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**DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS, AND RESTRICTIONS
MONTICELLO ESTATES**

After Recording Return to:
Monticello Homes, Inc.
9115 SW Oleson Road, Suite 203
Portland, OR 97223
Attn: Brian Lantzy

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DECLARATION OF PROTECTIVE COVENANTS,
CONDITIONS AND RESTRICTIONS
MONTICELLO ESTATES

THIS DECLARATION OF PROTECTIVE COVENANTS, CONDITIONS AND RESTRICTIONS FOR MONTICELLO ESTATES (this "**Declaration**"), to be effective upon its recording in Deschutes County, Oregon, is made and executed on the date hereinafter set forth by Monticello Homes, Inc., an Oregon corporation, hereinafter referred to as the "**Declarant**".

WITNESSETH

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

Declarant desires to create a Class I planned community known as MONTICELLO ESTATES on the land described on Exhibit "A" as shown on the duly recorded plats of MONTICELLO ESTATES, PHASE 1 and MONTICELLO ESTATES, PHASE 2 and on such other land as may be added thereto pursuant to the terms and provisions of this Declaration. The community shall be subject to ORS 94.550 to 94.783.

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.

ARTICLE I DEFINITIONS

1.1 "Articles"

"Articles" shall mean the Articles of Incorporation of the Association, as amended from time to time.

1.2 "Association"

"Association" shall mean the Monticello Estates Homeowners' Association, Inc., an Oregon nonprofit corporation established for the purposes set forth herein.

1.3 "Board"

"Board" shall mean the Board of Directors of the Monticello Estates Homeowners' Association, Inc.

Declaration of Protective Covenants, Conditions and Restrictions

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1.4 "Bylaws"

"Bylaws" shall mean the Bylaws of the Association, as amended from time to time. The Bylaws shall be adopted pursuant to ORS 94.625 and recorded in the Deed Records of Deschutes County, Oregon. A copy of the Bylaws is attached hereto as Exhibit "B."

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 Monticello Estates that is owned by the Association for the use and benefit of the Owners. There are no Common Areas in Monticello Estates.

1.6 "Common Maintenance Areas"

"Common Maintenance Areas" shall mean the Common Areas and any areas within public rights-of-way, Lots or other property that the Association is required to maintain pursuant to this Declaration or that the Board deems necessary or appropriate to maintain for the common benefit of the members, including, without limitation, those areas described in Sections 5.3 and 5.4 of this Declaration.

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 earlier 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; (ii) ten (10) years after conveyance of the first Lot to a Class "A" member; or (iii) upon election in writing by Declarant.

1.8 "County"

"County" shall mean Deschutes County, Oregon.

1.9 "Declarant"

"Declarant" shall mean Monticello Homes, Inc., 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.

1.10 "Declaration"

"Declaration" shall mean this Declaration of Protective Covenants, Conditions, and Restrictions for Monticello Estates and any amendments and supplements thereto made in accordance with its terms.

1.11 "Directors"

"Directors" shall mean the Board of Directors of the Association.

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 Monticello Estates.

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 Area, Tracts or areas deeded to a governmental authority or utility, together with all improvements thereon.

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.

1.15 "Plat"

"Plat" shall mean the duly recorded plats of Monticello Estates, Phase 1 and Monticello Estates, Phase 2 recorded in the Plat Records of Deschutes County, Oregon.

1.16 "Private Utilities"

"Private Utilities" shall mean utilities including but not limited to gas, electric, water, sewer, storm water, cable, and telecommunication service lines that are not public utilities.

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.

1.18 "Turnover Meeting"

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

1.19 "Unit"

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

ARTICLE II MONTICELLO ESTATES HOMEOWNERS' ASSOCIATION, INC.

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. There shall be two (2) classes of membership, Class A and Class B as described in Section 2.2.

2.2 Voting Rights

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

2.2.1 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 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. If the co-Owners of a Lot cannot agree upon the vote, the vote of the Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

2.2.2 Class B

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

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.

2.4 The Association Board of Directors

The Association's Board of Directors shall be elected as provided in the Bylaws.

2.5 Turnover Meeting

The Declarant shall call the Turnover Meeting within ninety (90) days following the Conversion Date for the purposes of turning over control of the Association to the Owners. The Turnover Meeting shall be conducted in accordance with the Bylaws.

2.6 Immunity of the Board

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

2.7 Clarification of Role of Association

The Association shall have the general powers and duties of a nonprofit corporation pursuant to the Oregon Nonprofit Corporations Act and of a homeowners' association pursuant to the Oregon Planned Community Act, as well as the specific powers and duties set forth in the provisions of this Article and the other provisions of this Declaration that expressly relate to the Association, as well as pursuant to the Articles and the Bylaws. However, unless expressly set forth herein or in the Articles or the Bylaws, the Association shall not act in the capacity of settling disputes between Owners or resolving problems that Owners may experience. Disputes or problems experienced by Owners to which the Association has no express authority or role as set forth in this Declaration shall be resolved by private, lawful means chosen by the affected Owners and there shall be no recourse to the Association.

ARTICLE III COMMON MAINTENANCE AREAS/ASSESSMENTS

3.1 Funding

Subject to the terms of this Article III, the Declarant for each Lot owned within the Property hereby covenants, 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 3.5. 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.

3.2 Annual Assessment or Charge on Lots Owned by Class A Members

Subject to the terms of this Article, each improved 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 3.4, the "**Reserve Fund**" for matters described under Section 3.5, as well as any other funds contemplated under this Declaration, such as funds for assessments and charges: (i) on public access areas, as well as (ii) a fund established to hold funds from Limited Assessments (defined below), 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 each Lot upon the sale of such Lot by Declarant to an Owner other than Declaration (provided, Reserve Fund Assessments shall commence when provided in Section 3.5). 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. Assessments shall be assessed equally as between Lots that benefit from the services or Improvements giving rise to the assessment, except where expressly provided in this Declaration or any Declaration of Annexation for Monticello Estates. 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 has been paid for the assessment period.

3.3 Units on Lots Owned by Declarant

Unimproved Lots owned by Declarant or Units owned by Declarant that are not occupied shall not pay assessments until conveyed by Declarant to a third party.

3.4 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, if any) and the improvements to such Common Maintenance Areas, such as sprinkler systems, if any, 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 grounds, landscaping, lights, irrigation systems, and entry monuments in the Common Maintenance Areas, if any; (iii) 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; (iv) payment of all reasonable and necessary expenses in connection with the collection and administration of the maintenance charge and assessment; and (v) 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.

3.5 Reserve Funds; Reserve Study

3.5.1 Reserve Funds. Declarant shall establish a reserve fund account 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 or a Declaration of Annexation, that will normally require replacement in more than three (3) and fewer than thirty (30) years and for unexpected increases in expenses ("**Reserve Fund**"). The Reserve Fund need not include those items that could reasonably be funded from the maintenance fund or for which one or more Owners are responsible for maintenance and replacement under this Declaration or the Bylaws. Assessments for the Reserve Fund under this Section shall begin accruing from the date the Association becomes responsible for the maintenance of any Common Maintenance Area. Declarant may elect to defer payment of the amounts due for the Reserve Fund on Lots it owns until the date of the conveyance of the Lot to an Owner other than Declarant. However, the Declarant may not defer such payment beyond the date of the Turnover Meeting, or if no Turnover Meeting is held, the date on which administration of the Association is turned over to the Class A Members. The books and records of the Association shall reflect the amount owing from the Declarant for all Reserve Fund Assessments.

For purposes of funding the Reserve Fund, Declarant initially, and thereafter 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 Assessment determined by Declarant shall be based upon the reserve study described below, and other sources of reliable information. Nothing in this Section 3.5 shall limit the authority of Declarant or the Association to establish other separate or unrelated reserve funds that are funded by assessments. 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, the Board may borrow funds from the Reserve Fund to meet high seasonal demands on the regular operating funds or to meet other unexpected increases in expenses. Funds borrowed under this Section shall be repaid from regular annual or special assessments if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt, by resolution, a written payment plan providing for repayment of the borrowed funds within a reasonable period. The Association shall administer the Reserve Fund and may adjust the amount of the periodic payments into it to reflect changes in current replacement costs over time as indicated by the reserve study or update (as discussed in Section 3.5.2 below), and may provide for other reserve items that the Board, in its discretion, deems appropriate.

