Ridgewater II, including use of the Common Areas, affecting the welfare of Association members.

B. The right of the Association to suspend the right of use of the Common Areas and the voting rights of an Owner for any period during which any assessment against his

Lot remains unpaid or during which such Owner is otherwise in material breach hereunder; and for a period not to exceed sixty (60) days for any infraction of its published rules and regulations.

C. The right of the Association, subject to the provisions hereof, to dedicate or transfer all or any part of the Common Areas, if any, to any public agency, authority or utility for public right-of-way purposes. Any other transfer or mortgage of Common Areas requires the consent of at least seventy-five percent (75%) of the votes outstanding, and the consent of the Declarant so long as Declarant owns a Lot.

D. All easements herein described are easements appurtenant to and running with the land; they shall at all times inure to the benefit of and be binding upon the undersigned, all of their grantees, and their respective heirs, successors, personal representatives and assigns, perpetually and in full force.

Section 8.3 Effect of Declaration

Reference in any deed, mortgage, trust deed or any other recorded documents to the easements, restrictions and covenants herein described or to this Declaration shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees, or trustees of said parcels as fully and completely as if those easements, restrictions and covenants were fully related and set forth in their entirety in said documents.

Section 8.4 Rezoning Prohibited

No Lot shall be rezoned to any classification allowing commercial, institutional or other non-residential use without the prior written consent of the Board and of the Declarant so long as Declarant owns a Lot, which may be withheld in the Board's or Declarant's sole discretion, as applicable. Declarant or the Board may enforce this covenant by obtaining an injunction against any non-approved rezoning at the expense of the enjoined party.

Section 8.5 Lot Consolidation and Division

No Lot may be consolidated with another Lot and no Lot may be subdivided.

Section 8.6 Drainage Alteration Prohibited

The surface water drainage contours of each Lot shall conform to the approved grading plan established by the Declarant or any Builder. No Owner shall fill or alter any drainage swale established by the Declarant or any Builder, nor shall any Owner install landscaping or other improvements that divert surface water runoff from the drainage patterns, swales and easements established by the Declarant or any Builder. Each Owner shall take steps to assure that its Lot has adequate drainage and does not cause runoff to be directed onto any adjacent property.

ARTICLE IX- USE RESTRICTIONS/BUILDING STANDARDS

Section 9.1 Required Lighting, Exterior Lighting and Noise-making Devices.

Except as provided in this Section 9.1 or as otherwise approved by the ACC, no exterior light or noise-making devices, other than security and fire alarms, shall be installed or maintained on any Lot. All exterior lighting shall comply with applicable law, including any City of Bend ordinances, and must be approved by the ACC. Notwithstanding the foregoing, exterior ornamental lighting shall be permitted, provided the same uses no greater than a 10 watt white light bulb and does not materially negatively impact adjacent properties, and provided further, that in the event of disputes over the impact of such lighting on adjacent properties, the determination of the ACC shall be definitive.

Section 9.2 Nuisances

No noxious or offensive activity shall be carried out upon any Lot, nor shall anything be done thereon which may be or may become an annoyance or nuisance to the neighborhood. Without limiting the generality of the foregoing, "noxious or offensive activity" shall include the generation of noxious odors or noise. The Board shall have the sole authority to determine nuisances and its decision shall be final and conclusive.

Section 9.3 Development Activity

Notwithstanding any other provision herein, Declarant and its successors and assigns, including Builders, shall be entitled to conduct on the Property all activities normally associated with and convenient to the development of the Property and the construction and sale of dwelling units on the Property.

Section 9.4 Temporary Structures

No structure of a temporary character, including, without limiting the generality thereof, any trailer, tent, shack, garage, barn, motor home or mobile home or other outbuilding, and no prefabricated or relocated structure shall be used on any Lot at any time as a residence, either temporarily or permanently. This restriction shall not be interpreted to limit the right of Declarant or any Builder to use trailers or outbuildings as sales offices, construction offices, material storage facilities, or sanitation facilities.

Section 9.5 Signs

No sign or emblem of any kind may be kept or placed upon any Lot or mounted, painted or attached to any Unit, fence or other improvement upon such Lot so as to be visible from public view or mounted on any vehicle or trailer parked or driven on the Property or carried by any person or by any other means displayed within the Property except as provided below:

A. "For Sale" Signs

An Owner may erect one (1) sign not exceeding two (2) feet by three (3) feet in dimension, fastened only to a stake in the ground and extending not more than three (3) feet above the surface of the ground advertising the property for sale.

B. "For Rent" Signs

An Owner may erect one (1) sign not exceeding three (3) square feet in area advertising the property for rent. Such signs shall be visible from the front of the Unit only, and shall be displayed from within the Unit. No such sign shall be erected within a lawn or landscape area on any Lot, or attached to the outside of the Unit.

C. Declarant's Signs

Signs or billboards may be erected by the Declarant and are exempt from the provisions of this Section 9.5. Signs that are no larger than two feet by two feet may be erected by a Builder and are exempt from the provisions of this Section 9.5. No Builder may construct a sign larger than two feet by two feet without the written consent of the ACC.

D. Political Signs

Political signs may be erected upon a Lot by the Owner of such Lot advocating the election of one or more political candidates or the sponsorship of a political party, issue or proposal provided that such signs shall not be erected more than ninety (90) days in advance of the election to which they pertain and shall be removed within fifteen (15) days after the election.

E. Subdivision Identification Signs

Signs, monumentation or billboards may be erected by the Declarant or the Association to identify the subdivision, with approval from the local jurisdictional authority, if applicable.

F. Commercial Vehicle Emblems

Vehicle displaying commercial emblems shall not be kept or parked on any Lot except as provided in Section 9.6.

Section 9.6 Campers, Boats, Recreational Vehicles, Certain Trucks, Commercial Vehicles, and other Non-Passenger Vehicles

No campers, boats, boat trailers, recreational vehicles, commercial vehicles, trucks weighing more than 10,000 pounds GVW, or other types of non-passenger vehicles, equipment, implements, or accessories shall be kept or stored on any Lot except (i) with the Board's approval, or (ii) as provided below:

A. Subject to parking restrictions contained herein or posted on streets from time to time, recreational vehicles may be parked in front of a Lot or in the driveway for a Lot for up to 48 hours at any one time for loading or unloading purposes, but in no event more than 120 hours during any calendar month. Except for the foregoing purposes, no recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-passenger vehicles, equipment, implements, or accessories shall be parked or stored on any Lot unless the same are adequately screened from the view of adjacent properties and the street.

B. No commercial vehicle bearing commercial insignia or names shall be kept or stored on any Lot unless approval of the Board is granted. Commercial vehicles bearing commercial insignia or names which are temporarily parked on any Lot for the sole purpose of serving such Lot are exempt from this restriction. The Board, as designated in this Declaration, shall have the absolute authority to grant approval for storing or keeping a commercial vehicle on a Lot. Any Owner wishing to keep a commercial vehicle on any Lot shall apply for approval to the Board, and shall provide such information as the Board, in its sole authority, may require. The Board may from time to time in its sole discretion review the approval to keep a commercial vehicle on any Lot to determine if the vehicle complies with the intent of the original approval. Upon an adverse determination by the Board, any commercial vehicle shall be removed and/or otherwise brought into compliance with the requirements of this Section 9.6.

C. Except as otherwise specifically provided herein, no recreational vehicles, disabled vehicles, campers, boats, boat trailers, recreational trailers, or other types of non-passenger vehicles, equipment, implements, or accessories may be kept or stored on any street within the Property.

D. The Board, as designated in this Declaration, shall have the absolute authority to determine from time to time whether a vehicle, equipment, implements and/or accessory is operable and adequately screened from public view. Upon an adverse determination by said Board, the vehicle and/or accessory shall be removed and/or otherwise brought into compliance with this Section 9.6.

