



After Recording Return To:
Chris Hatfield
Hurley, Lynch & Re, P.C.
747 SW Mill View Way
Bend, OR 97702

BYLAWS OF LADERA RIDGE HOMEOWNERS ASSOCIATION, INC.

SECTION 1 NAME

The name of the Corporation is Ladera Ridge Homeowners Association, Inc., an Oregon nonprofit corporation (the AAssociation@).

SECTION 2 PURPOSE AND POWERS

2.1 Purpose. The Corporation is organized in accordance with ORS 94.625 and 94.630, and shall be operated exclusively for the benefit of the Owners of property in the development known as Ladera Ridge P.U.D., located in Deschutes County, Oregon.

2.2 Powers. Subject to the foregoing purposes and the powers and obligations set forth in the Declaration of Covenants, Conditions, and Restrictions for Ladera Ridge P.U.D., the Corporation shall have and may exercise all the rights and powers of a nonprofit corporation under the Oregon Nonprofit Corporation Act.

SECTION 3 MEMBERS MEETINGS

3.1 Initial Meeting. The initial meeting of the Association of Owners shall be held on the first Wednesday of December, 2005, at the office of Hurley, Lynch & Re, P.C., 747 SW Mill View Way, Bend, Oregon. The initial meeting shall be called by notice as provided for in Section 3.4.

3.2. Annual Meeting. The annual meeting of the members shall be held at 2 p.m. on the first Wednesday in December of every year at the principal office of the Corporation or at such other time, date, or place as may be determined by the board of directors. At such meeting the members entitled to vote shall elect a board of directors and transact such other business as may come before the meeting consistent with the notice provisions of ORS 64.217, which requires notice of the meeting to include a description of any matter or matters which must be approved by the members under ORS 65.361, 65.404, 65.414(1)(a), 65.437, 65.464, 65.487, 65.534, or 65.624.

3.3 Special Meetings. The Corporation shall hold special meetings of members at any time on the call of the President or the board of directors, or on demand in writing by members of

record holding at least 10 percent of the votes entitled to be cast on any matter proposed to be considered at the special meeting.

3.4. Turnover Meeting. Not later than ninety (90) days after the expiration of the period of Declarant=s Class B membership pursuant to Section 8.3 of the Declarations, the Declarant shall ask the board to call a meeting for the purpose of turning over administrative responsibility for Ladera Ridge P.U.D. to the Association. The secretary shall give notice of the meeting as provided in Section 3.5. If the board does not call a meeting required by this Section within the required time, an Owner may call a meeting and give notice as required in this Section. At the turnover meeting the interim directors shall resign and their successors shall be elected by the Owners and Declarant.

3.5 Notice. The secretary will cause a notice of each meeting called under this Section to be sent to each member and to each mortgagee that has requested notice. The notice will be sent to not less than 10 or more than 50 days before any meeting. It shall be hand delivered or mailed to the mailing address of each Lot or to the mailing address designated by the member. Notices to mortgagees shall be sent to the address designated by the mortgagee. If mailed, the notice shall be deemed to be delivered when deposited in the United States mail addressed to the member at the member=s address as it appears on the current member records of the corporation, with postage prepaid. The notice shall state the place, date, and time of the meeting, and the items on the agenda, including the general nature of any proposed amendment to the declaration or bylaws, any budget changes or any proposal to remove a director or officer.

3.6 Waiver of Notice. A member may, at any time, waive any notice required by these bylaws, the Articles of Incorporation, or the Oregon Nonprofit Corporation Act. The waiver must be in writing, be signed by the member, and be delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A member=s attendance at a meeting waives any objection to: (a) lack of notice or defective notice of the meeting, unless the member at the beginning of the meeting objects to holding the meeting or transacting business at the meeting; and (b) consideration of a particular matter at the meeting that is not within the purpose or purposes described in the meeting notice, unless the member objects to considering the matter when it is presented.