Following the second year after the Turnover Meeting, 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 for the 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.

3.5.2 Reserve Study. Declarant initially, and thereafter the Board annually, shall conduct a reserve study, or review and update an existing study, of the Common Maintenance Area components, if any, to determine the requirements of the Reserve Fund described in Section 3.5.1 above. 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 for the maintenance, repair and replacement of Common Maintenance Area components with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule. The 30-year plan shall be appropriate for the size and complexity of the Common Maintenance Area components and shall address issues that include but are not limited to warranties and the useful life of Common Maintenance Area components. The Board and the Declarant, as applicable, shall, within 30 days after conducting the reserve study, provide to every owner a written summary of the reserve study and of any revisions to the 30-year plan adopted by the Board or the Declarant as a result of the reserve study.

3.6 Limited Assessments

In addition to the other assessments set forth herein, the Association shall have the authority to levy assessments to satisfy the common expenses of a particular project or effort undertaken by the Association that benefits some, but less than all, of the Lots (such assessments, "**Limited Assessments**"). Limited Assessments shall be levied against the Owners of those Lots that benefit from the project or effort undertaken by the Association. An example, for illustrative purposes only and not as a limitation, of a project or effort giving rise to a Limited Assessment, is maintenance or repair of a tract of property that benefits and serves certain Lots, but not other Lots.

3.7 Additional Assessments

In addition to the periodic assessments described in this Article III, 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 3.1 for annual and special assessments.

3.8 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 as permitted by the Planned Community Act 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 the Owner's property.

3.9 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 III and the payment of interest, late charges, attorney fees or other charges against Owners provided for in this Declaration or the Bylaws, there shall be a lien on each Lot for the benefit of the Association pursuant to ORS 94.709, 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 the homestead exemption and all first mortgage or trust deed 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 which 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 claim of liens in favor of such Association in the Official Public Records of Deschutes County, Oregon.

3.10 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, the Common Areas and Common Maintenance Areas and recompute all applicable assessments for

each Lot. Newly annexed 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 newly annexed 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 Property 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 IV GENERAL POWERS AND DUTIES OF BOARD OF DIRECTORS

4.1 Interim Board

Declarant shall have the right to appoint an interim board of from one (1) to 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.

4.2 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 III above, the following:

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

4.2.2 Maintenance, repairs, and enhancement of the Common Maintenance Areas and any improvements therein.

4.2.3 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.

4.2.4 Legal and accounting services.

4.2.5 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 V.

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

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

4.2.8 Utility charges associated with Common Maintenance Areas, including, without limitation, water service charges for the irrigation of the planter strips pursuant to Section 5.3.3.

4.2.9 Any other materials, supplies, insurance, furniture, labor, services, maintenance, repairs, structural alterations, taxes or assessments (including taxes or assessments assessed against an individual Owner) 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.

4.3 Powers and Duties of Board

The Board, on behalf of the Association 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 Articles and the Bylaws of the Association and the powers and duties of a nonprofit corporation pursuant to the Oregon Nonprofit Corporation Act and a homeowners' association pursuant to ORS 94.630:

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

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

4.3.3 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.

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

4.3.5 To make reasonable rules and regulations for the operation of the Property 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 Property, by the Owners in the portions affected.

4.3.6 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.

4.3.7 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.

4.3.8 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.

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

4.4 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.

4.5 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 V COMMON MAINTENANCE AREAS

5.1 Conveyance; Liability Insurance; Casualty Insurance

5.1.1 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.

5.1.2 From on and after the date on which title to or responsibility for any Common Maintenance Areas vests in the Association, the Association shall purchase and carry a general comprehensive public liability insurance policy for the benefit of the Association and its members, covering occurrences on the Common Maintenance Areas. The policy limits shall be as determined by the Board, 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. In addition, from and after the date on which responsibility for the Common Maintenance Areas vests in the Association, the Board shall obtain on 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.

5.2 Condemnation

If there is a condemnation or a sale in lieu thereof of all or any portion of the Common Maintenance Areas owned by the Owners, 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 Maintenance 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 Association determines that the funds cannot be used in such a manner due to the lack of available land for additional Common Maintenance Areas or for whatever reason, any remaining funds may be distributed to each Owner based on an equal amount per Lot.

5.3 Maintenance of Common Maintenance Areas

Without limitation to the Association's overall maintenance and other obligations, the Association will permanently maintain, repair and replace the following Common Maintenance Areas as necessary:

5.3.1 Any entry monument signage, landscaping and related lighting and irrigation;

5.3.2 The emergency access driveway over Lots 13, and 14;

5.3.3 The landscaping, planter strips and the perimeter fence in the right of way located in front of Lots 1 through 12, inclusive, Lot 14 and Lot 29 along Deschutes Market Road; and

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

5.4 Prohibited Activities

The following activities are expressly prohibited within any Common Areas or within the right of way described in Section 5.3.3: (i) the removal of any tree greater than six (6) inches diameter breast height by the Association, without the written consent of the City of Bend and 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; (ii) the removal of any other vegetation by anyone except the Association; (iii) the disposal or placement of any debris, refuse,

soil, rock, landscape debris or other deleterious materials; (iv) parking, storage, repair, or disposal of any motor vehicle; and (v) motor vehicle access, except as may be necessary for planting, repairs or maintenance approved by the Board or in conjunction with maintenance of public or private utilities. In no event shall an Owner be allowed to remove any trees or vegetation from Common Areas or the right of way described in Section 5.3.3.

ARTICLE VI ARCHITECTURAL REVIEW

6.1 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.

6.1.1 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.

6.1.2 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, or to perform other functions as described in this Declaration.

6.1.3 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.

6.2 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.

6.3 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 improvements erected, altered, added onto or repaired by Declarant shall be exempt from the provisions of this Article VI.

6.4 Submission of Plans

Before the initiation of construction upon any Lot, 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. In the event an Owner submits plans or specifications to the ACC that are not adequate to permit the ACC to make an informed determination under this Article, the Board shall have the authority to require the Owner submitting the inadequate plans or specifications to retain, at the Owner's expense, the services of a professional engineer, architect, designer, inspector or other person to assist in the preparation of a sufficient submittal to the ACC.

6.5 Plan Review

Upon receipt by the ACC of all of the information required by this Article VI, it shall have thirty (30) days in which to review said plans. The proposed improvements will be approved if, in the sole opinion of the 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 set back lines; (iii) the improvements will not result in the reduction in property value, use or enjoyment of any of the Property; (iv) the individual or company intended to perform the work is acceptable to the ACC; and (v) the improvements will be substantially completed, including all cleanup, within three (3) months of the date of commencement (six (6) months for the construction of a complete house). If the ACC fails to issue its written approval, or rejection, within thirty (30) 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.

6.6 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 VI 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.

6.7 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.

6.8 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.

6.9 Address for Notice

Requests for ACC approval or correspondence with the ACC shall be addressed to Monticello Estates Architectural Control Committee, 19800 Village Office Court, Suite 101, Bend, Oregon 97701, or such other address as may be designated from time to time by the ACC. 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 VII EASEMENTS

7.1 Utility Easements

As long as the Declarant owns a Lot or retains the ability to annex additional property to Monticello Estates, the Declarant hereby reserves an easement for itself and 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 Areas 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 or retains the ability to annex additional property to Monticello Estates.

7.2 Declarant's Easement to Correct Drainage

Declarant hereby reserves for the benefit of Declarant 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 to correct or maintain any drainage facilities within the Property.

7.3 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. 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.

7.4 Reserved Easements

Easements for installation and maintenance of utility, sanitary sewer and storm water retention/detention ponds and sewers are reserved and granted 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.

