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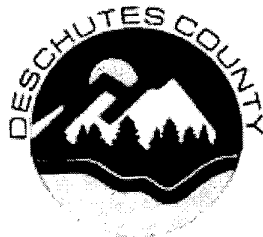
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RETURN TO:

ARC SERVICES, INC.

61529 TALL TREE CT. A Declaration of Interdependence

BEND, OR 97702

Regarding

**MUTUAL HONOR AND RESPECT,
REVERENCE FOR THE ENVIRONMENT,
AND THE SPIRIT OF THE SHIRE COMMUNITY**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR THE SHIRE COMMUNITY ("Declaration") is made by Shire Development Inc., an Oregon limited liability company ("Declarant").

PREAMBLE

The Shire Community recognizes that interdependence is the foundation of any successful community; it is not only vital to its establishment, but also to its growth and development. For this reason, The Shire Community is founded on a common set of guiding principles to which all the Residents are responsible. These shared principles acknowledge that Shire Residents are interconnected through family ties, friendships and neighborly relationships. The function of Covenants, Conditions and Restrictions ("CCRs") presented below is to ensure mutual honor and respect among the Residents, reverence for the environment, and the spirit of the Shire Community. This declaration has drawn its inspiration from several thinkers who have succinctly illustrated the benefits of interdependence; these include:

"The community stagnates without the impulse of the individual... impulse dies away without the sympathy of the community." – William James

"Interdependence is and ought to be as much the ideal of man as self-sufficiency. Man is a social being. Without interrelation with society he cannot realize his oneness with the universe..." – Mahatma Gandhi.

"Life is an end in itself, and the only question as to whether it is worth living is whether you have enough of it." – Oliver Wendell Holmes, Jr.

"When we try to pick out anything by itself, we find it hitched to everything else in the Universe." – John Muir

At the heart of the following CCRs is the desire and requirement that mutual honor and respect are maintained among the Shire Residents. This can only be achieved if diversity is honored and the individual is respected, because by their very nature, these qualities are reciprocal. Inclusiveness is the goal and each person who comes to live in The Shire is seen as essential to the community's wholeness. Their presence and participation are welcome in the life of the community. Reverence for the environment is also required. The CCRs are written to enhance our awareness and consideration for the world. They are based upon the understanding that wherever people live is connected to every other place; and because of this, the wonders of nature around The Shire need to be protected. This is most successful within a community who revere life itself and who see themselves as well-wishers of the planet. The Shire Community acknowledges that everyone lives locally while holding values which may extend beyond the familiarity of a certain place. The Shire is where world-citizenship is practiced. The function of the Shire Homeowners' Community Association is to encourage interdependency and promote the ecological stewardship of the land designated as The Shire. In essence this is the spirit of the Shire Community.

Hopefully these guiding principles can be achieved through the purposeful landscaping of the Community's shared space and the innovative architecture of its dwellings; as well as the planned community events and activities. The Shire wishes to add to the world and serve as a point of exchange for ideas and cultures; personal fulfillment, contentment and joy are the desired ends.

RECITALS

Declarant is the owner of all the real property and improvements located in Deschutes County, Oregon, described as follows (the "Property"):

Lots, inclusive, and Tracts as shown on the plat map of filed for record on August 13, 2007, Book 2007, Pages 44446, in the plat records of Deschutes County, Oregon, and on such other land as may be added thereto pursuant to the terms and provisions of this Declaration. Now therefore, the Declarant declares that the real property described here, and any property subsequently annexed into this Declaration (collectively, the "Property"), shall be held, transferred, sold, conveyed, and occupied subject to the Oregon Planned Community Act as may be amended from time to time (ORS 94.550-94.783) and subject to the following covenants, conditions, restrictions, easements, charges, and liens, which shall run with the land, which shall be binding on all parties having or acquiring any right, title, or interest in the Property or any part thereof, and which shall inure to the benefit of the Association and of each Owner.

Declarant has created The Shire concept. The Shire is a development that borrows its basic design concept and styling features from an era where the senses of community, beauty of the land and interaction of the residents with the land enjoy high value.