3.7 Voting. The Corporation shall prepare on a current basis an alphabetical list of the names, addresses, and membership dates of all the members. The Corporation shall prepare on a current basis through the time of the membership meeting a list of members who are entitled to vote at the meeting. The Corporation shall make the list of members available for inspection by any member for the purpose of communication with other members concerning the meeting, beginning two business days after notice of the meeting is given for which the list was prepared and continuing through the meeting, at the Corporation=s principal office or at a reasonable place identified in the meeting notice. The Corporation shall make the list of members available at the meeting, and any member, the member=s agent or attorney shall be entitled to inspect the list for any proper purpose at any time during the meeting or any adjournment. Members shall have the voting rights as specified in the Declarations. An executor, administrator, guardian or trustee may vote, in person or by proxy, at a meeting of the Association with respect to a Lot owned or held in a fiduciary capacity if the

fiduciary satisfies the secretary of the board of directors that the person is the executor, administrator, guardian or trustee holding the Lot. When a Lot is owned by two or more persons jointly, according to the records of the Association, except as otherwise provided in this Section, the vote or proxy of the Lot may be exercised by a co-Owner in the absence of a protest by another co-Owner. If the co-Owners cannot agree upon the vote, the vote of the Lot shall be disregarded completely in determining the proportion of votes given with respect to such matter. A valid court order may establish the right of co-Owners= authority to vote.

3.8 Absentee and Proxy Voting. The vote of a Lot may be cast by absentee ballot or pursuant To a proxy executed by the Owner. An Owner may not revoke a proxy except by actual notice of revocation to the person presiding over a meeting of the Association or to the board of directors if a vote is being conducted by written ballot in lieu of meeting pursuant to ORS 94.647. A proxy is not valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date unless the proxy specifies a shorter term.

3.9 Quorum: Vote Required. A quorum of the Association is required for any meeting. A quorum of the Association shall consist of 20 percent of the number of persons who are entitled to vote at the meeting and who are present in person or by proxy. If a quorum is present, action on a matter, other than the election of directors, is approved if the votes cast in favor of the action exceed the votes cast in opposition, unless the vote of a greater number is required by the Oregon Nonprofit Corporation Act. Election of directors is governed by Section 4, Section 4.3.

3.10 Records. The Association shall maintain records as follows:

3.10.1. The Association shall retain at a location in Bend, Oregon, the documents, information and records delivered to the Association in the turnover meeting and all other records of the Association for not less than the period specified for the record in ORS 65.771 or any other applicable law except that: (a) The documents specified in ORS 94.616 (3)(o), if received, must be retained as permanent records of the Association, and (b) Proxies and ballots must be retained for one year from the date of determination of the vote.

3.10.2. All assessments, including declarant subsidies, shall be deposited in a separate bank account, located within this state, in the name of the Association. All expenses of the Association shall be paid from the Association bank account.

3.10.3. The Association shall keep financial records sufficiently detailed for proper accounting purposes. Within 90 days after the end of the fiscal year, the board of directors shall: (a) Prepare or cause to be prepared an annual financial statement consisting of a balance sheet and income and expenses statement for the preceding fiscal year; and (b) Distribute to each Owner and, upon written request, any mortgagee of a Lot, a copy of the annual financial statement.

3.10.4. The Association shall within 180 days after the Association receives a petition requesting review signed by at least a majority of the Owners cause the most recent financial

statement required by Section 3.10.3 to be reviewed by an independent certified public accountant licensed in Oregon in accordance with the Statement on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

3.10.5. The Association shall provide, within 10 business days of receipt of a written request from an Owner, a written statement that provides: (a) The amount of assessments due from the Owner and unpaid at the time the request was received, including: (i) Regular and special assessments; (ii) Fines and other charges; (iii) Accrued interest; and (iv) Late payment charges; (b) The percentage rate at which interest accrues on assessments that are not paid when due; and, (c) The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment. The Association is not required to comply this requirement, however, if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending when the statement would otherwise be due.