7.5 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 Lots as may be expedient or necessary for the construction, servicing and completion of dwellings and landscaping upon adjacent Lots within the Property, provided that such easement shall terminate twenty-four (24) months after the date such Lot is conveyed to an Owner other than Declarant.

7.6 Perimeter Fence Easement

An easement is hereby declared for the benefit of the Declarant, its employees, subcontractors, successors and assigns as may be expedient or necessary for the construction of fencing along the perimeter of the Property. The foregoing easement does not obligate Declarant to construct perimeter fencing.

7.7 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, and under each Lot and any Common Maintenance Areas or other areas of Monticello Estates as necessary or appropriate for purposes of accomplishing the maintenance, repair, and replacement by the Association of Improvements or the other obligations of the Association hereunder.

7.8 Plat Easements

The Property shall be subject to all easements delineated on the Plat.

ARTICLE VIII USE, OCCUPANCY, CASUALTY, AND INSURANCE

8.1 Residential Use

All Lots and Units shall be kept and maintained primarily for single family residential purposes.

8.2 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. The Board shall not unreasonably withhold consent to a non-residential use if only normal residential activities would be observable outside of the Unit and the activities would not be in violation of applicable ordinances nor create additional traffic or the need for additional parking. The Board shall not allow a use that diminishes the residential character of the Lot or neighborhood or imposes a nuisance on the neighborhood. Any such use must comply with all the use restrictions of this Declaration and all applicable law, including, without limitation, zoning requirements. Any Owner wishing to conduct any commercial, institutional, or other non-residential uses on any Lot shall first apply to the Board for approval of such use and shall provide to the Board any information deemed necessary by the Board to evaluate the impacts of such use on the neighborhood. 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. This Section 8.2 does not restrict the right of an Owner to maintain Owner's professional personal library, keep Owner's personal business or professional records or accounts or handle Owner's personal business or professional telephone calls in Owner's Unit.

8.3 Garage Sales

The provisions of this Article shall not apply to garage sales conducted entirely on an Owner's Lot in accordance with the guidelines (if any) established by the Association, provided that no Owner shall conduct more than one (1) garage sale of no more than three (3) days duration during any six (6) month period.

8.4 Declarant Use

The provisions of this Article shall not apply to the use of any Lot or Unit by the Declarant 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.

8.5 Owner Insurance

Each Owner of a Lot is encouraged to 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, fire and extended coverage casualty insurance with respect to the Owner's Unit in an amount equal to one hundred percent (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. No Owner shall be obligated to obtain any of the insurance coverages described herein or in Section 5.2, nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association.

8.6 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.

ARTICLE IX PROPERTY RIGHTS

9.1 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. As such rights of an Owner of a Lot with respect to the Lot or the Unit on such Owner's Lot is subject to the rights of the Association under this Declaration, 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.

9.2 Owners' Easements of Enjoyment

If not otherwise prohibited on the Plat or the plat annexing additional Common Areas to the Property, every Owner shall have a right and easement in and to the Common Areas, if any, 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:

9.2.1 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.

9.2.2 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.

9.2.3 The right of the Association, subject to the provisions hereof, and applicable law, 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.

9.2.4 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.

9.3 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.

9.4 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 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.

9.5 Lot Consolidation and Division

No Lot may be consolidated with another Lot and no Lot may be subdivided, except by Declarant.

9.6 Drainage Alteration Prohibited

The surface water drainage contours of each Lot shall conform to the approved grading plan established by the Declarant. No Owner shall fill or alter any drainage swale established by the Declarant, 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 without the prior, written approval of the ACC.

9.7 Damage or Destruction By Owner

If damage to any Common Maintenance Area is directly attributable to an Owner or the family members, invitees, licensee, or guest of an Owner, then that Owner shall repair such damage or destruction as soon as reasonably practicable, but in no event later than fifteen (15) days after the date the damage occurred, at his or her sole expense and without a right of reimbursement. If an Owner fails to repair such damage timely, the Association shall have all rights of enforcement and remedies set forth under this Declaration. Nothing in this Section 9.6 shall relieve an Owner of the responsibility to repair damage or destruction by the Owner or the family members, invitees, licensees, or guests of an Owner to Improvements that constitute common elements required by the state building code as defined in ORS 455.010.

ARTICLE X USE RESTRICTIONS

10.1 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. The Board shall have the sole authority to determine nuisances and their decision shall be final and conclusive.

10.2 Development Activity

Notwithstanding any other provision herein, Declarant and its successors and assigns 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.

10.3 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 to use trailers or outbuildings as sales offices, construction offices, material storage facilities, or sanitation facilities.

10.4 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:

10.4.1 "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.

10.4.2 "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.

10.4.3 Declarant's Signs

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

10.4.4 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 are removed within fifteen (15) days after the election.

10.4.5 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.

10.4.6 Commercial Vehicle Emblems

Vehicles displaying commercial emblems shall not be kept or parked on any Lot except as provided in Section 10.5.

The foregoing restrictions shall not be deemed to prohibit the display of the flag of the United States by an Owner or occupant of a Lot if the flag is displayed in a manner consistent with federal flag display law, 4 U.S.C. § 1 *et seq.* The Board may adopt reasonable rules and regulations consistent with federal flag display law regarding the placement and manner of display of such flag and the location and size of the flagpole.

10.5 Campers, Boats, Recreational Vehicles, Commercial Vehicles, and other Non-Passenger Vehicles

No campers, boats, boat trailers, recreational vehicles, commercial vehicles, 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:

10.5.1 Campers, boats, boat trailers, recreational vehicles, recreational trailers, and other non-passenger vehicles, equipment, implements, or accessories shall not be stored or kept on any Lot unless the same are fully enclosed within the garage located on such Lot and/or said vehicles and accessories are in an operable condition and are screened from view by a screening structure or fencing approved by the ACC.

10.5.2 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 that are (i) temporarily parked on any Lot for the sole purpose of serving such Lot, or (ii) kept within an Owner's garage at all times 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. Notwithstanding the foregoing, the Board shall not unreasonably withhold consent to keep a commercial vehicle bearing insignia or names where such vehicle is driven by an Owner pursuant to Owner's primary job. 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 their sole authority, may require. The Board may from time to time in their 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.

10.5.3 No disabled vehicles, campers, boats, boat trailers, recreational vehicles, recreational trailers, or other types of non-passenger vehicles equipment, implements, or accessories may be kept or stored on any street or driveway within the Property for any period in excess of seven days within any 30-day period without the consent of the Board.

10.5.4 The Board, as designated in this Declaration, shall have the absolute authority to determine from time to time whether a vehicle 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.

10.5.5 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.

10.6 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 four (4) adult animals may be kept on a single Lot. All such animals shall be kept in strict accordance with all local laws and ordinances (including leash laws) and in accordance with all rules established by the Association. Owners shall be responsible for cleaning up after their pets' waste in Monticello Estates. No animal shall be allowed to run at large, and all animals shall be kept, except as otherwise provided in this Section 10.6, 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. No animal may be restrained by rope, leash, or any similar device in the front yard of any Lot.

10.7 Garbage and Refuse Disposal

No Lot, tract, or Common Maintenance Area 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 Maintenance 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.

10.8 Parking

No vehicles, trailers, implements or apparatus may be driven or parked in the Common Maintenance Areas, or on any easement unless in use for maintaining such Common Maintenance Areas. This restriction shall not apply to driveways, streets or paved areas intended for vehicular use. Notwithstanding anything in this Section 10.8, parking of vehicles is prohibited on any public or private street within the Property that is signed or otherwise marked for "No Parking" by a governmental authority. The Owner of each Lot shall maintain off-street parking on its Lot (inclusive of its garage and driveway) able to accommodate at least three automobiles.

10.9 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 VIII.

10.10 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 written approval of the ACC. Every outbuilding, 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. Outbuildings shall be of a one (1) story design and not exceed fifteen (15) feet in height measured from existing grade or have total floor area in excess of fifteen percent (15%) of the first floor area of the main dwelling excluding the area of the garage.