The Shire is influenced by English Architecture and landscaping to achieve the character and feeling of English cottages and village town-homes. The Shire achieves its vision through reverence to architectural disciplines in all structures, common areas, pathways and features designed to enhance neighborly contact.

Declarant intends to develop The Shire ("The Shire") as a Class III planned community. To establish The Shire as a planned community, Declarant desires to provide for mutually beneficial legal covenants, conditions, restrictions, easements, assessments, and liens on the Property, under a comprehensive general plan of improvement and development for the benefit of all Lots and Common Areas in The Shire.

Declarant has deemed it desirable for the efficient preservation of the values and amenities in The Shire to create a nonprofit corporation, to which will be delegated and assigned the powers and authority to own, maintain, and administer the Common Area and facilities, to maintain, repair, and replace certain portions of the Lots and exterior of the Homes. To administer and convey the legal covenants, conditions, and restrictions of this Declaration, and to collect and disburse the assessments and charges hereinafter created. Its primary responsible is nurture the its "Declaration of Interdependence" by providing for mutual honor and respect among the residents, reverence for the environment, and the spirit of the Shire Community.

The Declarant shall convey Tracts as show in Exhibit A to the The Shire Community Association ("Association"). The Association shall assume the maintenance obligation of those Tracts designated as Common Area in Exhibit A per The Shire Phase 1 recorded documents for the benefit of the Owners and assess the Owners of Lots 1 - 16 equally for the expenses.

ARTICLE 1 – DEFINITIONS

- 1.1 Architectural Review Committee or “ARC”** shall refer to that committee constituted and acting pursuant to Article 6 of this Declaration.
- 1.2 Articles** shall mean the Articles of Incorporation for the nonprofit corporation, The Shire Homeowners’ Association, as filed with the Oregon Secretary of State.
- 1.3 Association** shall mean and refer to The Shire Homeowners’ Association, its successors and assigns.
- 1.4 Board** shall mean the Board of Directors of the Association.
- 1.5 Building Envelope** shall mean that portion of each Lot designated by the Developer on which the applicable Owner may construct a Unit and/or other Improvements. All Improvements must be constructed within the Building Envelope and shall be subject to height restrictions.
- 1.6 Bylaws** shall mean and refer to the Bylaws of the Association, which shall be recorded in the Deschutes county, Oregon, deed records.
- 1.7 Common Area** shall mean only that portion of the Property, together with all improvements located thereon, that is established for the common use and benefit of property owners within The Shire Community Association and identified as “Common Areas” on a plat of any portion of the Property, in an amendment to this Declaration or in a supplement declaration, and which shall be conveyed to the Association of the enjoyment, use and benefit of the Owners. The “Common Areas” include but are not limited to private roads, pathways, amphitheater, designated open space, benches, water features, outside lighting, fences and walls, continuous maintenance of all required landscaping including regular irrigation and the replacement of dead or damaged vegetation. Until the conversion Date, the Declarant shall have the right to designate Common Areas in the future by recordation of a duly approved amendment to this Declaration or by recordation of a supplemental declaration. Not later than the Turnover Meeting, Declarant shall convey in fee the Common Areas to the Association, subject to the Association’s agreement to continue maintenance thereon.
- 1.8 Commonly Maintained Property** shall mean the Common Area, fencing around the yards, roads, sidewalks, curbs, amphitheater and the party wall between Homes.
- 1.9 Declaration** shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration.
- 1.10 Declarant** shall mean and refer to Shire Development Inc., an Oregon limited liability company, and its successors or assigns, or any successor or assign to all or the remainder of its interest in the Property.
- 1.11 General Plan of Development** shall mean Declarant’s general plan of development of the Property, as approved by appropriate governmental agencies, as may be amended from time to time.
- 1.12 Home** shall mean and refer to any portion of a structure situated on a Lot and designed and intended for use and occupancy as a residence by a single family or household.
- 1.13 Lot** shall mean any of the plots of land indicated upon the recorded subdivision map of the Property or any part thereof, with the exception of the Common Areas and areas deeded to a governmental authority or utility, together with all Improvements thereon.