3.10.6. The Association shall make the documents, information and records described in subsections (1) and (3) of this section and all other records of the Association reasonably available for examination and, upon written request, available for duplication by an Owner and any mortgagee of a Lot that makes the request in good faith for a proper purpose, except that records kept by or on behalf of the Association may be withheld from examination and duplication to the extent the records concern:

- a. Personnel matters relating to a specific identified person or a person's medical records.
- b. Contracts, leases and other business transactions that are currently under negotiation to purchase or provide goods or services.
- c. Communications with legal counsel that relate to matters specified in paragraphs (a) and (b) of this subsection.
- d. Disclosure of information in violation of law.
- e. Documents, correspondence or management or board reports compiled for or on behalf of the Association or the board of directors by its agents or committees for consideration by the board of directors in executive session held in accordance with ORS 94.640 (7).
- f. Documents, correspondence or other matters considered by the board of directors in executive session held in accordance with ORS 94.640(7).
- g. Files of individual Owners, other than those of a requesting Owner or requesting mortgagee of an individual Owner, including any individual Owner's file kept by or on behalf of the Association.

3.10.7. The Association shall maintain a copy, suitable for the purpose of duplication, of the following:

- a. The declaration and bylaws, including amendments or supplements in effect, the recorded plat, if feasible, and the Association rules and regulations currently in effect.
- b. The most recent financial statement prepared pursuant to subsection (3) of this section.
- c. The current operating budget of the Association.
- d. Architectural standards and guidelines, if any.

3.10.8. The Association, within 10 business days after receipt of a written request by an Owner, shall furnish the requested information required to be maintained under Section 3.10.5.

3.10.9. The board of directors, by resolution, may adopt reasonable rules governing the frequency, time, location, notice and manner of examination and duplication of Association records and the imposition of a reasonable fee for furnishing copies of any documents, information or records described in this section. The fee may include reasonable personnel costs for furnishing the documents, information or records.

SECTION 4 DIRECTORS

4.1 Powers. The board of directors shall manage the business and affairs of the Corporation and exercise or direct the exercise of all corporate powers.

4.2 Number. The number of directors shall be three.

4.3 Election and Term of Office. Directors shall be elected at the annual meeting of the members by a majority vote of the members present at the meeting; provided however, that a quorum of members is present. Directors shall serve until the next annual meeting of the board of directors, or until their successors have been elected and take office, and may be elected for successive terms; provided, however, that the initial directors shall serve for a term of two years.

4.4 Removal. A director may be removed, with or without cause, by the affirmative vote of two-thirds of the directors then in office, at any meeting of the board of directors. The notice of such meeting shall state that the purpose or one of the purposes of the meeting is the removal of the director or directors involved. The Owners may remove any member of the board, other than members appointed by the Declarant, with or without cause, by a majority vote of all Owners present and entitled to vote at any meeting of the Owners at which a quorum is present. Removal of a director is not effective unless the matter of removal is an item on the agenda and stated in the notice for the meeting required by Section 3.5.

4.5 Vacancies. Any vacancy occurring in the board of directors for any reason, including a vacancy resulting from an increase in the number of directors, shall be filled by the affirmative vote of a majority of the directors then in office.

4.6 Resignation. Any director may resign at any time by delivering written notice of resignation to the President or Secretary. Such resignation shall be effective on receipt unless it is specified therein to be effective at a later time, and acceptance of the resignation shall not be necessary.

4.7 Compensation. Directors shall serve without compensation for services. A director may receive reimbursement for actual and reasonable expenses incurred in performing his or her duties upon the approval of the board of directors.

4.8 Annual Meetings. The annual meeting of the board of directors shall be held immediately after the adjournment of the annual meeting of members or at such date, time, and place determined by the board of directors upon notice as provided in Section 4.11.

4.9 Regular Meetings. The board of directors may from time to time establish monthly or other regular meetings of the board, the specific date, time, and place to be determined by the President.