E. No dismantling or assembling of motor vehicles, boats, trailers, recreational vehicles, or other machinery or equipment shall be permitted in the streets within the Property, or in any driveway or yard adjacent to a street, or that is not screened from view.

Section 9.7 Pets, Livestock and Poultry

No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot, except for cats, dogs or other generally recognized household pets of a reasonable (in the event of disputes, the decision of the ACC shall be determinative) number, provided that they are not kept, bred, or maintained for any commercial purpose; and provided further, that no more than three (3) adult animals may be kept on a single Lot. All such animals shall be kept in the rear yard only and in strict accordance with all applicable laws and ordinances (including ordinances related to barking dogs and leash laws) and in accordance with all rules established by the Association. No animal shall be allowed to run at large, and all animals shall be kept within enclosed areas which must be clean, sanitary, and reasonably free of refuse, insects and waste at

all times. Such enclosed area shall be constructed in accordance with plans approved by the ACC, shall be of reasonable design and construction to adequately contain such animals in accordance with the provisions hereof, and shall be screened so as not to be visible from any other portion of the Property.

Section 9.8 Garbage and Refuse Disposal; Wood Piles

No Lot, Common Area or any other portion of the Ridgewater II Subdivision shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept, or disposed of, on any Lot or Common Area except in sanitary containers. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition. No cans, bags, containers or receptacles for the storing or disposal of trash, garbage, refuse, rubble, debris, or recyclable materials shall be stored, kept, placed or maintained on any Lot where visible from any street except solely on a day designated for removal of garbage, rubbish, or recyclable materials, and on which days only such cans, bags, containers, and receptacles may be placed in front of a residence and beside a street for removal, but shall be removed from view before the following day. All wood piles shall be screened from the view of any portion of the Property other than the applicable Lot. All such screening shall be of an attractive nature, consistent with the overall development scheme of Ridgewater II.

Section 9.9 Parking in Common Areas/No Parking Signage

No vehicles, trailers, implements or apparatus may be driven or parked in the Common Areas, or on any easement unless in use for maintaining such Common Areas, provided however, that this restriction shall not apply to driveways, streets or paved areas intended for vehicular use. In addition, parking of vehicles is prohibited on any public or private street within the Property that is signed or otherwise marked for "No Parking" by the Association or a governmental authority. The Association shall have the right to tow any vehicles in violation of this Section 9.9 at the vehicle owner's expense.

Section 9.10 Commercial or Institutional Use

No Lot, and no building erected or maintained on any Lot shall be used for manufacturing, industrial, business, commercial, institutional or other non-residential purposes, except as set forth in Article VII.

Section 9.11 Detached Buildings

No detached accessory buildings, including, but not limited to, detached garages and storage buildings, shall be erected, placed or constructed upon any Lot without the prior consent of the ACC. Every detached accessory building, inclusive of such structures as storage buildings, greenhouses, doghouses, or children's playhouses shall be compatible with the dwelling to which it is appurtenant in terms of its design and material composition.

Section 9.12 General Landscaping and Exterior Maintenance

A. Decorative ground cover consisting of bark dust/mulch or rock in the front and side yard may not exceed ten (10) percent of the total area of the front and side yard unless otherwise approved by the ACC. Decorative ground cover consisting of bark dust/mulch or rock in the back yard may not exceed forty (40) percent of the total area of the back yard excluding side yards, decks, patios, or sidewalks, unless otherwise approved by the ACC. Growth of grasses in lawns must be properly maintained not to exceed six (6) inches in height. Landscaping of front yards shall contain at least five hundred (500) square feet of lawn or sod unless otherwise approved by the ACC.

B. Each Lot Owner shall keep all shrubs, trees, grass, and plantings of every kind on his or her Lot cultivated, pruned, free of trash, and other unsightly material. Each Lot Owner shall keep all Improvements upon his or her Lot in good condition and repair and adequately painted or otherwise maintained. Declarant, the Association, and the ACC shall have the right at any reasonable time to enter upon any Lot to replace, maintain, and cultivate shrubs, trees, grass, or other plantings as deemed necessary; and to paint, repair, or otherwise maintain any improvements in need thereof, and to charge the cost thereof to the Lot Owner, provided, however, except in the case of emergency, the Declarant, the Association and/or the ACC shall first provide the Owner with at least one (1) day's prior written notice, which notice may be given by a posting on the front door of the Unit located on such Lot.

C. The initial landscaping, as well as all subsequent material changes to such landscaping, shall be subject to final approval by the ACC; provided, however, the planting of annual flowers or plants shall not require ACC approval. In the event that an Owner complains to the ACC that the annual flowers or plants planted by another Owner are not in keeping with the general character and appearance of Ridgewater II, the ACC shall review the same and its determination shall be conclusive. The front yard of each Lot shall be fully landscaped and irrigated no later than twelve (12) months after commencement of construction on the initial Unit on such Lot. Front yard landscaping shall remain fully irrigated unless otherwise approved by the ACC. The rear yard on each Lot shall be landscaped no later than eighteen (18) months after commencement of construction on the initial Unit on such Lot. All Owners shall keep their Lots, including all Improvements thereon, well-maintained and in an attractive condition, consistent with the overall development approved within Ridgewater II by the ACC. All vacant Lots shall be maintained in a manner that is consistent with ACC guidelines for vacant Lots.

D. Each Lot Owner shall assure that his Lot includes at least one (1) evergreen tree of a minimum of eight (8) feet in height in the front yard; provided, however, the ACC, in its reasonable discretion, shall have the right to permit a Lot Owner to substitute another type of tree in the event placement is impractical, a family member of Owner is allergic or the ACC otherwise determines the exemption or substitution is reasonable under the circumstances. Except in the case of imminent threat of harm to persons or Improvements, the removal of trees greater than four inches dbh shall require the prior written approval of the ACC.

Section 9.13 Antennae, Satellite Dishes and Solar Collectors

No Owner may erect or maintain a television or radio receiving or transmitting antenna, satellite dish or similar implement or apparatus, or solar collector panels or equipment upon any Lot unless such apparatus is erected and maintained in such a way that it is screened from public view along the public street right-of-way directly in front (and side, in the case of a corner Lot) of the house erected on such Lot; and no such apparatus shall be erected without the prior written consent of the ACC. The ACC, as designated in this Declaration, shall have the absolute authority to determine whether an accessory is adequately screened from public view. The authority of the ACC in this matter shall be subject to any regulations issued by the Federal Communications Commission ("FCC") or any other applicable governmental authority.

Section 9.14 Clothes Hanging Devices/Fences

Clothes hanging devices exterior to a dwelling shall be temporary, unaffixed structures, shall not exceed six (6) feet in height and shall not be placed nearer to any street abutting the Lot than the side yard setback line or the back of the Unit constructed on the Lot. Clothes hanging devices shall be permitted if screened from public view by a fence approved by the ACC; provided, however, the foregoing shall not be construed to require the ACC to approve fencing in any case. No fences shall be permitted except those constructed by Declarant or those that receive prior written approval from the ACC.

Section 9.15 Unit Construction Parameters/Square Footage/Screening/Siding

The minimum square footage area of Units erected on Lots, exclusive of open porches, garages and outbuildings, shall be not less than 1,500 square feet for single-story Units, nor less than 1,800 square feet for two-story Units. No less than 10% and no more than 50% of the front of each Unit shall be constructed of or covered by stone, brick and/or stucco. The exterior colors of each Unit shall be subject to approval by the ACC. At a minimum, all garbage cans or dumpsters and exterior heating, ventilation and air conditioning features shall be screened or otherwise hidden from view from the front of a Lot. The ACC shall have the right to require additional screening of these elements as it deems necessary to preserve the character of Ridgewater II. Each Unit shall have a garage with a minimum of two car capacity. There shall be no T-111 grooved siding. T-111 non-grooved siding may be used with batts, provided the same is first approved by the ACC. Unpainted garage doors shall not be permitted.