1.14 Members shall mean and refer to the Owners of Lots in The Shire.

1.15 Occupant shall mean and refer to the occupant of a Home, whether such person is an Owner, a lessee, or any other person authorized by the Owner to occupy the Home.

1.16 Owner shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession of a Lot under a land sale contract. The foregoing does not include persons or entities who hold an interest in any Lot merely as security for the performance of an obligation.

1.17 Plat shall mean and refer to the Plat of The Shire Phase I recorded in the Plat Records of Deschutes, County, Oregon, at Book 2007, Pages 44446, on August 13, 2007; and including any other recorded plats of real property brought within the jurisdiction of the Association and made subject to this Declaration by a Declaration of Annexation.

1.18 Property shall have the meaning attributed to such term in the Recitals of this Declaration.

1.19 Renter shall mean a person who rents and occupies a home for a period greater than ninety (90) days.

1.20 Reserve Account(s) shall mean and refer to an account set up by the Board to hold funds for construction, improvements or maintenance of the Common Area and the Commonly Maintained Property.

1.21 Rules and Regulations shall mean and refer to the documents containing rules and regulations and policies adopted by the Board or the Architectural Review Committee, as may be from time to time amended.

1.22 Town-homes shall mean Lots 1 through 8 in Phase I; but are not limited to any zero lot line single family dwelling(s) annexed into the Association that fall under the Townhome Neighborhoods definition in the assessments, Article 10. .

ARTICLE 2 – PROPERTY SUBJECT TO THIS DECLARATION

2.1 Development. The development of The Shire shall consist of the Property, which shall be held, transferred, sold, conveyed, and occupied subject to this Declaration. Declarant intends to build Common Area improvements in The Shire as follows as described in its plans, drawings and submittals.

2.2 Right to Annex Additional Property or to Withdraw Property. Declarant reserves right to annex additional property and modify the borders.

ARTICLE 3 – OWNERSHIP AND EASEMENTS

3.1 Nonseverability. The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Lot owned by the Owner. No Lot shall be conveyed by the Owner separately from the interest in the Common Area. Any conveyance of any Lot shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. There shall be no judicial partition of the Common Area. Each Owner, whether by deed, gift, devise, or operation of law, for such Owner's benefit and for the benefit of all other Owners, specifically waives and abandons all rights, interests, and causes of action for judicial partition of any interest in the Common Area and agrees that no action for judicial partition shall be instituted, prosecuted, or reduced to judgment. Ownership interests in the Common Area and Lots are subject to the easements granted and reserved in this Declaration.

Each of the easements granted or reserved herein shall be deemed to be established upon the recordation of this Declaration and shall thenceforth be deemed to be covenants running with the land for the use and benefit of the Owners and their Lots and shall be superior to all other encumbrances applied against or in favor of any portion of The Shire.

3.2 Professional Management. The Association shall be professionally managed by a third party vendor. The professional manager shall be selected and hired by the Association Board. After the Conversion Date, no member of the Board shall have any financial (whether direct or indirect) or familial relationship with such manager. As used herein, familial relationship shall mean and include the following (whether natural or adopted): spouses, parents (including in-laws), siblings (including in-laws), children, grandparents, grandchildren, aunts, uncles, nieces, nephews, and first cousins. If a professional manager is engaged, the Board shall annually review the scope of and compensation provided by, the management contract.

3.3 Ownership of Lots. Title to each Lot in The Shire shall be conveyed in fee to an Owner. If more than one person and/or entity owns an undivided interest in the same Lot, such persons and/or entities shall constitute one Owner.

3.4 Ownership of Common Area. Title to any Common Area shall be conveyed to the Association not later than the date of turnover as described in Article 7; Section 7.3.1 Class A.; and Section 7.3.2 Class B.; of this Declaration.

3.5 Easements. Individual deeds to Lots may, but shall not be required to, set forth the easements specified in this Article.