4.10 Special Meetings. Special meetings of the board of directors may be called by the President or any two directors.

4.11 Notice of Meetings. Written notice of the annual meeting of the board of directors shall be given at least ten days before the meeting. Written notice of special meetings of the board of directors shall be given at least two days before the meeting. Regular meetings of the board of directors may be held without notice. The notice shall in each case specify the date, time, and place of the meeting, and notice shall be sufficient if actually received at the required time or if mailed not less than five days before the required time. Mailed notices shall be directed to the director=s address shown on the corporate records or to the director=s actual address ascertained by the person giving notice. Oral notice may be delivered in person or by telephone. Except as otherwise required by law, the Articles of Incorporation, or these bylaws, neither the business to be transacted at nor the purpose of any meeting of the board of directors need be specified in the notice.

4.12 Waiver of Notice. Whenever any notice is required to be given to any director, a waiver thereof in writing, signed by the director entitled to such notice, whether before or after the event specified in the waiver, shall be deemed equivalent to the giving of such notice. Furthermore, the attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened.

4.13. Posting Notice. For other than emergency meetings, notice of board meetings shall be posted at a place or places on the Property at least three days prior to the meeting or notice shall be provided by a method otherwise reasonably calculated to inform Lot Owners of such meetings. Emergency meetings, however, may be held without notice, if the reason for the emergency is stated in the minutes of the meeting.

4.13 Action Without a Meeting. Any action that is required or permitted to be taken by the directors at a meeting may be taken without a meeting if a consent in writing setting forth the action is signed by all of the directors entitled to vote on the matter. The action shall be effective on the date when the last signature is placed on the consent.

4.14 Meeting by Telephone Conference. Only emergency meetings of the board may be held by telephone or similar means that allows all board members participating to hear each other simultaneously or otherwise be able to communicate during the meeting. Participation in such meeting shall constitute presence in person at the meeting.

4.15 Quorum: Majority Vote. A majority of the number of directors in office at the time of a meeting of the board of directors shall constitute a quorum for the transaction of business at any meeting of the board of directors. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board of directors, unless a different number is required by law, the Articles of Incorporation, or these bylaws. A minority of the directors, in the absence of a quorum, may adjourn and reconvene from time to time but may not transact any business.

4.16 Open Meetings. All meetings of the board shall be open to Owners, except that at the direction of the board the following matters may be considered in executive session: (1) consultation with legal counsel concerning the rights and duties of the Association regarding existing or potential litigation or criminal matters; (2) personnel matters, including salary negotiations and employee discipline; (3) negotiation of contracts with third parties; and (4) collection of unpaid assessments. Except in the case of emergency, the board shall vote in open meeting whether to meet in executive session. If the board votes to meet in executive session, the presiding officer of the board shall state the general nature of the action to be considered and, as precisely as possible, when and under what circumstances the deliberations can be disclosed to Owners. The statement, motion or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the board, following the executive session, reconvenes in open meeting and votes on the contract or an action which must be reasonably identified in the open meeting and included in the minutes. The meeting and notice requirements of this Section cannot be circumvented by chance or social meetings or by any other means.

4.17 Additional Duties. The board shall have the additional duties:

4.17.1 Insurance. At least annually, the board shall review the insurance coverage of the Association.

4.17.2 Tax Returns. The board shall cause to be filed any necessary income tax return for the Association.

4.17.3 Address. The board, in the name of the Association, shall maintain a current mailing address of the Association.

4.17.4 Records. The board shall cause the information required to enable the Association to comply with Section 3.10.5 to be maintained and kept current.

4.17.5 Budget. The board shall adopt a budget for the community. Within 30 days after adopting the annual budget for the community, the board shall provide a summary of the budget to all Owners. If the board fails to adopt a budget, the last adopted annual budget shall continue in effect.

SECTION 5 OFFICERS

5.1 Designation. The officers of the Corporation shall be a President, a Secretary, and a Treasurer. Such other officers as may be deemed necessary may be elected by the board of directors and shall have such powers and duties as may be prescribed by the board. The same individual may hold two or more offices.