10.11 Fences and Hedges

No fence, wall or hedge shall be erected or maintained on any Lot nearer to the street than the building setback lines for the front yard, except for fences erected by the Declarant in conjunction with model homes, or sales offices, or subdivision entry walls and fences, monumentation and landscaping, or by governmental requirement. Side yard and rear yard fences may be erected along the property line of the Lots. All fences shall be constructed of cedar or white vinyl, or as may otherwise be approved by the ACC, except for fences erected by the Declarant in conjunction with model homes, sales offices, subdivision entry walls and fencing, monumentation and landscaping, and except as otherwise provided in this Section. All fences shall be a maximum of six (6) feet in height except fences for sales offices, model homes, subdivision entry walls and fencing, monumentation and landscaping or as otherwise approved by the ACC. No chain-link, metal cloth or agricultural fences may be built or maintained on any Lot, except as required by governmental authority; provided however, that chain link fences may be installed, with the prior approval of the ACC, for domestic pet runs. Notwithstanding the foregoing, the ACC shall have the right and authority to approve variances for reasonable cause or to alleviate hardship as determined in the sole judgment of the ACC; provided however, the ACC may not approve a variance which contradicts the zoning and/or subdivision ordinances of the local governmental jurisdictional authority unless the jurisdictional authority has previously approved the variance. Unless otherwise agreed between Owners, side and rear yard fences that separate adjacent lots shall be owned and maintained by the Owner on whose Lot the fence exists, or if the location is indefinite, such fence will be maintained by the Owners whose Lots are involved jointly, with expenses being shared equally.

10.12 General Landscaping and Exterior Maintenance

Decorative ground cover consisting of bark dust/mulch or rock in the front and side yard may not exceed fifty percent (50%) of the total area of the front, side and rear yards,

excluding side yards, decks, patios, or sidewalks, unless otherwise approved by the Board or designated by the Declarant, the ACC or a governmental authority. The remainder of the yard shall be lawn or sod. Growth of grasses in lawns must be properly maintained not to exceed four (4) inches in height. All landscaping located on any Lot not maintained by the Association pursuant to this Declaration shall be properly maintained at all times by the Lot Owner. 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. All improvements upon any Lot not maintained by the Association pursuant to this Declaration shall at all times be kept in good condition and repair and adequately painted or otherwise maintained by the Lot Owner. 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.

10.13 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 foregoing restriction and 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.

10.14 Clothes Hanging Devices

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.

10.15 Window Treatment

No aluminum foil, reflective film or similar treatment shall be placed on windows or glass doors.

10.16 Oil and Mining Operations

No oil drilling, oil development operations, oil refining, quarrying or mining operation of any kind shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels, mineral excavations, or shafts be permitted upon any Lot. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon any Lot.

No tank for the storage of oil or other fluids may be maintained on any of the Lots above the surface of the ground.

10.17 Mailboxes

Mailboxes shall be erected and maintained upon areas determined by the U.S. Postal Service in accordance with the current postal authority standards. Street access to mail boxes shall be continuously maintained between 8:00 a.m. and 5:00 p.m.

10.18 Garages

Lots must have an enclosed garage able to accommodate at least two (2) automobiles. The openings of such garages must be situated within the setback lines set out in Section 10.19 below. Garages may be used as Declarant's sales offices before permanent occupancy of the main structure, however, sales offices must be converted to garages before permanent occupancy. With the exception of periods when garages are used by the Declarant as sales offices, a garage shall be maintained solely for the storage of automobiles, and no garage may be enclosed or otherwise used for habitation, nor may any garage door be removed except when necessary to repair or replace a garage door with the same type of garage door. Residences constructed with garage space greater than two automobiles in size providing storage space and/or parking of a third automobile may be enclosed or otherwise used for habitation in all or part of this additional garage space only with the approval of the ACC pursuant to Article VI. In no case shall a doorway, other than overhead garage door, be located in such space, which faces a front or street side yard.

10.19 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.

10.20 Athletic and Recreational Facilities

Outdoor athletic and recreational facilities such as basketball goals, swing sets and sport courts of a permanent nature shall not be placed on any Lot in the subdivision between the street right-of-way and the front of a Unit; placement of these facilities in a permanent nature elsewhere on the Lot shall be approved by the ACC pursuant to Article VI. Temporary facilities including outdoor athletic and recreational facilities such as basketball goals may be placed on any Lot between the street and front of a Unit, utilized and removed from view from the street during the course of a day. Temporary facilities including outdoor athletic and recreational facilities such as basketball goals, hockey goals, etc. shall not be placed within any street on the Property.

10.21 Security

The Association is not responsible for providing security for the neighborhood or any Unit and the Owners are exclusively responsible for security of their home and property.

10.22 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.

10.23 Exterior Holiday Decorations

Lights or decorations may be erected on the exterior of Units in commemoration or celebration of publicly observed holidays provided that such lights or decorations do not unreasonably disturb the peaceful enjoyment of adjacent Owners by illuminating bedrooms, creating noise or attracting sight-seers. Holiday decorations or lights for any publicly observed holiday between December 1 and December 31 of any year, may not be displayed before November 15th of any year. For other holidays, decorations or lights may not be displayed more than two (2) weeks in advance of the holiday.

All lights and decorations that are not permanent fixtures of the Unit which are part of the original construction or have been properly approved as permanent improvements by the ACC shall be removed within thirty (30) days after the holiday has ended. The Board shall have the right, but not the obligation, upon thirty (30) days prior written notice to designate a party to enter upon any Lot and summarily remove exterior lights or decorations displayed in violation of this provision. The Board, and the individuals removing the lights and decorations, shall not be liable to the Owner for trespass, conversion, or damages of any kind except intentional misdeeds and gross negligence.

10.24 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 area and any rules promulgated by the ACC. The ACC shall have the right to promulgate reasonable rules and restrictions regulating such construction activities; provided that Declarant shall be exempt therefrom. In the event that construction upon any Lot does not conform to any ACC rule or the usual construction 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.

10.25 Unit Height

All residential building units shall be limited to two (2) stories in height and the highest point of any structure shall not violate any height restrictions imposed by the zoning ordinances of the local governmental jurisdictional authority. The ACC, in its sole discretion, shall determine whether a Unit meets the criteria of a two-story building. Units built by Declarant shall be exempt from this Section.

10.26 Retaining Walls

No retaining wall may be constructed on a Lot unless otherwise approved in advance by the ACC. Retaining walls may extend into the required front, side or rear setback lines of a Lot. Any retaining wall which exceeds four (4) feet in height shall be designed by a qualified Professional Engineer licensed to practice engineering in the State of Oregon. Retaining walls constructed by the Declarant shall be exempt from this Section.

10.27 Exterior Finish

All exterior walls of all dwellings, garages and approved accessory buildings shall be completely finished with wood, vinyl, stucco, brick, stone, paneling or other material acceptable to the ACC. Notwithstanding the foregoing, the ACC is empowered to waive this restriction if, in its sole discretion, such waiver is advisable in order to accommodate a unique or advanced building concept, design, or material, and the resulting structure will not detract from the general appearance of the neighborhood.

10.28 Limitation on Square Feet

The minimum square footage area of Units erected on the Lots, exclusive of open porches and/or garages, shall be not less than one thousand (1,000) square feet.

10.29 Prohibited Plants

Owners shall be prohibited from planting the following species of plants on the Lots:

- (a) Cystisus scoparius, commonly known as Scotch broom;
- (b) Hedera helix, commonly known as English ivy;
- (c) Lythrum salicaria, commonly known as purple loosestrife;
- (d) Phalaris arundinacea, commonly known as reed canarygrass; and
- (e) Rubus discolor, commonly known as Himalayan blackberry.

10.30 Household Chemicals

Owners shall be prohibited from dumping or otherwise disposing of household chemicals within the Property, including, but not limited to, cleaning agents, automotive fluids, paint, solvents and other toxic chemicals.