3.5.1 Easements on Plat. The Common Area and Lots are subject to the easements and rights-of-way shown on the Plat.

3.5.2 Easements for Common Area. Every Owner shall have a nonexclusive right and easement of use and enjoyment in and to the Common Area, which shall be DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS – 5 appurtenant to and shall pass with the title to every Lot. Such easement is subject to ORS 94.665, as may be amended from time to time.

3.5.3 Easements Reserved by Declarant. As long as Declarant owns any Lot, Declarant reserves an easement over, under, and across the Common Area in order to carry out sales activities necessary or convenient for the sale of Lots. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress to, from, over, in, upon, under, and across the Common Area and the right to store materials and to make such other use thereof as may be reasonably necessary or incident to the construction of the improvements on the Property in such a way as not to interfere unreasonably with the occupancy, use, enjoyment, or access to an Owner's Lot by such Owner or such Owner's family, tenants, employees, guests, or invitees.

3.5.4 Additional Easements. Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of The Shire. No structure, planting, or other material that may damage or interfere with the installation or maintenance of utilities, that may change the direction of flow of drainage channels in the easements, or that may obstruct or retard the flow of water through drainage channels in the easement areas shall be placed or permitted to remain within any easement area.

3.5.5 Association's Easements. Declarant grants to the Association and its duly authorized agents and representatives such easements over the Lots and Common Area as are necessary to perform the duties and obligations of the Association, as set forth in this Declaration, the Bylaws, and the Articles, as the same may be amended.

3.5.6 Easement to Governmental Entities. Declarant grants a nonexclusive easement over the Common Area to all governmental and quasi-government entities, agencies, utilities, and their agents for the purposes of performing their duties as utility providers.

3.5.7 Electrical Service Easements Benefiting Lot Owners. The Owners of a Home developed within a single building shall have an easement over, under, and through all other Lots on which the building is located for underground electrical service to the Lot Owner's Home. This easement shall be perpetual and shall run with the land and be binding on the successors and assigns to the Lots and the Homes located within a single building. The electrical lines within the easement area shall be maintained by the Lot owner benefited by the easement. Any damage caused to the servient Lot (and Home) by the maintenance repair, removal, or replacement of the electrical service lines shall be paid by the Lot Owner causing such damage.

ARTICLE 4 – LOTS AND HOMES

RECITALS

The intention in Article 4 is focused on the preservation of the values we hold in common for the "SPIRIT, REVENENCE, AND HONORINGS" within The Shire. It is intended for these restrictions or rules, to ensure and help protect all property values within our community.

The community stagnates without the impulse of the individual. The impulse dies away without the sympathy of the community.

– William James

4.1 Residential Use. Lots shall be used for residential purposes. Trade, craft, business, profession, and commercial activity may be carried on subject to the Board's reasonable approval and subject to the reasonable limitations on customers or clients, visitation, parking burdens, etcetera.

4.2 Landscaping. Each Owner other than Declarant shall obtain the ARC's prior approval of all landscaping plans before commencing installation of any landscaping. Landscaping for all portions of the Lot shall commence within 60 days after final building inspection by the local government jurisdiction and shall be completed within six months after such inspection. This Section 4.2 shall apply to Lots with finished Homes being held for sale as well as to other Lots. The water charge for irrigation shall be borne by the Association if connected to the common water system and borne by the individual Owners where the water system is connected to the individual home around which landscaping is installed. Owners shall irrigate their entire yard to keep lawns green and other landscaping fresh. The Association may irrigate from hose bibs connected to individual Homes of Owners who fail to properly irrigate their yards. If plantings on any Lot have died or are dying because the Owner of the Lot neglected to properly care for and irrigate the plants, or because of other harm to the plants caused by such Owner, the Association shall replace the plantings and may assess the Owner for the cost as a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.3 Maintenance of Lots and Homes. Each Owner shall maintain such Owner's Lot and all improvements in a clean and attractive condition, in good repair, and in such fashion as not to create a fire hazard. Such maintenance shall include, without limitation, maintenance of windows, doors, garage doors, walks, patios, chimneys, and other exterior improvements and glass surfaces. All repainting or re-staining and exterior remodeling shall be subject to prior review and approval by the ARC. Each Owner shall repair damage caused to such Owner's Lot or improvements by fire, flood, storm, earthquake, riot, vandalism, or other causes within a reasonable period. Insurance purchased by the Association may be used to effect such repairs, subject to the Association's Board of Directors' right to adjust the losses with the Association's insurance carrier.