5.2 Qualification. An officer must be a member of the board of directors.

5.3 Election and Term of Office. The officers of the Corporation shall be elected annually by the board of directors at the annual meeting of the board of directors. Each officer shall hold office until a successor is duly elected or until the officer=s resignation, death, or removal.

5.4 Resignation. An officer may resign at any time by delivering written notice of resignation to the President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at a later time. The board of directors may reject any postdated rejection by notice in writing to the resigning officer.

5.5 Removal. The board of directors may remove any officer, with or without cause, by the affirmative vote of a majority of the directors then in office, at any meeting of the board of directors. Removal shall be without prejudice to the contract rights, if any, of the person removed. Election of an officer shall not of itself create contract rights.

5.6 Vacancies. A vacancy in any office because of death, resignation, removal, or otherwise may be filled by the board of directors for the unexpired portion of the term.

5.7 President. The President shall be the chief executive officer of the corporation and shall, subject to the control of the board of directors, have general supervision, direction, and control of the business and affairs of the Corporation. The President shall preside at all meetings of the

board of directors and shall with the Secretary execute on behalf of the Corporation all contracts, agreements, and other instruments. The President shall have the general powers and management usually vested in the office of president of a corporation, and shall have such other powers and duties as may be prescribed by the board of directors.

5.8 Secretary. The Secretary shall prepare and keep (or cause to be prepared and kept) the minutes of all meetings of the board of directors and any committees of the board of directors and shall have custody of the minute books and other records pertaining to corporate business. The Secretary shall give or cause to be given such notice of the meetings of the board of directors as is required by the bylaws. The Secretary shall be responsible for authenticating resolutions and other records of the corporation and shall countersign on behalf of the corporation all contracts, agreements, and other instruments. The Secretary shall perform such other duties as may be prescribed by the board of directors.

5.9 Treasurer. The Treasurer shall be the chief financial and accounting officer of the Corporation and shall supervise and monitor the finances of the Corporation. The Treasurer shall (a) cause to be kept correct and complete records of account showing the financial condition of the Corporation, (b) be legal custodian of all moneys, notes, securities, and other valuables that may come into the possession of the Corporation, (c) cause all funds of the Corporation to be deposited in depositories that the board of directors may designate, (d) pay funds out only on the check of the Corporation signed in the manner authorized by the board of directors, (e) present to the board of directors regular statements of the Corporation's financial position and cash flows, (f) ensure that the Corporation files all necessary tax returns, and (g) maintain the record of all gifts, grants, contributions, gross receipts from any activity that is not an unrelated trade or business, and the sources of all the foregoing funds.

5.10 Maintenance. The board shall cause to be adopted a program for maintenance, upkeep, repair and replacement of that Common Property. The program will include a method for payment expenses and the method of approving payment vouchers.

5.11 Employment. The board shall have the authority to employ personnel necessary for the administration of the Community and maintenance, upkeep, and repair of the Common Property.

SECTION 6 INDEMNIFICATION OF DIRECTORS AND OFFICERS

6.1 Generally. The Corporation shall to the fullest extent permitted under Oregon law indemnify any person who is or was a director or officer of the Corporation against any and all liability incurred by such person in connection with any claim, action, suit, or proceeding or any threatened claim, action, suit, or proceeding, whether civil, criminal, administrative, or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, if such person acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interest of the Corporation, and with respect to any criminal proceeding such person had no reasonable cause to believe the conduct was unlawful. Liability and expenses include reasonable

attorney fees, judgments, fines, costs, and amounts actually paid in settlement. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not of itself create a presumption that such person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal proceeding, had reasonable cause to believe that such conduct was unlawful. The foregoing right of indemnification shall be in addition to and not exclusive of any and all other rights to which any such director or officer may be entitled under any statute, bylaw, agreement, or otherwise.

6.2 Actions by or in the Right of the Corporation. In connection with any proceeding brought by or in the right of the Corporation, the Corporation may not indemnify any person who is or was a director or officer of the Corporation if such person has been adjudged by a court of law to be liable to the Corporation, unless the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability, in view of all of the circumstances of the case such person is fairly and reasonably entitled to indemnity.