Section 9.16 Roofing

The roof on each Unit shall be of a 30-year architectural composition roofing minimum. The minimum roof pitch shall generally be 6/12; provided, however, the ACC shall have the authority to approve deviations from this minimum on a case-by-case basis if it determines that the same will result in an attractive Unit that is consistent with the Ridgewater II design standards and that will not negatively impact the values of surrounding Ridgewater II Units or clash with the overall appearance of Ridgewater II. Roof colors must be approved by the ACC. Roof colors shall generally be of black, brown or gray tones, but the ACC shall have authority to approve other tones on a case-by-case basis if it determines that the same will result

in an attractive Unit that is consistent with the Ridgewater II design standards and that will not negatively impact the values of surrounding Ridgewater II Units or clash with the overall appearance of Ridgewater II. Any sheet metal or venting on the roof or roof line shall be painted to match the roof color.

Section 9.17 Duplication of Unit Design

Duplication of Unit design shall only be permitted under the following circumstances: (i) the duplicated Units are separated by at least four (4) other Lots (determining what constitutes 4 Lots shall be within the ACC's discretion); (ii) the front elevation of the Unit that duplicates another must be changed from the Unit that it duplicates in an amount deemed sufficient by the ACC; and (iii) the duplication must be approved by the ACC. Any issues of interpretation under this Section 9.17 shall be in the sole discretion of the ACC.

Section 9.18 Driveways/Walkways

Any driveways and/or walkways installed on a Lot shall be concrete, unless otherwise approved by the ACC.

Section 9.19 Setback Lines

All buildings or other structures (including fences), permanent or temporary, habitable or uninhabitable, must be constructed, placed and maintained in conformity with setback standards imposed by the local governmental jurisdictional authority.

Section 9.20 Security

Neither Declarant nor the Association shall be responsible for security of the neighborhood, the Common Maintenance Areas (including the Common Areas) or any Unit or Lot, and the Owners are exclusively responsible for security of their Units, Lots and property.

Section 9.21 Water and Sewage Systems

No individual water supply system or sewage disposal system shall be permitted on any Lot, including but not limited to water wells, cesspools or septic tanks.

Section 9.22 Construction Activities

This Declaration shall not be construed so as to unreasonably interfere with or prevent normal construction activities during the construction or remodeling of or making of additions to improvements by a Lot Owner (including Declarant) upon any Lot within the Property. Specifically, no such construction activities shall be deemed to constitute a nuisance or a violation of this Declaration by reason of noise, dust, presence of vehicles or construction machinery, posting of signs or similar activities, provided that such construction is pursued to completion with diligence and conforms to usual construction practices in the City of Bend area; and provided further, each Lot Owner shall use reasonable efforts (or shall require his or her builder to use reasonable efforts) to minimize dust impact from construction on surrounding

property. In the event that construction upon any Lot does not conform to usual practices in the area as determined by the ACC in its sole good faith judgment, the ACC shall have the authority to obtain an injunction to stop such construction. In addition, if during the course of construction upon any Lot, there is excessive accumulation of debris of any kind which is offensive, or detrimental to it or any other portion of the Property, then the ACC may contract for or cause such debris to be removed, and the Lot Owner shall be liable for all expenses incurred in connection therewith.

Section 9.23 ACC Supervisory Authority Over Construction Activities

Except for such construction activity as is undertaken by Declarant, all construction activities on the Property, including, without limitation, staging, shall be governed by the ACC and such guidelines, rules and regulations as it may promulgate from time to time.

ARTICLE X - ANNEXATION

Section 10.1 Annexation by Declarant

At any time during the Initial Term of this Declaration, the Declarant may, at its sole option, annex additional property into the Association to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Declarant currently anticipates that there will be a total of approximately fifty-six (56) Lots in the planned community of Ridgewater II, including the Lots currently existing, and Lots expected to be created in property to be annexed to Ridgewater II, but this number may be adjusted at the sole discretion of Declarant, subject to the terms of Section 10.1.A. Declarant shall have no obligation of any kind to annex any additional property to the Property.

So long as there is Class B membership, Declarant shall submit a written request for approval of any annexation under this Section to the FHA and the VA accompanied by a copy of the Declaration of Annexation. If neither FHA nor VA notifies Declarant of objections to the annexation within fifteen (15) days of the date of Declarant's request for approval, such approval shall be deemed to have been granted.

A. Eligible Property

Any or all of the real property in the City of Bend, Deschutes County, Oregon, adjacent to ("adjacent" property shall include property on the other side of a public right of way, a public or private street or a body of water) or contiguous with the Property shall be eligible for annexation. There is no limitation on the number of Lots which Declarant may annex to the Property, or the right of Declarant to annex Common Areas, except as may be established by applicable ordinances, agreements, or land use approvals.

B. Consent or Joinder Not Required

No consent or joinder of any Class A member or other party except the record owner of the land being annexed shall be necessary to effect any annexation made pursuant to this Section.

C. Declaration of Annexation

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

- i) establish such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property;
- ii) establish additional or different limitations, uses, restrictions, covenants and conditions as Declarant may deem to be appropriate for the development of such annexed property; and/or
- iii) contain provisions necessary or appropriate to comply with any condition, requirement, or imposition of any governmental or regulatory authority.

Without limitation of the meaning of the foregoing provisions of this Section 10.1, in any Declaration of Annexation Declarant may, but shall not be obligated to, establish easements particular to different Lots.

D. Voting Rights; Allocation of Assessments

Upon annexation, additional Lots so annexed shall be entitled to the voting rights as set forth in Section 2.2, and assessments shall be reallocated and reapportioned in the manner set forth in Section 2.14.

Section 10.2 Annexation by Action of Members

At any time the Board may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Declaration to the same extent as if originally included herein. No such annexation shall be effective unless approved by at least seventy-five percent (75%) of the outstanding votes, and by FHA and VA as set forth in Section 10.1 above and by Declarant so long as Declarant owns at least one (1) Lot. Any property that is contiguous to existing property subject to this Declaration may be annexed hereto according to the foregoing requirements, provided however, that no such annexation shall be effective without the consent and joinder of the owners of the property to be annexed. Such

annexation must be evidenced by a Declaration of Annexation as set forth in Subsection 10.1.C above executed by the parties herein described.

Section 10.3 No Duty to Annex

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

ARTICLE XI - GENERAL

Section 11.1 Remedies

If any default by any Owner under the provisions of the Declaration, Bylaws or rules and regulations of the Association shall occur, the Association and any Owner shall have each and all of the rights and remedies which may be provided for in this Declaration, the Bylaws and said rules and regulations, and those which may be available at law or in equity, and may prosecute any action or other proceedings against such defaulting Owner and/or others for enforcement of any lien, statutory or otherwise, including foreclosure of such lien and the appointment of a receiver for the Lot and ownership interest of such Owner, or for damages or injunction, or specific performance, or for judgment for payment of money and collection thereof, or for any combination of remedies, or for any other relief. No remedies herein provided or available at law or in equity shall be deemed mutually exclusive of any other such remedy. All expenses of the Association in connection with any such actions or proceedings, including court costs and attorneys' fees and other fees and expenses, and all damages, liquidated or otherwise, together with interest from the due date until paid at the rate set by the Board from time to time but in no event greater than the highest rate allowed by Oregon law at the time of the non-payment (but, with reference to any Lots financed by FHA insured loans, not in excess of the maximum rate of FHA loans at the time of delinquency), from the due date until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of his respective maintenance assessment (to the same extent as the lien provided herein for unpaid assessments), upon the Lot and upon all of his additions and improvements thereto, and upon all of his personal property upon the Lot. Any and all of such rights and remedies may be exercised at any time and from time to time, cumulatively or otherwise, by the Association or any Owner. Without limiting the generality of this Section 11.1, any and all costs incurred by the Association and/or the ARC in remedying an Owner's violation of this Declaration shall be an assessment against such Owner's Lot, secured by a lien upon such Lot pursuant to the terms of Section 2.12.