4.4 Rented Homes and Town-homes. An Owner may rent or lease such Owner's Home or a portion thereof, provided that the following conditions are met:

4.4.1 Written Rental Agreements Required. The Owner and the tenant enter into a written rental or lease agreement specifying that (i) the tenant shall be subject to all provisions of the Declaration, Bylaws, and Rules and Regulations, and (ii) a failure to comply with any provision of the Declaration, Bylaws, and Rules and Regulations shall constitute a default under the rental or lease agreement; The Association shall be given a copy of the agreement so as to know whom has joined the community.

4.4.2 Minimum Rental Period. The period of the rental or lease of a home is not less than one year. Equity sharing for investors and tenants acting as co-investors as defined herein shall apply to any arrangement whereby tenants occupies the home/town-home longer than 30 days. Copy of agreement to be provided to the Board. Tenants shall have the ruling vote/rights relative to community association activity as described in Article 7.

4.4.3 Tenant Must be Given Documents. The Owner is responsible to give each tenant a copy of the Declaration, Bylaws, and Rules and Regulations known as The Declaration of Interdependence, and provide a signed document by the Tennant they have received these documents to the Management Company.

4.5 Animals. No animals, livestock, or poultry of any kind shall be kept, bred, or raised for commercial purposes. Domestic animals such as dogs & cats and that are reasonably controlled so as not to be a nuisance, shall be permitted within any Lot. Owners whose pets cause any inconvenience or unpleasantness to other Owners shall take all steps reasonably necessary to prevent recurrence and Owners whose pets damage other Owners' Lots or personal property shall reimburse such other Owners for reasonable costs actually incurred by such other Owners in repairing such damage. An Owner shall ensure that such Owner's dog is leashed when on the Property and outside of such Owner's Lot. An Owner may be required to remove a pet on the receipt of the third notice in writing from the Board of a violation of any rule, regulation, or restriction-governing pets within the Property. A hand-out on pets within our community will be provided so as to make clear these responsibilities.

4.6 Nuisance. No noxious, harmful, or offensive activities shall be carried out on any Lot or Common Area. Nor shall anything be done or placed on any Lot or Common Area that interferes with or jeopardizes the enjoyment of, or that is a source of annoyance to, the Owner or other Occupants.

4.7 Parking. Boats, trailers, commercial vehicles, mobile homes, campers, and other recreational vehicles or equipment, regardless of weight, shall not be parked on any part of the Common Area, or on any streets on or adjacent to the Property at any time or for any reason, and may only be parked on the lot for the purposes of loading and unloading. The garage on each Lot shall be used to park the occupant's primary passenger vehicle, and for no other purpose.

4.8 Vehicles in Disrepair. No Owner shall permit any vehicle that is in a state of disrepair or that is not currently licensed to be abandoned or to remain parked on the Common Area or on any street on or adjacent to the Property at any time and may not permit them on a Lot for a period in excess of 48 hours. A vehicle shall be deemed in a "state of disrepair" when the Board reasonably determines that its presence offends the occupants of the neighborhood. If an Owner fails to remove such vehicle within five days following the date on which the Association mails or delivers to such Owner a notice directing such removal, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner as a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.9 Signs. Each home may have an address and name sign as approved by the ARC. Other than the address and name sign no signs shall be erected or maintained on any Lot except that not more than one "For Sale" sign placed by the Owner or by a licensed real estate agent, not exceeding 24 inches high and 36 inches long, may be temporarily displayed on any Lot. The restrictions contained in this Section 4.9 shall not prohibit the temporary placement of "political" signs on any Lot by the Owner or Occupant. Provided, however, political signs shall be removed within three days after the Election Day pertaining to the subject of the sign. Real estate signs shall be removed within three days after the sale closing date.