6.3 Self-Interested Transactions. The Corporation may not indemnify any person who is or was a director or officer of the Corporation in connection with any proceeding charging improper personal benefit to such person in which such person has been adjudged liable on the basis that personal benefit was improperly received by such person, unless the court in which the action or suit was brought determines upon application that, despite the adjudication of liability, in view of all circumstances of the case such person is fairly and reasonably entitled to indemnity.

6.4 Determination of the Propriety of Indemnification. The determination that indemnification is proper shall be made by the majority vote of a quorum consisting of the directors who were not parties to the proceeding or, if such a quorum cannot be obtained, by the majority vote of a committee, duly designated by the board of directors, consisting of at least two directors who were not parties to the proceeding. If there are not two directors who were not parties to the proceeding, the full board of directors shall select special legal counsel to determine whether indemnification is proper.

6.5 Evaluation of Expenses. An evaluation as to the reasonableness of expenses shall be made by the majority vote of a quorum consisting of directors who were not parties to the proceeding or, if such a quorum cannot be obtained, by the majority vote of a committee, duly designated by the board of directors, consisting of at least two directors who were not parties to the proceeding. If there are not two directors who were not parties to the proceeding, the full board of directors, including directors who were parties to the proceeding, shall evaluate the reasonableness of expenses.

6.6 Notice to the Attorney General. A director or officer shall not be indemnified by the Corporation until 20 days after the effective date of written notice to the Attorney General of the proposed indemnification.

6.7 Advance of Expenses. Expenses incurred with respect to any claim, action, suit, or other proceeding of the character described in this Section may be advanced by the corporation prior to the final disposition of such proceeding if (a) the director or officer provides written affirmation to the Corporation of such person=s good faith belief that such person satisfies the criteria for indemnification, and (b) the director or officer gives the Corporation a written undertaking to repay the advanced amount if it is ultimately determined that the director or officer is not entitled to indemnification under this Section. The undertaking shall be a general obligation of the director or officer, but need not be secured and may be accepted by the board of directors without reference to the director or officer=s financial ability to make repayment.

6.8 Insurance. The board of directors shall have the power to purchase insurance on behalf of any individual who is or was an officer or director of the Corporation against liability asserted against or incurred by such individual arising out of such individual=s status as a director or officer of the Corporation, whether or not the Corporation would have the power to indemnify such individual against liability under the provisions of this Section.

SECTION 7 AMENDMENT and ADMINISTRATIVE RULES

The Association may adopt, amend or repeal these bylaws or adopt new bylaws by the affirmative vote of two-thirds of the directors then in office, at any meeting of the board of directors. The meeting notice shall state that a purpose of the meeting is to consider an amendment to the bylaws and shall contain a copy or summary of the proposed amendment.

SECTION 8 RULES OF ORDER

8.1. Robert=s Rules. Meetings of the Association and the board of directors shall be conducted according to the latest edition of Robert=s Rules of Order published by the Robert=s Rules Association.

8.2. Procedural Error. A decision of the Association or the board of directors may not be challenged because the appropriate rules of order were not used unless a person entitled to be heard was denied the right to be heard and raised an objection at the meeting in which the right to be heard was denied. A decision of the Association or the board of directors is deemed valid without regard to procedural errors related to the rules of order one year after the decision is made unless the error appears on the face of a written instrument memorializing the decision.

SECTION 9 ASSESSMENTS

9.1 Purpose of Assessment. The assessments provided for herein shall be used for the general purposes of promoting the recreation, health, safety, welfare, common benefit, and enjoyment of the Owners and occupants of Lots, including the maintenance of the Common Property, all as may be more specifically authorized from time to time by the Board of Directors.