Section 11.2 Fines Imposed by the Association

In addition to any other remedies available to the Association hereunder, the Association shall have the right to impose reasonable fines upon an Owner who violates the Declaration, Bylaws and any rules or regulations of the Association, in the manner and amount the Board deems appropriate in relation to the violation.

Section 11.3 Term and Amendments

The covenants and restrictions of this Declaration shall run with and bind the land for a term of thirty (30) years from the date this Declaration is recorded (the "Initial Term"), after which time they shall be automatically extended for successive periods of ten (10) years each, unless a signed petition containing the signatures of at least seventy-five percent (75%) of the votes outstanding is presented to the Board or other duly appointed and authorized persons, which shall authorize the Board, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the real property records of Deschutes County, Oregon. This Declaration may be amended at any time during the first thirty (30) year period or any extension thereof, by a signed petition containing the signatures of at least seventy-five percent (75%) of the votes outstanding, and the consent of the Declarant so long as the Declarant is a Class B Member, being presented to the Board, or other duly appointed and authorized persons, which shall authorize the Board, or other duly appointed and authorized persons, to execute and properly record an instrument amending this Declaration. Subject to the provisions of Section 11.4, notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Deed Records of Deschutes County, Oregon.

Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. Amendments shall be subject to prior approval of FHA and VA in accordance with the procedure as described in Section 10.1, for so long as there is Class B membership in the Association. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

Section 11.4 Regulatory Amendments

Notwithstanding the provisions of Section 11.3, until the Turnover Meeting described in the Bylaws and to the extent permitted by applicable law, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration ("FHA"), the Veterans Administration ("VA"), the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with any applicable law, including, without limitation, the Oregon Planned Community Act.

Section 11.5 Severability

Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions that shall remain in full force and effect.

Section 11.6 Rights and Obligations

The provisions of this Declaration and the Articles of Incorporation and Bylaws and the rights and obligations established thereby shall be deemed to be covenants running with the land and shall inure to the benefit of, and be binding upon, each and all of the Owners and their respective heirs, representatives, successors, assigns, purchasers, grantees and mortgagees. By the recording or the acceptance of a deed conveying a Lot or any ownership interest in the Lot whatsoever, the person to whom such Lot or interest is conveyed shall be deemed to accept and agree to be bound by and subject to all of the provisions of this Declaration and the Articles of Incorporation and Bylaws, whether or not mention thereof is made in said deed.

Section 11.7 Miscellaneous Provisions

Any provision of the within Declaration or of the Articles of Incorporation and Bylaws to the contrary notwithstanding, the following provisions shall control:

A. Notice to Institutional Holders of First Mortgage Liens

The following actions will require notice to all institutional holders of first mortgage liens: (i) abandonment or termination of the Association; or (ii) material amendment to the Declaration.

B. Notice to Institutional Holders of First Mortgage of Default or Liens

Upon the written request of any first mortgagee of a dwelling on a Lot, the Association shall furnish to such mortgagee a written notice of any default by the Owner of such dwelling in the performance of such Owner's obligations under the within Declaration or the Bylaws or Association rules or regulations which is not cured within thirty (30) days. Any first mortgagee of a dwelling who comes into possession of the said dwelling pursuant to the remedies provided in the mortgage, a foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure, shall take such property free of any claims for unpaid assessments or charges in favor of the Association against the mortgaged dwelling which accrued before the time such holder comes into possession of the dwelling.

C. Consent of Institutional Holders of First Mortgage Liens

Unless at least seventy-five percent (75%) of the first mortgagees (based upon one (1) vote per Lot for each mortgage) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

i) by act or omission seek to abandon, partition, encumber, or transfer the Common Areas, if any, or any portion thereof or interest therein except for the

purpose of dedication for public right of way. (The granting of easements for public utilities or other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause.);

ii) substantially change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner by the Association;

iii) 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 the Units or maintenance of the Units or Lots;

iv) fail to maintain liability and extended coverage insurance on insurable property comprising a part of the Common Areas on a current replacement cost basis in an amount not less than one hundred (100) percent of the insurable value (based on current replacement costs).

Section 11.8 Personal Pronouns

All personal pronouns used in this Declaration, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural, and vice versa.

Section 11.9 Statutory References

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

Section 11.10 Headings

The headings contained in this Declaration are for reference purposes only and shall not in any way affect the meaning or interpretation of this Declaration.

Section 11.11 Conflicts

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

Section 11.12 Partial Invalidity

The invalidation of any one of these covenants by judgment or court order shall in no way affect any of the other provisions, which shall remain in full force and effect.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be executed on its behalf, attested and its corporate seal to be hereunto affixed as of this ___ day of July 2003.

DECLARANT:

M3K INVESTMENTS, LLC,
an Oregon limited liability company

By: [Signature]
Name: Kaj E. Larsen
Title: Member

By: [Signature]
Name: Kenneth Thomas
Title: Manager/member

STATE OF OREGON }
 }
COUNTY OF DESCHUTES }

The foregoing instrument was acknowledged before me the 7th day of July 2003, by Kaj E. Larsen, the Member of M3K Investments, LLC, an Oregon limited liability company, on behalf of the company.



[Signature]
Notary Public, State of Oregon
My Commission Expires: 10/7/06

The foregoing instrument was acknowledged before me the 7th day July, 2003, by Kenneth Thomas, the Manager/member of M3K Investments, LLC, an Oregon limited liability company, on behalf of the company.



[Signature]
Notary Public, State of Oregon
My Commission Expires: 10/07/06

EXHIBIT "A"

PROPERTY SUBJECT TO DECLARATION

The property known as Ridgewater II, as shown in the duly recorded plat of Ridgewater II, P.U.D., recorded in Cabinet "F," Pages 567-576 under Recorder's No. Volume 2003-44905, on July 3, 2003 in the Official Records, Deschutes County, Oregon.

141-



\$141.00

00180336200300454820230237

07/07/2003 04:07:50 PM

D-BY Cnt=1 Stn=4 BECKEY
\$115.00 \$11.00 \$10.00 \$5.00

After Recording Return to:
Ridgewater II Homeowners' Association, Inc.
c/o Cascade Bookkeeping
361 NE Franklin
Bend, Oregon 97701
Attn: William M. Friedman

23

**BY-LAWS OF
RIDGEWATER II HOMEOWNERS' ASSOCIATION, INC.**

**ARTICLE I
NAME AND LOCATION**

The name of the Association is Ridgewater II Homeowners' Association, Inc., hereinafter referred to as the "Association". The initial registered office of the Association shall be located at 361 NE Franklin, Bend, Oregon 97701, but meetings of members and directors may be held at such places within the State of Oregon as may be designated by the Board of Directors.

**ARTICLE II
DEFINITIONS**

2.1 "Architectural Control Committee" or "ACC"

"Architectural Control Committee" or "ACC" shall mean the committee appointed pursuant to Article XVIII of these Bylaws.

2.2 "Association"

"Association" shall have the meaning given in the introductory paragraph to these Bylaws.

2.3 "Board"

"Board" shall mean the Board of Directors of Ridgewater II Homeowners Association, Inc. constituted in accordance with Article V of these Bylaws.