4.10 Rubbish and Trash. No Lot or part of the Common Area shall be used as a dumping ground for trash or rubbish of any kind. All garbage and other waste shall be kept in appropriate containers for proper disposal and out of public view. Yard rakings, dirt, and other material resulting from landscaping work shall not be dumped onto streets, the Common Area, or any other Lots. If an Owner fails to remove any trash, rubbish, garbage, yard rakings, or any similar materials from any Lot, any streets, or the Common Area where deposited by such Owner or the Occupants of such Owner's Lot after notice has been given by the Board to the Owner, the Association may have such materials removed and charge the expense of such removal to the Owner. Such charge shall constitute a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.11 Fences and Hedges. No fences or boundary hedges shall be installed or replaced without prior written approval of the ARC. All such fences and hedges shall have convenient access ways to allow the Association to carry out its exterior maintenance and landscaping.

4.12 Service Facilities. Service facilities (garbage containers, fuel tanks, clotheslines, etc.) shall be screened so that such facilities are not visible at any time from the street or a neighboring property. All telephone, electrical, cable television and other utility installations shall be placed underground in conformance with applicable law and subject to approval by the ARC.

4.13 Antennas and Satellite Dishes. Except as otherwise provided by law or this section, no exterior antennas, satellite dishes, microwave, aerial, tower, or other devices for the transmission or reception of television, radio, or other forms of sound or electromagnetic radiation shall be erected, constructed, or placed on any Lot. With prior written consent from the ARC, exterior satellite dishes or antennas with a surface diameter of eighteen inches (18") or less and antennas designed to receive television broadcast signals only may be placed on any Lot if they are not visible from the street and are screened from neighboring Lots. The Board or ARC may adopt reasonable rules and regulations governing the installation, safety, placement, and screening of such antennas, satellite dishes, and other transmission devices. Such rules shall not unreasonably delay or increase the cost of installation, maintenance, or use or preclude reception of a signal of acceptable quality. (The ARC, in its sole discretion, may determine what constitutes a signal of acceptable quality.) Such rules may prohibit installation of exterior satellite dishes or antennas if signals of acceptable quality can be received by placing antennas inside a Home without causing an unreasonable delay or cost increase.

4.14 Exterior Lighting or Noise-making Devices. Except with the consent of the ARC, no exterior lighting or noise-making devices, other than security and fire alarms, shall be installed or maintained on any Lot.

4.15 Basketball Hoops. No Owner may install a basketball hoop on any Lot without the ARC's prior approval. The ARC may, in its discretion, prohibit such basketball hoops. Basketball hoops shall be prohibited in the Common Area and on any Lot if the area of play is intended to be the street or any Common Area.

4.16 Grades, Slopes, and Drainage. There shall be no interference with the established drainage patterns or systems over or through any Lot within The Shire so as to affect any other Lot or Common Area or any real property outside The Shire unless adequate alternative provision is made for proper drainage and is approved by the ARC. The term established drainage shall mean the drainage swales, conduits, inlets, and outlets designed and constructed for The Shire.

4.17 Height Regulations. As recorded by Decision of Bend hearings officer document file number PZ 05-301, PZ 05-302.

4.18 Building Setbacks. Per City of Bend as denoted on recorded plat or developer imposed building envelope whichever restriction is greatest.

4.19 Tree-Cutting Restrictions. No tree may be removed from any Lot without the prior approval of the ARC unless it is diseased, poses an immediate danger to persons or property. Provided, however, the ARC shall have unfettered authority, but not the obligation, to cause the Association to trim or top trees, shrubs, or hedges located on any Lot that is creating a nuisance, is damaging, or is a threat to Commonly Maintained Property or that increases the cost of insurance for the Association.

4.20 Damage or Destruction to Home and/or Lot. If all or any portion of a Lot or Home is damaged by fire or other casualty, the Owner shall either (a) restore the damaged improvements or (b) remove all damaged improvements, including foundations, and leave the Lot in a clean and safe condition. Any restoration proceeding under (a) above must be performed so that the improvements are in substantially the same condition in which they existed before the damage, unless the owner complies with the provisions of Article 6. The Owner must commence such work within 60 days after the damage occurs and must complete the work within six months thereafter. The Association and Owners whose Homes are in the same building shall cooperate in respect to repair and reconstruction and application of available insurance proceeds.