9.2 Creation of Assessments. Each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, covenants and agrees to pay to the Association; (a) annual assessments or charges; (b) special assessments, such assessments to be established and collected as hereinafter provided; and (c) specific assessments against any particular Lot which are established pursuant to the terms of this Declaration, including, but not limited to, reasonable fines as may be imposed in accordance with the terms of this Declaration. All such assessments, together with late charges, interest, not to exceed the maximum legal rate, costs, and reasonable attorney=s fees actually incurred, shall be a charge on the land and shall be a continuing lien upon the Lot against which each assessment is made.

9.3 Computation of Assessment. It shall be the duty of the Board to prepare a budget covering the estimated costs of operating the Association during the coming year, which may include a capital contribution in accordance with a capital budget separately prepared. The Board shall cause the budget and the assessments to be levied against each Lot for the following year to be delivered to each member at least thirty (30) days prior to the end of the current fiscal year. The budget and the assessments shall become effective unless disapproved by vote at a meeting by a Majority of the Owners. Notwithstanding the foregoing, however, in the event the membership disapproved the proposed budget or the Board fails for reason so to determine the budget for the succeeding year, then and until such time as a budget shall have been determined, as provided herein, the budget in effect for the then current year shall continue for the succeeding year.

9.4 Special Assessments. In addition to the other assessments authorized herein, the Association may levy special assessments in any year. So long as the total amount of special assessments allocable to each Lot does not exceed Five Hundred Dollars (\$500) in any one fiscal year, the Board may impose the special assessment. Any special assessment which would cause the amount of special assessments allocable to any Lot to exceed this limitation shall be effective only if approved by a Majority of the Class A members. Special assessments shall be paid as determined by the Board, and the Board may permit special assessments to be paid in installments extending beyond the fiscal year in which the special assessments are imposed.

9.5 Lien for Assessments. All sums assessed against any Lot pursuant to this Declaration, together with late charges, interest, costs and reasonable attorney=s fees actually incurred, as provided herein, shall be secured by a lien on such Lot in favor of the Association. Such lien shall be superior to all other liens and encumbrances on such Lot, except for (a) liens for ad valorem taxes; or (b) liens for all sums unpaid on a first Mortgage or on any Mortgage to Declarant duly recorded in the land records of Deschutes County, Oregon, and all amounts advanced pursuant to such Mortgage and secured thereby in accordance with the terms of such instrument.

All other persons acquiring liens or encumbrances on any Lot after this Declaration shall have been recorded in such records shall be deemed to consent that such liens or encumbrances

shall be inferior to future liens for assessments, as provided herein, whether or not prior consent is specifically set forth in the instruments creating such liens or encumbrances.

9.6 Effect of Nonpayment of Assessments, Remedies of the Association. Any assessments which are not paid when due shall be delinquent. Any assessment delinquent for a period of more than ten (10) days shall incur a late charge in an amount as the Board may from time to time determine. The Association shall cause a notice of delinquency to be given to any member who has not paid within ten (10) days following the due date. If the assessment is not paid within thirty (30) days, a lien, as herein provided, shall attach and, in addition, the lien shall include the late charge, interest, not to exceed the maximum legal rate, on the principal amount due, and all late charges from the date first due and payable, all costs of collection, reasonable attorney=s fees actually incurred, and any other amounts provided or permitted by law. In the event that the assessment remains unpaid after sixty (60) days, the Association may, as the Board shall determine, institute suit to collect such amounts and to foreclose its lien. Each Owner, by acceptance of a deed or as a party to any other type of a conveyance, vests in the Association or its agents the right and power to bring all actions against him or her, personally, for the collection of such charges as a debt or to foreclose the aforesaid lien in the same manner as other liens for the improvement of 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 Association, acting on behalf of the Owners, shall have the power to bid on the Lot at any foreclosure sale or to acquire, hold, lease, mortgage or convey the Lot. No Owner may waive or otherwise except liability for the assessments provided for herein, including, by way of illustration, but not limitation, abandonment of the Lot.

All payments shall be applied first to costs and attorneys= fees, then to late charges, then to interest, then to delinquent assessments, then to any unpaid installments of the annual assessment or special assessments which are not the subject matter of suit in the order of their coming due, and then to any unpaid installments of the annual assessments or special assessments which are the subject matter of suit in the order of their coming due.