ARTICLE XI PICKETING AND DEMONSTRATIONS

11.1 Prohibitions

By acceptance of the deed to any Lot covered by this Declaration, the Owner covenants and agrees with the Owners of all other Lots within the subdivision, that no Owner or resident of any Lot shall engage in picketing, protest marches, sit-in demonstrations, protest speeches or other forms of public protest, including without limitation, displaying signs or placards within public view, upon any Lot or within any Common Maintenance Area, easement or street right-of way adjacent to any Lot, or affixed to any vehicle or apparatus upon or adjacent to any Lot. This prohibition shall not affect the right of any person to participate in any other form of public protest conducted outside the area depicted on the recorded subdivision Plat. No Owner or resident of any Lot shall engage in conduct that tends to vilify, ridicule, denigrate, or impugn the character of any other Owner or resident if such conduct occurs on any Lot, Common Maintenance Area, easement or street depicted on the subdivision Plat.

11.2 Acceptance of Prohibitions

Each Owner, by acceptance of the deed to any Lot, shall be deemed to have accepted the foregoing prohibitions as reasonable limitations on his or her constitutional right of free speech and to recognize and agree that all Owners have the right to the peaceful enjoyment of their property; the right of privacy; the right to practice their own religion; the freedom of association; the right to engage in a profession, business or life-style of their own choosing provided that the conduct of such profession, business or life-style is not illegal and does not otherwise violate any provision of this Declaration.

ARTICLE XII ANNEXATION

12.1 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 eighty-six (86) Lots in the subdivision, 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.

12.1.1 Eligible Property

Any or all of certain real property in Deschutes County included on the Plat or located 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.

12.1.2 Consent or Joinder Not Required

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

12.1.3 Declaration of Annexation

Annexation shall be evidenced by a written 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:

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

12.1.4 Voting Rights; Allocation of Assessments

Upon annexation, additional Lots so annexed shall be entitled to the voting rights as set forth in Section 2.2, and assessments shall be reallocated and reapportioned in the manner set forth in Section 3.10.

12.2 Annexation by Action of Members

At any time the Board may request approval of the membership for the annexation of additional property into the Association to be subject to all of the terms of this Declaration to

the same extent as if originally included herein. No such annexation shall be effective unless approved by at least seventy-five percent (75%) of the outstanding votes and by Declarant so long as Declarant owns at least one (1) Lot or reserves the right to annex additional property to Monticello Estates. 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 12.1.3 above executed by the parties herein described.

12.3 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 XIII REMEDIES

13.1 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, but in all cases subject to the limitations and requirements of the Oregon Planned Community Act. To the extent allowed by law, notwithstanding any other provision of this Declaration or the Bylaws, the Association shall not expend in excess of Five Thousand Dollars (\$5,000) for attorney fees and costs for any reason unless such expenditure is first approved by at least seventy-five percent (75%) of the outstanding votes of the Owners. The foregoing limitation shall not apply to actions for delinquent assessments or other charges under this Declaration, the Bylaws or Rules and Regulations, actions to appoint a receiver; actions to summarily abate, enjoin and remove a structure or condition that violates this Declaration or the Bylaws; or for the defense of the Association of an action or proceeding brought against the Association (except for non-mandatory counterclaims). 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.

13.2 Fines Imposed by the Association

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

ARTICLE XIV DISPUTE RESOLUTION

14.1 Required Procedure.

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

14.2 Negotiated Resolution.

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

14.3 Mediation.

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

14.4 Small Claims.

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

14.5 Arbitration.

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

14.6 Claims Procedure.

An Owner or the Association may not commence arbitration against Declarant or any contractor, subcontractor or supplier for construction defects unless the Owner or Association, as applicable, has given written notice of the claim and permitted them to view, inspect and respond to the claimed defect, as required by law.

Declaration of Protective Covenants, Conditions and Restrictions

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OREGON LAW CONTAINS IMPORTANT REQUIREMENTS YOU MUST FOLLOW BEFORE YOU MAY COMMENCE ARBITRATION OR A COURT ACTION AGAINST ANY CONTRACTOR, SUBCONTRACTOR OR SUPPLIER FOR CONSTRUCTION DEFECTS. BEFORE YOU COMMENCE ARBITRATION OR A COURT ACTION YOU MUST DELIVER A WRITTEN NOTICE OF ANY CONDITIONS YOU ALLEGE ARE DEFECTIVE TO THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER YOU BELIEVE IS RESPONSIBLE FOR THE ALLEGED DEFECT AND PROVIDE THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER THE OPPORTUNITY TO MAKE AN OFFER TO REPAIR OR PAY FOR THE DEFECTS. YOU ARE NOT OBLIGATED TO ACCEPT ANY OFFER MADE BY THE CONTRACTOR, SUBCONTRACTOR OR SUPPLIER. THERE ARE STRICT DEADLINES AND PROCEDURES UNDER STATE LAW. FAILURE TO MEET THOSE DEADLINES OR FOLLOW THOSE PROCEDURES WILL AFFECT YOUR ABILITY TO COMMENCE ARBITRATION OR A COURT ACTION.

14.7 No Attorneys' Fees.

Except as specifically provided for in this Declaration or the Bylaws, no party in the arbitration, mediation or other proceeding shall be entitled to recover costs or attorneys' fees in connection therewith.

ARTICLE XV Term; Amendments

15.1 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, 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 Deed 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. Notwithstanding the foregoing, no amendment to this Declaration shall change the boundaries of any Lot or any uses to which any Lot or Unit is restricted or change the method of determining liability for common expenses, the method of determining the right to common profits or the method of determining voting rights of any Lot unless the Owners of affected Lots or Units unanimously consent to the amendment. Upon approval of an amendment as provided

herein, the president and secretary shall execute an instrument amending this Declaration and certifying that the amendment was adopted in accordance with this Declaration and ORS 94.590, which certification shall be properly acknowledged in the manner of acknowledgment of deeds, and the Board, or other duly appointed and authorized persons, shall record the instrument amending this Declaration. For purposes of voting on an amendment to this Declaration pursuant to this Section 15.1, Declarant shall be treated as a Class A member with one (1) vote per Lot owned, except as otherwise provided by ORS 94.585. Subject to the provisions of Section 15.2, 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. 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.

15.2 Regulatory Amendments

Notwithstanding the provisions of Section 15.1, until the Turnover Meeting described in the Bylaws, 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, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with the Oregon Planned Community Act.

ARTICLE XVI MISCELLANEOUS

16.1 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.

16.2 Rights and Obligations

The provisions of this Declaration and the Articles 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 and Bylaws, whether or not mention thereof is made in said deed.

16.3 Miscellaneous Provisions

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

16.3.1 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.

16.3.2 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.

16.3.3 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 Maintenance Areas on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs).

16.4 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.

16.5 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.

16.6 Conflicts

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

16.7 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 _____, 2006.

DECLARANT:

MONTICELLO HOMES, INC., an Oregon corporation

By: [Signature]
Jamie B. Lerma, President

STATE OF OREGON

COUNTY OF Washington

The foregoing instrument was acknowledged before me the 12 day of December, 2006, by Jamie B. Lerma, President of Monticello Homes, Inc., an Oregon corporation, on behalf of said corporation.



[Signature]
Notary Public, State of Oregon
My Commission Expires: Mar. 11, 2010

Declaration of Protective Covenants, Conditions and Restrictions

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EXHIBIT "A"

PROPERTY SUBJECT TO DECLARATION

The property known as Monticello Estates is Lots 1 through 14, inclusive, and Lots 16 through 33, inclusive, as shown on the duly recorded plat of Monticello Estates, Phase 1, located in the City of Bend, Deschutes County, Oregon, according to the plat thereof recorded July 28, 2006 as Document No. 2006-51846, and supplemented by that Monumentation Certificate recorded September 13, 2006 as Document No. 2006-62291, both in the Official Records of Deschutes County, Oregon, and Lots 34 through 66, inclusive, shown on the duly recorded plat of Monticello Estates, Phase 2, located in the City of Bend, Deschutes County, Oregon, according to the plat thereof recorded December 1, 2006 as Document No. 2006-78849 in the Official of Deschutes County, Oregon.