2.4 "Class A Members" or "Class A Membership"

"Class A Members" or "Class A Membership" shall mean all Owners with the exception of Declarant (except that beginning on the date on which the Class B Membership is converted to Class A Membership, as set forth in the Declaration, Class A Members shall be all Owners, including Declarant).

After recording, return to:
AmeriTitle
15 OREGON AVENUE, BEND

2.5 “Class B Members” or “Class B Membership”

“Class B Members” or “Class B Membership” shall mean Declarant or Declarant's membership in the Association until such membership is converted to Class A Membership in accordance with the Articles of Incorporation and the Declaration.

2.6 “Common Areas”

“Common Areas” shall mean only that portion of the Property which is established for the common use and benefit of the Ridgewater II community and which is or is to be conveyed to the Association for the use and benefit of the Owners.

2.7 “Common Maintenance Areas”

“Common Maintenance Areas” shall mean and refer to the Common Areas and any other areas within public rights-of-way, easements (public and private), tracts or public parks that the Board of Directors of the Association deems it necessary or appropriate to maintain for the common benefit of the members.

2.8 “Conversion Date”

“Conversion Date” shall mean and refer to the date upon which Class “B” membership shall cease and be converted to Class “A” membership. Such date shall be the date which is the earliest of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed to Class “A” members; or (ii) fifteen (15) years after conveyance of the first Lot to a Class “A” member; or (iii) at such earlier time as Declarant may elect in writing to terminate Class “B” membership.

2.9 “Declarant”

“Declarant” shall mean M3K Investments, LLC, an Oregon limited liability company and/or its successors and assigns who are designated in writing as such by Declarant, and who consent in writing to assume the duties and obligations of Declarant with respect to the Lots acquired by each successor or assign.

2.10 “Declaration”

“Declaration” shall mean and refer to the Declaration of Protective Covenants, Conditions, and Restrictions for Ridgewater II Subdivision, Bend, Deschutes County, recorded of even date herewith in the real property records of Deschutes County, Oregon, and any amendments or supplements thereto made in accordance with its terms.

2.11 “Director”

“Director” shall mean a director or the Association as described in and elected in accordance with these Bylaws.

2.12 “Lot”

“Lot” shall mean and refer to a Lot as that term is defined in the Declaration.

2.13 “Member”

“Member” or “Members” shall mean all Owners, including Declarant or a Builder as that word is defined in the Declaration.

2.14 “Officer”

“Officer” shall mean an officer of the Association as described in and elected in accordance with these Bylaws.

2.15 “Owner”

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

2.16 “Plat”

“Plat” shall have the meaning ascribed it in the Declaration.

2.17 “Property”

“Property” shall mean the real property described in Exhibit A to the Declaration and such additions thereto as may be brought within the jurisdiction of the Association and be made subject to the Declaration.

2.18 “Turnover Meeting”

“Turnover Meeting” shall be the meeting called by the Declarant for the purpose of turning over administrative responsibility of the Association to the Class A Members.

2.19 Other Terms

Capitalized terms used herein without definition shall have the respective meanings given to them in the Declaration.

**ARTICLE III
MEMBERSHIP AND VOTING RIGHTS**

3.1 Membership

The Declarant and every Owner of a Lot by virtue of being an Owner of a Lot shall be a member of the Association. Membership shall be appurtenant to and shall not be

separated from ownership of any Lot. Such membership shall commence, exist, and continue simply by virtue of such ownership, and need not be confirmed or evidenced by any certificate or acceptance of membership.

3.2 Suspension

All voting rights of a Member shall be suspended during any period in which such Member is delinquent in the payment of an assessment duly established pursuant to the Declaration or is otherwise in default hereunder or under the Declaration or Rules and Regulations of the Association. The Board of Directors may also suspend the Member's right to use of any of the Common Areas during such period of default.

3.3 Voting Rights

The Association shall have two classes of voting membership:

3.3.1 Class A. Class A Members shall be all Owners with the exception of Declarant (except that beginning on the date on which Class B Membership is converted to Class A Membership and thereafter, Class A Member shall be all Owners, including Declarant) and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members, but the vote for such Lot shall be exercised as they among themselves determine, and in no event shall more than one (1) vote be cast with respect to any Lot.

3.3.2 Class B. The Class B Members shall be the Declarant who shall be entitled to three (3) votes for each Lot it owns.

ARTICLE IV PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

Each member shall be entitled to the use and enjoyment of the Common Areas as provided in the Declaration.

ARTICLE V BOARD OF DIRECTORS; ELECTION; TERM OF OFFICE

5.1 Number

The affairs of the Association shall be managed by a Board of three (3) Directors prior to the Turnover Meeting and not less than three (3) nor more than five (5) directors after the Turnover Meeting. The Directors need not be members of the Association prior to the Turnover Meeting but shall be members of the Association after the Turnover Meeting.

5.2 Appointment by Declarant Prior to Turnover Meeting

Until the Turnover Meeting, Declarant shall appoint all Directors, except that Declarant may revocably or irrevocably delegate the power to appoint Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Section 5.3. Voting for Directors shall not be cumulative.

5.3 Election of Directors

At the Turnover Meeting, the members shall elect one (1) Director for a term of one (1) year, one (1) Director for a term of two (2) years, and one (1) Director for a term of three (3) years, with each Owner entitled to the votes specified in Article III above. If more than three (3) Directors are elected at the Turnover Meeting, the additional Directors shall be elected as follows: i) one (1) additional Director – one (1) for a term of one (1) year; ii) two (2) additional Directors – one (1) for a term of one (1) year and one (1) for a term of two (2) years. Thereafter, at each annual meeting of the Association, the members shall elect a number of Directors equal to the number whose terms are then expiring, each to serve a term of two (2) years. Any Director may serve more than one term.

5.4 Term of Office

On the date of the Turnover Meeting, the Directors appointed by Declarant or its appointee shall submit their resignations, effective as provided in this Section. The Directors elected at any Meeting held for the purpose of Election of Directors, except to replace a Director who leaves their position prior to the expiration of their term, shall assume all of the duties of office two (2) weeks after the date of the Meeting held for such purpose, at which time the resignation of the Directors in office prior to such Meeting shall become effective, and they shall have no further powers as Director.

5.5 Removal

Any Director, other than a Director appointed by Declarant, may be removed, with or without cause, by the affirmative majority vote of Owners present and entitled to vote at any meeting of the Owners at which a quorum is present. No removal of a Director is effective unless the matter of removal was included in the notice of the meeting. At such meeting, the Owners shall elect a replacement Director to serve the remainder of the replaced Director's term.

5.6 Resignation

Any Director may resign at any time by sending a written notice of such resignation to the secretary. Unless otherwise specified herein or in such notice, a resignation shall take effect upon receipt of the notice by the secretary.

5.7 Vacancies

Vacancies on the Board caused by the death, resignation, or removal of a Director shall be filled by vote of the majority of the remaining Directors, even if they constitute less than a quorum. Any Director so elected shall serve the remainder of the replaced Director's term.

5.8 Compensation

No Director shall receive compensation for any service he may render to the Association. However, any Director may be reimbursed for his actual expenses incurred in the performance of his duties.

**ARTICLE VI
MEETINGS OF BOARD**

6.1 Initial Meeting

The initial meeting of the Board shall occur within ninety (90) days after the date the Articles of Incorporation for the Association are filed and shall be called in accordance with Section 6.3.

6.2 Annual Meetings

The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Owners. At each annual meeting, in addition to the actions required by the Declaration, the treasurer shall present to the Board a report on the financial condition of the Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot, and the estimated receipts and expenses for the coming year.

6.3 Special Meetings

Special meetings of the Board may be called at any time by the president or two Directors. Such meetings shall be scheduled by the secretary at least two (2), but not more than thirty (30), days after the secretary's receipt of written requests signed by two or more Directors; provided that if the purpose of a special meeting is to elect a successor secretary pursuant to Section 11.2 or to consider removal of the secretary pursuant to Section 11.5, such meeting may be scheduled by the president or, if the meeting is also for the purpose of electing a successor president or removing the president, any other Director.