9.7 Capital Budget and Contribution. The Board of Directors shall annually prepare a capital budget which shall take into account the number and nature of replaceable assets, the expected life of each asset, and the expected repair or replacement cost. The Board shall set the required capital contribution, if any, in an amount sufficient to permit meeting the projected capital needs of the Association, as shown on the capital budget, with respect to both amount and timing by annual assessments over the period of the budget. The capital contribution required shall be fixed by the Board and included within the budget and assessments, as provided in Section 9.3. A copy of the capital budget shall be distributed to each member in the same manner as the operating budget.

9.8 Subordination of the Lien to First Deeds of Trust and First Mortgages. The lien of the assessments, including interest, late charges, costs (including attorneys= fees) provided for herein, shall be subordinate to the lien of any first Mortgage upon any Lot. The sale or transfer

of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record or other purchaser of a Lot obtains title, his or her successors and assigns shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all the Lots, including such acquirer, his or her successors and assigns.

9.9 Date of Commencement of Annual Assessments. The annual assessments provided for herein shall commence as to all Lots then existing and subject to assessment under the Declaration on the first day of the month following the conveyance of the first Lot by the Declarant to a Class A member and shall be due and payable in a manner and on a schedule as the Board of Directors may provide. The first annual assessment shall be adjusted according to the number of months then remaining in that fiscal year. The date any Lot becomes subject to assessment hereunder shall be the date on which the later of the following occurs:

9.9.1 The Lot becomes subject to the Declaration; or

9.9.2 The appropriate official of Deschutes County, Oregon, issues a certificate of occupancy or its equivalent stating that the Lot is substantially complete and available for occupancy.

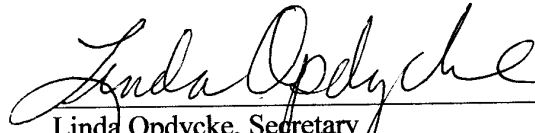
9.10 Assessment by Declarant.

9.10.1 After the commencement of assessment payments as to any Lot, Declarant, if any, covenants and agrees to pay fifty percent (50%) of the annual assessment for each occupied Lot it owns; notwithstanding anything contained herein to the contrary, the Declarant shall not pay any assessment on vacant Lots.

9.10.2 Notwithstanding anything to the contrary herein, the Declarant may contribute assessments due from it in services or materials or a combination of services and materials, rather than in money, (herein collectively called in-kind contribution). The amount by which monetary assessments shall be decreased as a result of any in-kind contribution shall be the fair market value of the contribution. If the Declarant and the Association agree as to the value of any contribution, the value shall be as agreed. If the Association and the Declarant cannot agree as to the value of any contribution, the Declarant shall supply the Association with a detailed explanation of the service performed and the material furnished, the Association shall acquire bids for performing like services and furnishing like materials from three (3) independent contractors approved by the Declarant who are in the business of providing such services and materials. If the Association and the Declarant are still unable to agree on the value of the

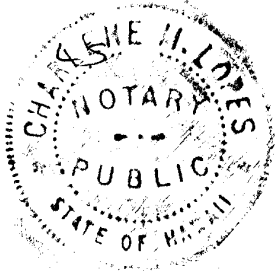
contribution, the value shall be deemed to be the average of the bids received from the independent contractors.

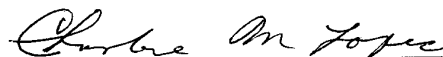
DATED this 3rd day of October, 2005.


Linda Opdycke, Secretary

State of Hawaii, County of Hawaii: ss.

The foregoing instrument was acknowledged before me this 3rd day of October, 2005, by Linda Opdycke, Secretary of Bri-Lin Construction, Inc., an Oregon corporation, on behalf of the corporation.




NOTARY PUBLIC FOR HAWAII **CHARLENE M. LOPES**
My Commission Expires: 12/15/2007