EXHIBIT "B"

**BYLAWS OF MONTICELLO ESTATES
HOMEOWNERS' ASSOCIATION, INC.**

Declaration of Protective Covenants, Conditions and Restrictions

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**BYLAWS
OF
MONTICELLO ESTATES HOMEOWNERS' ASSOCIATION, INC.,**

After Recording Return to:
Monticello Homes, Inc.
9115 SW Oleson Road, Suite 203
Portland, OR 97223
Attn: Brian Lantzy

**BYLAWS
OF
MONTICELLO ESTATES HOMEOWNERS' ASSOCIATION, INC.,**

NAME AND LOCATION

The name of the Association is Monticello Estates 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 I
DEFINITIONS**

1.1 "Association"

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

1.2 "Board"

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

1.3 "Conversion Date"

"**Conversion Date**" shall be the date that is the earlier of (i) the date at which seventy-five percent (75%) of the total Lots anticipated to be created within the subdivision have been conveyed from the Declarant to third persons; (ii) ten (10) years after conveyance of the first Lot to a third person; or (iii) upon election in writing by Declarant.

1.4 "Declarant"

"**Declarant**" shall mean Monticello Homes, Inc., and 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 Declarant with respect to the Lots acquired by each successor or assign.

1.5 "Declaration"

"**Declaration**" shall mean and refer to the Declaration of Protective Covenants, Conditions, and Restrictions for Monticello Estates, recorded in the Deed Records of Deschutes County, Oregon, on _____, 2006 as Document No. 2006-_____ and any amendments or supplements thereto made in accordance with its terms.

1.6 "Director"

"**Director**" shall mean a director of the Association as described in and appointed and/or elected in accordance with Articles V and/or VII of these Bylaws.

1.7 "Lot"

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

1.8 "Officer"

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

1.9 "Member"

"**Member**" or "**Members**" shall mean the Declarant and every record owner, whether one (1) or more persons or entities, of fee simple title to any Lot, including contract sellers, but excluding those having an interest merely as security for the performance of an obligation. There shall be two (2) classes of membership, Class A and Class B, as described in Section 2.2 of the Declaration and in Section 3.3 of these Bylaws.

1.10 "Plat"

"**Plat**" shall mean the duly recorded plats of Monticello Estates, Phase 1 and Monticello Estates, Phase 2 recorded in the Plat Records of Deschutes County, Oregon.

1.11 "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.

1.12 "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 Members.

1.13 Other Terms

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

ARTICLE II MEMBERSHIP AND VOTING RIGHTS

2.1 Membership

The Declarant and every Member 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. There shall be two classes of membership, Class A and Class B, as described in Section 2.2 of the Declaration and Section 3.3 of these Bylaws.

2.2 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 any rules and regulations of the Association. The Board may also suspend the Member's right to use of any of the Common Areas during such period of default.

2.3 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. If the co-Owners of a Lot cannot agree upon the vote, the vote of the Lot shall be disregarded in determining the proportion of votes with respect to the particular matter at issue.

B. Class B

The Class B member shall be the Declarant, who shall be entitled to three (3) votes for each Lot it owns. The Class B membership shall cease and be converted to Class A membership on the Conversion Date (as defined in the Declaration).

ARTICLE III
PROPERTY RIGHTS: RIGHTS OF ENJOYMENT

3.1 Use and Enjoyment

Subject to any easements affecting a Member's Lot, each Member shall be entitled to the exclusive use and enjoyment of such Member's Lot and to the non-exclusive use and enjoyment of the Common Areas as provided in the Declaration.

ARTICLE IV
BOARD OF DIRECTORS; ELECTION; TERM OF OFFICE

4.1 Number

The affairs of the Association shall be managed by a Board of one (1) to three (3) Directors prior to the Turnover Meeting and three (3) Directors after the Turnover Meeting. The Directors need not be Members prior to the Turnover Meeting but shall be Members after the Turnover Meeting.

4.2 Appointment by Declarant Prior to Turnover Meeting

Until the Turnover Meeting, Declarant shall appoint all Directors, and may remove and replace any Director, with or without cause, except that Declarant may revocably or irrevocably delegate the power to appoint, remove and replace Directors hereunder by written instrument delivered to the Association naming the party to whom the power to appoint Directors has been delegated. At and after the Turnover Meeting, the Directors shall be elected in the manner provided in Article V, Section 5.3. Voting for Directors shall not be cumulative.

4.3 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 Member entitled to the votes specified in Article III above. 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 (1) term.

4.4 Term of Office

On the date of the Turnover Meeting, the Directors appointed by Declarant or its appointee shall submit their resignations, effective as of the Turnover Meeting. The Directors elected at any meeting held for the purpose of election of Officers, except to replace an Officer who leaves his position prior to the expiration of his term, shall assume all of the duties of office at Meeting at which he is elected, 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.

4.5 Removal

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

4.6 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.

4.7 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.

4.8 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 reasonably incurred in the performance of his duties.

ARTICLE V MEETINGS OF BOARD

5.1 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.

5.2 Annual Meetings

The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Members. 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.

5.3 Special Meetings

Special meetings of the Board may be called at any time by the president or two (2) Directors. Such meetings shall be scheduled by the secretary at least two (2) but not more

than thirty (30) days after the secretary's receipt of a written request signed by the president or two (2) 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.

5.4 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.

5.5 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. All meetings of the Board shall be open to all Members, except for matters allowed by law to be considered in executive session. Except in emergencies, the Board shall vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the president shall state the general nature of the action to be considered and when and under what circumstances the deliberations can be disclosed to Members. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in an open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes. For other than emergency meetings, notice of Board meetings shall be mailed to all Members, at the last address for each Member 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 Members 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 or by the use of a means of communication permitted by ORS 94.640(8).

5.6 Voting by the Board

Each Director shall have one (1) vote. All voting rights of a Director shall be suspended during any period in which the Director is delinquent in the payment of any amount duly established pursuant to the Declaration or is otherwise in default under the Declaration or any rules and regulations of the Association. So long as a quorum is constituted, the vote of

Directors together holding more than fifty percent (50%) 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.

5.7 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.

**ARTICLE VI
NOMINATION AND ELECTION OF DIRECTORS**

6.1 Nomination

At and following the Turnover Meeting, nomination for election to the Board shall be made by a nominating committee ("**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 Director prior to the Turnover Meeting but who shall be a Director following the Turnover Meeting, and two (2) or more Members or Directors. The Nominating Committee shall be appointed by the Board 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 prior to each annual meeting of the Members to make as many nominations for election to the Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled.

6.2 Election

Election to the Board 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 VII
POWERS AND DUTIES OF THE BOARD OF DIRECTORS**

7.1 Powers

The Board shall have the power:

- (a) To adopt and publish rules and regulations governing the use of the Lots and Common Areas 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 Director to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board without just cause having been furnished to and accepted by the Board;

(d) To establish, and disburse and maintain such petty cash fund as 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 those powers delegated to the Board under the Declaration and the Articles of Incorporation of the Association.

(g) To exercise powers of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon and the powers of an Association pursuant to the Planned Community Act, as amended from time to time; and

(h) 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 Members within the Property.

7.2 Duties

It shall be the duty of the Board:

(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 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 and to assess Members for the same, in accordance with the Declaration and these Bylaws;

(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;

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

(h) To adopt annually a budget for the Association to manage and operate Monticello Estates. Within thirty (30) days after adopting the annual budget, the Board shall provide a summary to all Owners;

(i) To perform all duties of the Association and the Board as set forth in the Declaration, Articles of Incorporation, or these Bylaws; and

(j) In performing its duties, the Board shall be governed by ORS 94.640 and the applicable provisions of ORS 65.357, 65.361, 65.367, 65.369 and 65.377.