6.4 Place of Meetings

Meetings of the Board shall be held at such place within Oregon, as may be designated from time to time by the Board.

6.5 Notice of Meetings

The secretary shall give written notice to each Director of each Board meeting at least three (3), but not more than thirty (30), days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice shall be sent to the address of each Director as listed on the books of the Association, or to such other address as any Director may designate by written notice to the secretary given at least ten (10) days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. Emergency meetings of the Board may be conducted by telephone. All meetings of the Board shall be open to all Owners. For other than emergency meetings, notice of Board meetings shall be mailed to all Owners, at the last address for each Owner in the records of the Association, not less than ten (10) days before the meeting; posted at a place or places on the Property at least three (3) days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Owners of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication.

6.6 Voting by the Board

Each Director shall have one vote. So long as a quorum is constituted, the vote of Directors together holding more than fifty (50) percent of the total votes shall be a binding vote of the Board for all purposes, unless a greater percentage is required by law or the Declaration.

6.7 Quorum

The presence in person of a majority of the Directors shall constitute a quorum for voting at a Board meeting. The Board shall have the power to adjourn a meeting even if less than a quorum is present.

6.8 Right of Owners to Attend

Except as otherwise permitted by applicable law, all meetings of the Directors shall be open to all Owners.

ARTICLE VII NOMINATION AND ELECTION OF DIRECTORS

7.1 Nomination

At and following the Turnover Meeting, nominations for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who need

not be a member of the Board of Directors prior to the Turnover Meeting but who shall be a member of the Board of Directors following the Turnover Meeting, and two or more members of the Association or Board of Directors. The Nominating Committee shall be appointed by the Board of Directors prior to the Turnover Meeting to nominate directors to be elected at the Turnover Meeting. Thereafter, a Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the members to make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

7.2 Election

Election to the Board of Directors shall be by secret written ballot cast at the annual meeting. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Articles of Incorporation. The person(s) receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VIII POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers

The Board of Directors shall have the power:

(a) To adopt and publish rules and regulations governing the use of the Lots and Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;

(b) To exercise for the Association all power, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, and the Declaration;

(c) To declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors without just cause having been furnished to and accepted by the Board;

(d) To establish, and disburse and maintain such petty cash fund as is necessary for efficiently carrying on the business of the Association;

(e) To engage the services of a manager, an independent contractor, or such employees as it deems necessary, and to prescribe the conditions, compensation and duties of their work. Such power shall include authority to enter into management agreements with other parties to manage, operate or perform all or any part of the affairs and business of the Association;

(f) To exercise powers of a nonprofit corporation pursuant to the general nonprofit Association laws of the State of Oregon and of a homeowners association pursuant to ORS 94.550 et seq., as amended from time to time; and

(g) To exercise any additional or different powers necessary or desirable for the purpose of carrying out the functions of the Association pursuant to the Declaration or otherwise promoting the general benefit of the Owners within the Property.

8.2 Duties

It shall be the duty of the Board of Directors:

(a) To cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting, when such statement is requested in writing by one-fourth (1/4) of the votes of the members of both classes who are entitled to vote;

(b) To supervise all Officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) To establish membership fees or assessments;

(d) To procure and maintain adequate liability and hazard insurance on property owned by the Association as described in Article XV and, if deemed appropriate, insurance on the behalf of any Director, Officer, employee, or agent of the Association against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such;

(e) To cause all Officers, employees or agents, having fiscal responsibility to be bonded, as it may deem appropriate;

(f) To cause the Common Maintenance Areas to be maintained, repaired and, when necessary, replaced;

(g) To maintain a current mailing list of the Association; and

(h) To prepare and adopt an annual budget. Within thirty (30) days of adopting each budget, the Board shall provide a summary of the same to all Owners.

ARTICLE IX COMMITTEES

The Board of Directors may appoint such committees as it deems appropriate in carrying out its purposes.

**ARTICLE X
MEETINGS OF MEMBERS**

10.1 Annual Meetings Prior to Turnover Date

A regular or annual meeting of Owners shall be held annually. Such meeting shall be called in accordance with Section 10.4 below.

10.2 Meetings to Elect Directors; Annual Meetings Following Turnover Meeting

The first meeting of the Owners held for the purpose of electing Directors pursuant to this Article X shall be the Turnover Meeting. The first annual meeting of the Association shall be held within one (1) year from the date of incorporation of the Association and each subsequent regular annual meeting of the members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the members. If the day for the annual meeting is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. At the annual meeting, the president, and any other Officer of the Board or whom the president may designate, shall report on the activities and financial condition of the Association.

10.3 Special Meetings

Special meetings of the members may be called at any time by the president or by a majority of the Board of Directors, or upon written request of the members who are entitled to vote one-fourth (1/4) of all of the votes of the entire membership. Business transacted at a special meeting shall be confined to the purposes stated in the notice of such special meeting.

10.4 Notice of Meetings

Except as otherwise provided in the Articles of Incorporation, or these Bylaws, written notice of each meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least ten (10) days before such meeting, but no more than fifty (50) days before such meeting, to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these Bylaws, any budget changes, or any proposal to remove a Director or Officer. Notice of any such meeting may be waived by any Owner at any time. No Owner who is present at a meeting may object to the adequacy or timeliness of the notice given. Copies of the notice of meeting shall be sent to all mortgagees who have requested the same. Mortgagees may designate a representative to attend a meeting called under this Section 10.4.

10.5 Quorum

The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-third (1/3) of the votes shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws and provided that no quorum shall be required for the Turnover Meeting. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid, shall be present or be represented.

10.6 Proxies

At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically cease upon cessation of membership or restriction of the member's voting rights.

10.7 Canvass in Lieu of Meeting

In the event that a quorum of members is not achieved at any scheduled meeting, the Board of Directors may authorize a door-to-door canvass of all members whose votes shall be duly recorded, and any action so taken shall have the same force and effect as if taken at a meeting at which a quorum of members was present. Any such canvass must be completed within thirty (30) days of the Board's decree.

10.8 Majority Vote; Withdrawal of Quorum

When a quorum is present at any meeting of the members, the vote of the holders of a majority of the votes, present in person or represented by proxy, shall decide any question brought before such meeting unless the question is one upon which by express provision of the statutes, the Articles of Incorporation, the Declaration or these Bylaws, a different vote is required, in which case such express provision shall govern and control the deciding of such question. The members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

10.9 Voting By Mail

In any case in which voting by mail is necessary or desirable, the secretary shall give written notice to all Owners, which notice shall (a) include a written resolution setting forth the proposed action, (b) state that the Owners are entitled to vote by mail for or against such resolution, and (c) specify a date not less than twenty five (25) days after the date of such notice by which all votes must be received at the principal office of the Association. Votes received after the date specified shall be of no effect. Any voting by mail shall be conducted in accordance with applicable law, including without limitation, the provisions of ORS 94.647 or applicable successor provisions.

**ARTICLE XI
OFFICERS AND THEIR DUTIES**

11.1 Enumeration of Officers

The Officers of this Association shall be a president and a vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other Officers as the Board may from time to time by resolution create.

11.2 Election of Officers

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

11.3 Term

The Officers of this Association shall be elected annually by the Board and shall hold office for two (2) years unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

11.4 Special Appointments

The Board may elect such other Officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

11.5 Resignation and Removal

Any Officer may be removed from office with or without cause by the Board and a successor may be elected at a special meeting of the Board called for such purpose. Any Officer may resign at any time by giving notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein; the acceptance of such resignation shall not be necessary to make it effective.