4.21 Right of Maintenance and Entry by Association. If an Owner fails to perform maintenance and/or repair that such Owner is obligated to perform pursuant to this Declaration, and if the Board determines, after notice, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature, and/or value of The Shire, the Board may cause such maintenance and/or repair to be performed and may enter any such Lot whenever entry is necessary in connection with the performance thereof. An Owner may request, and the Board shall conduct, a hearing on the matter. The Owner's request shall be in writing delivered within five days after receipt of the notice, and the hearing shall be conducted within not less than five days nor more than 20 days after the request for a hearing is received. Entry shall be made with as little inconvenience to an Owner as practicable and only after advance written notice of not less than 48 hours, except in emergency situations. The costs of such maintenance and/or repair shall be chargeable to the Owner of the Lot as a Reimbursement Assessment, which may be collected and enforced as any other assessments authorized hereunder.

4.22 Association Rules and Regulations. The Board from time to time may adopt, modify, or revoke such Rules and Regulations governing the conduct of persons and the operation and use of Lots and the Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property and the administration and operation of the Association. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification, or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and occupants of all Lots on the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws of the Association. Subject to the Board's approval or consent, the ARC may adopt rules and regulations pertinent to its functions.

4.23 Ordinances and Regulations. The standards and restrictions set forth in this Article 4 shall be the minimum required. To the extent that local governmental ordinances and regulations are more restrictive or provide for a higher or different standard, such local governmental ordinances and regulations shall prevail.

4.24 Temporary Structures. No structure of a temporary character or any trailer, basement, tent, shack, garage, barn, or other outbuilding shall be used on any Lot as a residence, either temporarily or permanently.

4.25 Declarant Exemptions. Declarant shall be exempt from the application of Section 4.9.

ARTICLE 5 – COMMON AREA

RECITALS

The grounds within The Shire are for all to share and enjoy, and are held in the highest REVERENCE. The intention of The Shire is to continually develop the beautification of the grounds. The grounds are one of the ways in which we engage and fortify community. The hope is that through the invitation of our beautiful grounds the residents are drawn into the commons, thereby promoting connections with others. The Association will provide for events throughout the year to help integrate the commons as a place of gathering.

5.1 Use of Common Areas. Use of the Common Areas are subject to the provisions of our "Declaration of Interdependence" as adopted by the Board. No alterations or additions to the Common Area shall be permitted without the prior written consent of the Board. Definition of the Common Areas owned by the Association is in Article 1 of this declaration.

5.1.1 Use of Amphitheatre. The Community Amphitheater has been created as the signature on an invitation to come together as community as often as possible. Musical events, speakers, potluck dinners, and other such gatherings are encouraged to create the essence of community living. All events will be posted on the web site and woven into the virtual community on line. Use of the Amphitheater is limited to the Owners and their guests and events are not open to the general public. Loudspeakers, amplifiers, and unshielded lighting are not allowed. Owners and their guests are encouraged to use the Amphitheater for Community events; however each application for an event must be approved in advance by the Board. Applications may be obtained through the Management Company web site and are available at no charge to the Owners in the Association. The Management Company will review each application prior to submission to the Board for review and will monitor the event to insure compliance to the restrictions outlined by the Board in addition to those listed in this Section.

5.2 Maintenance of Common Area. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the Common Areas. The Association shall keep the Common Areas in good condition and repair, provide for all necessary services, and cause all acts to be done that may be necessary or proper to assure the maintenance of the Common Areas. Nothing shall be stored or kept in the Common Area without the prior written consent of the Board.

5.3 Alterations to Common Area. Only the Association shall construct, reconstruct, or alter any improvement located on the Common Area.