ARTICLE VIII COMMITTEES

8.1 Committees

In addition to the Architectural Control Committee required to be established pursuant to Section 6.1 of the Declaration, the Board may appoint such additional 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 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 on all matters pertaining to the maintenance, repair or improvement of the Common Maintenance Areas, if any, and to perform such other functions as the Board in its discretion determines;

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

(d) An Audit Committee to supervise the annual audit of the Association's books and approve the 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 when formed; and

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

8.2 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 as is further concerned with the matter presented.

8.3 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 Property to administrative responsibility by the Association. Not later than the sixtieth (60th) day after Declarant has conveyed to Owners other than a successor 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). If the Declarant does not call a meeting of Owners for the purpose of selecting the Transitional Advisory Committee, an Owner may do so. If the Owners do not select members for the Transitional Advisory Committee, the Declarant shall have no further obligation to form the committee. The requirement for a Transitional Advisory Committee shall not apply once the Turnover Meeting has been held.

ARTICLE IX MEETINGS OF MEMBERS

9.1 Annual Meetings Prior to Conversion Date

Prior to the Conversion Date, a meeting of Members shall be held annually. Such meeting shall be called in accordance with Article X, Section 10.4 below.

9.2 Meetings to Elect Directors; Annual Meetings Following Turnover Meeting

The first meeting of the Members 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 or person whom the president may designate, shall report on the activities and financial condition of the Association.

9.3 Special Meetings

Special meetings of the Members may be called at any time by the president or by the Board, 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 restricted to the purposes set forth in the notice thereof.

9.4 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, 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 Member at any time. No Member who is present at a meeting may object to the adequacy or timeliness of the notice given.

9.5 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.

9.6 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 and shall comply with the proxy requirements of the Planned Community Act. Every proxy shall be revocable and shall automatically cease upon cessation of membership or restriction of the Member's voting rights.

9.7 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 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. In any case in which voting by mail is necessary or desirable, the secretary shall give written notice to all

Members at least ten (10) days before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise delivered, at least ten percent (10%) of the Owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, return identification envelope to be signed by the Owner and instructions for marking and returning the ballot. Any vote by mail shall (a) include a written resolution setting forth the proposed action, (b) state that the Members 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.

9.8 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 Turnover Meeting shall be conducted in accordance with Articles V and XVIII of these Bylaws.

ARTICLE X OFFICERS AND THEIR DUTIES

10.1 Enumeration of Officers

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

10.2 Election of Officers

The Officers shall be elected 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.

10.3 Term

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

10.4 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.

10.5 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.

10.6 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.

10.7 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.

10.8 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, 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 in an amount over Five Thousand Dollars (\$5,000), 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 in an amount over Five Thousand Dollars (\$5,000), 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 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, shall co-sign (together with either the president or vice-president) all checks in an amount over Five Thousand Dollars (\$5,000), payment vouchers, and promissory notes of the Association, keep proper books of account, cause an annual audit of the Association books to be made by a certified public accountant at the completion of each fiscal year in accordance with Section 13.3, and shall prepare an annual budget and a statement of income and expenditures to be adopted by the Board and presented to the membership at its regular annual meeting and deliver a copy of each to the Members.

The officers may delegate the signing of checks in an amount less than Five Thousand Dollars (\$5,000) each to a professional property manager, if the Association has a contract with such property manager for professional management of the Association.

10.9 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.

10.10 Suspension of Powers and Duties

All powers and duties of an Officer shall be suspended during any period in which that Officer is delinquent in the payment of any amount duly established pursuant to the Declaration or is otherwise in default under the Declaration or any rules and regulations of the Association.

ARTICLE XI ASSESSMENTS

11.1 Conformance with Declaration

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

11.2 Basis of Annual Assessments

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, with the recognition that certain Lots shall be subject to assessments that may be substantially higher than assessments against other Lots.

(a) From and after January first (1st) of the year immediately following the conveyance of the first Lot by Declarant to a third party, the maximum annual assessment for a

Lot may be increased each year by a percentage above the maximum assessment for the previous year determined to be reasonable by the Board (but not in excess of a twenty percent (20%) increase, without a vote of the membership, as provided below).

(b) From and after January first (1st) of the year immediately following the conveyance of the first of any Lot by Declarant to a third party, the maximum annual assessment for a Lot may be increased more than twenty percent (20%) above the prior year's maximum by a vote of two-thirds (2/3) of Members voting in person or by proxy at a meeting called for this purpose. Written notice of such meeting shall be sent to all Members not less than ten (10) days nor more than fifty (50) days in advance of the meeting setting forth the purpose of the meeting. The limitations hereof shall not apply to any change in the maximum and basis of the assessments undertaken as and incident to a merger or consolidation in which the Association is authorized to participate under its Articles of Incorporation.

11.3 Assessments to be Levied by Board

After consideration of current maintenance costs and future needs of the Association, the Board may levy the annual assessments at an amount not in excess of the maximum set forth in Article XII, Section 12.2. The Board 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.

11.4 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 or improvements particular to a Lot for which the Association is responsible, including fixtures and personal property related thereto may be assessed. A special assessment may be levied against one or more Lots and not other Lots. 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 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 the Members voting in person or by proxy at a meeting called for the purpose of approving the special assessments and conducting other business, if any, or if the special assessment is against a particular Lot or group of Lots, two-thirds (2/3) of the Members who own the affected Lots 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 Member (or if only a particular Lot or group of Lots is affected, to

Members owning those affected Lots) not less than ten (10) days nor more than fifty (50) days in advance of the meeting.

11.5 Limited Assessments

In addition to the other assessments set forth herein, the Association shall have the authority to levy assessments to satisfy the common expenses of a particular project or effort undertaken by the Association that benefits some, but less than all, of the Lots. The rate at which each benefited 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 determined and adjusted by the Board in its sole discretion, as it deems necessary and appropriate.

11.6 Uniform Rate

Annual and special assessments, other than those assessed against only particular Lots pursuant to Section 12.5, must be fixed at a uniform rate and all assessments 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.

11.7 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 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.

11.8 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. The annual assessment in connection with the Reserve Fund, or other reserve funds, as specified in the Declaration shall begin accruing on the date the first Lot assessed is conveyed to an Owner other than Declarant. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board 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 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 Member. Written notice of the annual assessment shall be sent to every Member subject thereto. The due dates shall be established by the Board. The Association shall upon demand by an Owner, at any time furnish a certificate in writing signed by an Officer setting forth whether the assessments on a specified Lot have been paid. A reasonable charge may be made by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any assessment therein stated to have been paid. Declarant

may defer payment of any accrued Reserve Fund assessment for a Lot discussed in this Section 12.8 until the date such Lot is first conveyed to a purchaser other than Declarant, provided that payment may not be deferred beyond the date of the Turnover Meeting or, if a Turnover Meeting is not held, the date on which administration of the Association is turned over to the Class A Members. Declarant shall not be subject to any annual assessments relating to unimproved Lots or Units owned by Declarant until each such Lot or Unit is conveyed by Declarant to a third party. The books and records of the Association shall reflect the amount owing from Declarant for all such Reserve Fund assessments.

11.9 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, in the Declaration and as allowed under the Oregon Planned Community Act. The Association or its agents shall have the right and power to bring all actions against the defaulting Member 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, and shall be for the benefit of all other Members. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.709 and, to the extent they do not conflict with ORS 94.709, 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 94.709 through 94.719 and, to the extent not in conflict with ORS 94.709 through 94.719, 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 Members 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 Members 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 Member'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 a Member of access to or from such Member's Lot.

11.10 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.

11.11 Reallocation Upon Annexation or Withdrawal

If new property is added to the Property by annexation or withdrawn from the Property, common expenses shall be reallocated as set forth in Section 3.10 of the Declaration.

ARTICLE XII BOOKS AND RECORDS

12.1 Books and Records

The books, records and papers of the Association required to be maintained by the Planned Community Act (except for those items which are exempt from disclosure under ORS 94.670) 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.

12.2 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.