11.6 Vacancies

A vacancy in any office may be filled by election at a special meeting of the Board called for such purpose. The Officer elected to such vacancy shall serve for the remainder of the term of the Officer he replaces.

11.7 Multiple Offices

The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 11.4.

11.8 Duties

The duties of the Officers are as follows:

(a) President. The president shall be a Director and shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds, and other written instruments and shall co-sign (together with either the vice-president or treasurer) all checks, payment vouchers, and promissory notes of the Association.

(b) Vice-President. The vice-president shall be a Director and act in the place and stead of the president in his absence or inability or refusal to act, shall co-sign (together with either the president or treasurer) all checks, payment vouchers, and promissory notes of the Association and shall exercise and discharge such other duties as may be required of him by the Board.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members, keep the corporate seal of the Association and affix it on all papers requiring said seal, serve notice of meetings of the Board and of the members, keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors, shall co-sign (together with either the president or vice-president) all checks, payment vouchers, and promissory notes of the Association, keep proper books of account, cause an annual review of the Association books to be made by a public accountant at the completion of each fiscal year, and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy of each to the members.

11.9 Compensation

Other than reimbursement of out-of-pocket expenses incurred on behalf of the Association, neither the president, nor the treasurer, nor the secretary, nor the vice-president, nor any other officer shall receive any compensation from the Association for acting as an Officer, unless such compensation is authorized by the Board.

11.10 Professional Management

In the event that the Board employs professional management for the Association, the professional manager(s) shall manage the day-to-day operations of the Association, subject to the direction and oversight of the Board. The Declaration provides additional terms relating to professional management.

ARTICLE XII ASSESSMENTS

12.1 Conformance with Declaration

The Association shall levy, collect, and enforce the payment of assessments in accordance with all relevant provisions of the Declaration.

12.2 Basis of Annual Assessments for Class A Members

Subject to the other provisions of this Section 12.2 and without consideration of special assessments, the maximum annual assessment for any Lot shall not exceed an amount determined in good faith by the Board.

From and after January 1st of the year immediately following the conveyance of the first Lot by Declarant, the maximum annual assessment for the Lots may be increased each year by a percentage above the prior year's assessment determined to be reasonable by the Board (but not in excess of a twenty percent (20%) increase), without a vote of the membership.

12.3 Assessments to be Levied by Board

After consideration of current operating costs, maintenance, repair and replacement costs and all other future needs and obligations of the Association, the Board of Directors may levy the annual assessments at an amount not in excess of the maximum set forth in Section 12.2. The Board of Directors shall have the authority to adjust the amount of annual assessments during any assessment period, upon not less than thirty (30) days notice to the members, subject to the limitations as set forth in Section 12.2. Assessments may be used to fund all costs incurred by the Association pursuant to the Declaration, these Bylaws or otherwise in the reasonable discretion of the Directors, including without limitation, maintenance, insurance, taxes, management and administrative costs.

12.4 Special Assessments for Working Capital Fund, Non-recurring Maintenance and Capital Improvements

In addition to the annual assessments authorized above and any other assessments authorized by the Declaration, the Association may levy special assessments as follows:

(a) In any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any non-recurring maintenance, or

the acquisition, construction, reconstruction, repair or replacement of a capital improvement upon any Common Maintenance Areas, including fixtures and personal property related thereto may be assessed. The Association shall not commingle the proceeds of such special assessments with other assessment funds. Such proceeds shall be used solely and exclusively to fund the non-recurring maintenance or improvements in question.

(b) The Board of Directors shall determine the necessity and the amount of any special assessment. Special assessments shall not be effective unless approved by a vote of two-thirds (2/3) of each class of members who are voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any. Written notice of such meeting shall be sent to each such member not less than ten (10) days nor more than fifty (50) days in advance of the meeting.

12.5 Uniform Rate

Except as otherwise provided in the Declaration, both annual and special assessments must be fixed at a uniform rate for each Lot and may be collected on a monthly, quarterly or annual basis as determined by the Directors at least thirty (30) days in advance of each assessment period.

12.6 Quorum for any Action Authorized under Sections 12.2 and 12.4

At any meeting called, for purposes described under Sections 12.2 and 12.4 hereof, the presence at the meeting of members or of proxies entitled to cast a majority of all the votes of each class of membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Section 12.4; however, the quorum requirement shall be one-half (1/2) of the previous quorum requirements. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting. The necessary approval may also be obtained by a canvass of the members as set forth in Section 10.7.

12.7 Date of Commencement of Annual Assessments: Due Dates

The annual assessment provided for herein as it relates to operating expenses shall commence as to all Lots on the date the first Lot is conveyed to a Class A member. The annual assessment in connection with the reserve fund specified in the Declaration shall begin accruing on the date the first Lot assessed is conveyed. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period; provided, however, that the Board of Directors shall have the right to adjust the annual assessment as long as any such adjustment does not exceed the maximum permitted hereunder with thirty (30) days written notice given to each Owner. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. The Association shall upon demand, at any time furnish a certificate in writing signed by an Officer of the Association setting forth whether the

assessments on a specified Lot have been paid. A reasonable charge may be made by the Board of Directors for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid.

12.8 Effect of Non-payment of Assessments: Remedies of the Association

Any assessments due hereunder or under the Declaration which are not paid when due shall be delinquent. If the assessment is not paid within ten (10) days after the due date, the Association shall have the remedies set forth herein and in the Declaration. To secure payment and satisfaction of each Owner's obligations hereunder, and under the Declaration, there is hereby reserved a lien on such Owner's Lot in favor of the Association. The Association or its agents shall have the right and power to bring all actions against the defaulting Owner personally for the collection of such charges and/or satisfaction of such obligations (together with all cost incurred by the Association as a result of such Owner's failure to pay or otherwise comply) as a debt and to enforce the Association's lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in like manner as a mortgage or deed of trust lien on real property. The lien provided for in this section shall be in favor of the Association and shall be for the benefit of all other Owners. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.709 shall apply to the Association lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The lien shall be subordinate to any prior recorded deed of trust securing payment for the house on the subject Lot. The Association acting on behalf of the Owners shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the Lot. If any assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due. The Association acting on behalf of the Owners shall have the power to bid on an interest foreclosed at foreclosure sale and to acquire and hold, lease, mortgage and convey the same; and to subrogate so much of its right to such liens as may be necessary or expedient to an insurance company continuing to give total coverage notwithstanding non-payment of such defaulting Owner's portion of the premium. An election by the Association to pursue any remedy provided for herein shall not prevent concurrent or subsequent exercise of another remedy permitted hereunder. The remedies provided herein are not exclusive but shall be in addition to all other remedies, including actions for damages and suits for injunctions and specific performance, available under applicable law to the Association.

12.9 No Reimbursement to Declarant

The proceeds of the regular annual assessments shall not be used to reimburse Declarant for any capital expenditures incurred in construction or other improvements of common facilities, if any.

12.10 Reallocation Upon Annexation or Withdrawal

If new property is added to the Property by annexation or withdrawal from the Property, common expenses shall be reallocated as set forth in the Declaration.

ARTICLE XIII BOOKS AND RECORDS

13.1 Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any member. The Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any members at the principal office of the Association, where copies may be purchased at reasonable cost.

13.2 Financial Records

The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of the Board and committees having any of the authority of the Board and shall keep at its registered or principal office a record giving the names and addresses of the Directors. All books and records of the Association may be inspected by any Director, or his agent or attorney, for any proper purpose at any reasonable time.

13.3 Financial Statements

The Board shall appoint a certified public accountant or certified public accounting firm, who shall not be an Officer or own any interest in any Lot, annually to review the books and financial records of the Association. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Owner and, upon request, any mortgagee of a Lot a copy of the annual financial statement of the Association, consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Association shall make available to Owners and to holders, insurers or guarantors of any mortgage on a Lot, for their inspection and copying, upon request, during normal business hours or under other reasonable circumstances, current copies of: (i) the Declaration, Articles of Incorporation, Bylaws, and rules concerning the Property, (ii) the Association's most recent financial statement, (iii) the current operating budget of the Association, and (iv) all other records of the Association. Upon written request of a prospective purchaser of a Lot, the Association shall make available for examination and duplication during reasonable hours the documents and items described in items (i) through (iii) in the preceding sentence. The Association may charge a reasonable fee for furnishing copies of any documents, information, or records described in this Section 13.3.

13.4 Tax Returns

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

**ARTICLE XIV
FISCAL YEAR**

The Fiscal Year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

**ARTICLE XV
INSURANCE**

15.1 By the Association

The Board shall obtain, and maintain in effect the insurance required by the Declaration and applicable law. At least annually, the Board of Directors shall review the insurance coverage of the Association.

15.2 By the Owners

Each Owner of a Lot shall obtain, and maintain in effect, the insurance required by the Declaration.

15.3 Insurance for Annexed Lots

The Board and Owners of annexed Lots shall be responsible for obtaining any additional insurance coverages specified in any Declaration of Annexation made pursuant to the Declaration of Annexation.

15.4 Director and Officer Insurance

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

15.5 General Provisions

Premiums for insurance obtained by the Board pursuant to this Article XV shall be a common expense of the Association. At least annually, the Board shall review the insurance coverage of the Association.

**ARTICLE XVI
RULES AND REGULATIONS**

The Board shall have power to adopt and publish rules and regulations governing the conduct of persons and the operation and use of the Lots and the Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property, and to establish penalties for the infraction thereof. Such rules and regulations may be adopted upon a majority vote of the members of the Board present at a meeting at which there is a quorum of Board members and as to which notice has been given as provided in these Bylaws. Such notice shall include a verbatim copy of all proposed rules and regulations. No rule or regulation shall be adopted without a copy thereof first having been delivered or mailed to each Owner at the last address for such Owner in the records of the Association. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Owner. All such rules and regulations become binding on all Owners and occupants of all Lots upon the date of delivery. Any rule or regulation which conflicts with these Bylaws or the Declaration shall be null and void.

**ARTICLE XVII
SHARES OF STOCK AND DIVIDENDS PROHIBITED**

The Association shall not have or issue shares of stock. No dividends shall be paid and no part of the income of the Association shall be distributed to its Directors or Officers, or to the Owners. The Association may pay compensation in a reasonable amount to its Officers or Directors for services rendered as provided by the Articles of Incorporation, the Declaration, other provisions of these Bylaws, or resolution of the Board of Directors.

**ARTICLE XVIII
DESIGN REVIEW**

The Design Review Committee shall perform and shall be empowered to perform all acts relating to building restrictions as provided in the Declaration on behalf of the Association.

**ARTICLE XIX
TRANSFER OF CONTROL**

19.1 Transitional Advisory Committee

Within sixty (60) days after the conveyance to Owners other than Declarant of Lots representing 50% or more of the Lots in the first or only phase of Ridgewater II to owners other than Declarant, Declarant shall call a special meeting of the Owners to select a transitional committee. Declarant shall give notice in accordance with Section 10.4 to each Owner of the special meeting. At such meeting, the Owners in attendance, other than Declarant, by vote of a majority of those present, shall select two (2) members of a transitional committee composed of three (3) members. The third member shall be selected by Declarant. The members of the

transitional committee shall serve until the Turnover Meeting. The function of the transitional committee shall be to facilitate the transition from control of the administration of the Association by Declarant to control by the Owners. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3) or applicable successor provision. If the meeting required pursuant to this Section 19.1 is not called by Declarant within the time specified, the meeting may be called and notice given by any Owner. Notwithstanding the foregoing, if the Owners do not select members of the transitional committee as provided above, Declarant shall have no further obligation to form the transitional committee. There shall be no requirement that a transitional committee be formed and no transitional committee shall be appointed, once the Turnover Meeting has been held.

19.2 Turnover Meeting

On a date that is not later than one hundred twenty (120) days following the Conversion Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Section 10.4 to each Owner. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting required by this Article XIX within the required period, any Owner may call such a meeting and give notice as required by this Article XIX. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the Owners shall assume the control thereof, (b) the Directors of the Association then serving shall resign and the Owners shall elect a Board of Directors in accordance with these Bylaws, and (c) Declarant shall deliver to the Association the books, records, and other materials belonging to the Association that are in Declarant's control.

ARTICLE XX WAIVER OF NOTICE

Whenever any notice is required to be given under the provisions of the nonprofit corporation laws of the State of Oregon, as it exists or may be amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XXI ACTION WITHOUT A MEETING

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

ARTICLE XXII AMENDMENTS

22.1 Amendments

Except as expressly provided in the Declaration, these Bylaws may be amended or repealed and new Bylaws may be adopted by a majority of the Directors present at any regular meeting or at any special meeting, if at least two (2) days' written notice is given of intention to amend or repeal and adopt new bylaws at such meeting accompanied by a copy or summary of the amendment; provided however, that the Board shall have no authority to amend or repeal any provision of these Bylaws relating to the election, qualifications, powers, duties or terms of Directors without the approval of the Owners given at a special meeting called for such purpose. Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal these Bylaws at any time before the closing of the sale of the first Lot to a Class A Member. The Department of Housing and Urban Development (HUD) and the Veterans' Administration (VA) shall have the right to veto amendments to these Bylaws so long as there exists Class B Membership in the Association.

22.2 HUD/VA Approval

If neither HUD nor VA notifies Declarant, or the Board of Directors, of objections to any amendment or intent to repeal these Bylaws within fifteen (15) days of the date of Declarant's or the Board of Directors', request for approval, such approval shall be deemed to have been granted.

ARTICLE XXIII GENDER AND GRAMMAR

The singular wherever used herein shall be construed to mean the plural when applicable, and the necessary grammatical changes required to make the provision hereof apply either to corporations or individuals, men or women, shall in all cases be assumed as though in each case fully expressed.

ARTICLE XXIV ENFORCEMENT

If the Association institutes legal action to enforce any restrictive covenant or other condition of the Declaration, Articles of Incorporation or Bylaws, and the violator voluntarily corrects or abates such violation after litigation has been filed, the Association shall not dismiss or abandon such legal action until it has been reimbursed all of its expenses, including reasonable attorney's fees and court costs.

**ARTICLE XXV
LOANS TO DIRECTORS AND OFFICERS PROHIBITED**

25.1 No Loans to Directors or Officers

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

25.2 Contribution; Subrogation

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

**ARTICLE XXVI
CONFLICTS AND PARTIAL INVALIDITY**

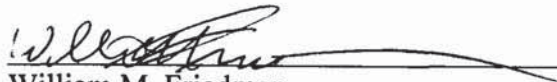
26.1 Conflicts

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

26.2 Partial Invalidity

The invalidation of any one of the provisions of these Bylaws by judgment or court order shall in now affect any other provisions, which shall remain in full force and effect.

I, William M. Friedman, as secretary of The Ridgewater II Homeowners' Association, Inc., do hereby certify the foregoing to be the Bylaws of the Association, as adopted by the Board on the 30th day of June 2003.


William M. Friedman
Secretary

STATE OF OREGON)
)ss.
COUNTY OF DESCHUTES)

The foregoing instrument was acknowledged before me this 17 day of June 2003, by William M. Friedman, the Secretary of The Ridgewater II Homeowner' Association, Inc., an Oregon nonprofit corporation, on behalf of the corporation.

Carol E. Doran

Notary Public, State of Oregon
My Commission Expires: 10-6-2005