12.3 Financial Statements

The Board may and, if required by ORS 94.670(4), shall appoint an independent certified public accountant licensed in the State of Oregon as auditor, who shall not be an Officer or own any interest in any Lot, to audit the books and financial records of the Association within one hundred eighty (180) days after the end of the fiscal year. If ORS 94.670(4) applies, then, pursuant to ORS 94.670(6), the Association may elect not to comply with ORS 94.670(4) if approved by an affirmative vote of at least sixty percent (60%) of Owners other than Declarant. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Member 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. Commencing with the fiscal year following the Turnover Meeting, if the annual assessments exceed Seventy-Five Thousand Dollars (\$75,000) for the year, then the Board of Directors shall cause such financial statements to be audited within one hundred eighty (180) days after the end of the fiscal year by an independent certified public accountant licensed in Oregon in accordance with the Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants, or if the annual assessments are Seventy-Five Thousand Dollars (\$75,000) or less, shall cause such review within one hundred eighty (180) days after receipt of a petition requesting such review signed by at least a majority of Members. The Board of Directors need not cause such an audit or review to be performed if so directed by an affirmative vote of at least sixty percent (60%) of the Owners, not including votes of Declarant with respect to Lots owned by Declarant.

12.4 Tax Returns

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

12.5 Assessments Due

The Association shall provide, within ten (10) business days of receipt of a written request from an Owner, a written statement that provides (i) the amount of assessments due from the Owner and unpaid at the time the request was received, such as regular and special assessments, fines, accrued interest, late payment charges and other charges, (ii) the percentage rate at which interest accrues on unpaid assessments and (iii) the percentage rate or fixed charge for late payments. The Association need not provide the amount of assessments due as provided in (i) if the Association has commenced litigation by filing a complaint against the Owner and (ii) the litigation is pending when the statement would otherwise be due.

ARTICLE XIII FISCAL YEAR

13.1 Fiscal Year

The Fiscal Year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

ARTICLE XIV INSURANCE

14.1 By the Association

The Board shall cause the Association to 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 Maintenance 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 One Million Dollars (\$1,000,000.00) per person, per occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least ten (10) days' written notice to the Association; and (ii) hazard insurance for all insurable improvements in the Common Maintenance Areas sufficient to cover the full replacement costs or any repair or reconstruction in the event of damage or destruction from any such hazard if the insurance is available at reasonable cost. 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 an A.M. Best's Rating of "B" and an A.M. Best's

Financial Size Category (FSC) of "III." The policies obtained by the Association pursuant to the Declaration may contain a reasonable deductible not to exceed the lesser of Ten Thousand Dollars (\$10,000) or one (1) 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 5.2 of the Declaration, this Section 15.1 shall prevail.

14.2 By the Owners

Each Owner of a Lot is encouraged to 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 and fire and extended coverage casualty insurance with respect to the Unit in an amount equal to one hundred percent (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, if such Owner elects to do so. No Owner shall be obligated to obtain any of the insurance coverages described in Section 15.1, nor shall any insurance coverage obtained by an Owner (or such Owner's mortgagee) be brought into contribution with insurance obtained by the Association.

14.3 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 and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of the Articles of Incorporation of the Association.

14.4 General Provisions

Premiums for insurance obtained by the Board pursuant to this Article XV shall be a common expense of the Association. At least every two (2) years, the Board shall review the insurance coverage of the Association. If reasonably available, the Board shall obtain insurance policies with the provisions specified in ORS 94.680 and with an "inflation guard" endorsement.

ARTICLE XV RULES AND REGULATIONS

The Board shall have power to adopt and publish rules and regulations governing the conduct of persons and the operation and use of the Lots and the Common Areas as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property, and to establish penalties for the infraction thereof. Such rules and regulations may be adopted upon a majority vote of the Directors present at a meeting at which there is a quorum of Directors 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 Member at the last

address for such Member in the records of the Association. Upon adopting any such rules and regulations, the Board shall cause copies thereof to be delivered to each Member. All such rules and regulations become binding on all Members 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 XVI SHARES OF STOCK AND DIVIDENDS PROHIBITED

16.1 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 Members. 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.

ARTICLE XVII TRANSFER OF CONTROL

17.1 Turnover Meeting

On a date that is not later than ninety (90) 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 Member. 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 election of new Directors by the Members, 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 XVIII within the required period, any Member may call such a meeting and give notice as required by this Article XVIII. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the Members shall assume the control thereof, (b) the Directors then serving shall resign and the Members shall elect a Board 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 XVIII WAIVER OF NOTICE

18.1 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 XIX ACTION WITHOUT A MEETING

19.1 Meeting Not Required

Any action which applicable law, the Declaration or these Bylaws require or permit the Members to take at a meeting may be taken without a meeting if the procedures set forth in ORS 94.647 are followed. For votes of the Owners by written ballot, the Board shall provide the Owners with at least ten (10) days' notice before written ballots are mailed or otherwise delivered. The notice shall state the general subject matter of the vote by written ballot, the right of Owners to request secrecy procedures as specified in ORS 94.647, the date after which ballots may be distributed, the date and time by which any petition must be received by the Board requesting secrecy procedures, and the address where such a petition may be delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise distributed, at least ten percent (10%) of the Owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner, and instructions for mailing and returning the ballot. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed. Notwithstanding the foregoing, action by written ballot may not substitute for the Turnover Meeting or the annual meeting of the Association.

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

ARTICLE XX AMENDMENTS

20.1 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 without the approval of the Members; 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 a majority of the Members given at a special meeting called for such purpose. In addition, except for the amount of assessments and level of maintenance, any amendment that imposes an additional disproportionate burden upon or takes away or impairs an existing right particular to any one Lot or group of like-affected Lots shall require the vote of seventy-five percent (75%) of the Members of the Lot or group of like-affected Lots so affected. An amendment shall not be effective unless it is certified by the president and secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625, acknowledged in the manner

provided for acknowledgement of deeds, and recorded in the office of the recording officer of Deschutes County, Oregon. 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 by Declarant to a third party or as allowed by law.

ARTICLE XXI GENDER AND GRAMMAR

21.1 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 XXII ENFORCEMENT

22.1 Legal Proceedings

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 XXIII LOANS TO DIRECTORS AND OFFICERS PROHIBITED

23.1 No Loans to Directors or Officers

No loan shall be made by the Association to its Directors or Officers. The Directors who vote for or assent to the making of a loan to a Director or Officer, and any 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.

23.2 Contribution; Subrogation

Any Director against whom a claim shall be asserted under or pursuant to this Article XXIV 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 XXIV DISPUTE RESOLUTION

Before initiating litigation or an administrative proceeding in which the Association and an Owner have an adversarial relationship, the party that intends to initiate litigation or an administrative proceeding shall offer to resolve the problem through a dispute resolution program pursuant to ORS 94.630(4) and Article XIV of the Declaration.

ARTICLE XXV CONFLICTS AND PARTIAL INVALIDITY

25.1 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 these Bylaws expressly provide otherwise) and any amendments hereto, and any rules or regulations adopted hereunder.

25.2 Partial Invalidity

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

ARTICLE XXVI DISSOLUTION

Upon dissolution of the Association, voluntarily or otherwise, it shall automatically be succeeded by an unincorporated association of the same name and having the same purposes. All assets, property, powers, and obligations of the Association existing prior to dissolution shall thereupon automatically vest in the successor unincorporated association.

The undersigned, Declarant, hereby adopts the foregoing Bylaws of the Association, effective as of this ____ day of _____, 200__.

DECLARANT:

MONTICELLO HOMES, INC., an Oregon corporation

By:



Jamie B. Lerma, President

STATE OF OREGON)

COUNTY OF Washington)

The foregoing instrument was acknowledged before me the 12 day of December, 2006, by Jamie B. Lerma, the President of Monticello Homes, Inc., an Oregon corporation, on behalf of said corporation.




Notary Public, State of Oregon

My Commission Expires: Mar. 11, 2010

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