5.4 Funding. Expenditures for alterations, maintenance, or repairs to an existing improvement for which a reserve has been collected shall be made from the Reserve Account. As provided in Section 10.5, the Board may levy a special assessment to fund any construction, alteration, repair, or maintenance of an improvement (or any other portions of the Common Areas) for which no reserve has been collected or for which the Reserve Account is insufficient to cover the cost of the proposed improvement.

5.5 Landscaping. All landscaping on any Lot or on the Common Area shall be maintained and cared for in a manner that is consistent with Declarant's or the ARC's original approval of such landscaping. Weeds and diseased or dead lawn, tree, groundcover, or shrubs shall be removed and replaced. Lawns shall be neatly mowed and trees and shrubs shall be neatly trimmed. All landscaping shall be irrigated in a horticulturally proper manner, subject to water use restrictions or moratoria by government bodies or agencies.

5.6 Condemnation of Common Area. If all or any portion of the Common Area is taken for any public or quasi-public use under any statute, by right of eminent domain, or by purchase in lieu of eminent domain, the Board shall receive and expend the entire award in a manner that, in the Board's discretion, is in the best interest of the Association and the Owners. The Association shall represent the interest of all Owners in any negotiations, suit, action, or settlement in connection with such matters.

5.7 Damage or Destruction of Common Area. If all or any portion of the Common Area is damaged or destroyed by an Owner or any of Owner's guests, Occupants, tenants, licensees, agents, or members of Owner's family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner hereby authorizes the Association to repair such damage. The Association shall repair the damage and restore the area in workmanlike manner as originally constituted or as may be modified or altered subsequently by the Association in the discretion of the Board. Reasonable costs incurred in connection with effecting such repairs shall become a special assessment on the Lot and against the Owner who caused or is responsible for such damage.

5.8 Power of Association to Sell, Dedicate, or Transfer Common Area. As provided in ORS 94.665, the Association may sell, dedicate, transfer, grant a security interest in, or grant an easement for installation and maintenance of utilities or for similar purposes with respect to, any portion of the Common Area. Except for grants of easements for utility-related purposes, no such sale, dedication, transfer, or grant of a security interest shall be effective unless approved by eight percent (80%) of the members.

ARTICLE 6 – ARCHITECTURAL REVIEW COMMITTEE

RECITALS

The Architectural Review Committee (ARC) provides and ensures for the Architectural Standards and Esthetics of The Shire Community. The essence of the ARC is the HONORINGS of the visual integrity. Within the Declaration of Interdependence, the SPIRIT of the ARC is to serve as a guardian to the Architectural REVERENCE of The Shire.

6.1 Declarant Construction. The Declarant according to the architectural theme shall construct all initial improvements for The Shire. Such improvements will be of the general nature of English Cottage or English Village construction. Upon construction of the original residence and improvements and sale from the Declarant to a third party the following shall apply:

6.1.1 Architectural Review. No improvement shall be commenced, erected, placed, or altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the improvement have been submitted to and approved in writing by the ARC. This Article's purpose is to assure quality of workmanship and materials and harmony between exterior design and the existing improvements and landscaping and as to location with respect to topography and finished grade elevations. The ARC shall not be responsible for determining compliance with structural and building codes, solar ordinances, zoning codes, or other governmental regulations, all of which are the applicant's responsibility. The procedure and specific requirements for review and approval of construction shall be set forth in design guidelines and standards adopted from time to time by the ARC. The provisions of this Article shall apply in all instances in which this Declaration requires the ARC's consent.

6.1.2 Architectural Review Committee, Appointment and Removal. Declarant reserves the right to appoint all members of the ARC and all replacements until The Shire is 100% built out. The ARC shall consist of no fewer than three members and no more than five members. Each ARC member shall serve for one year. After buildout, Declarant shall assign to the Board the right to appoint and remove members of the ARC. Board members and persons who are not Owners but who have special expertise regarding the matters that come before the ARC may serve as all or some of the ARC's members. In the Board's sole discretion, non-Owner members of the ARC may be paid. The Board may appoint itself as the ARC or any of its members to the ARC. If an ARC has not been appointed, the Board shall serve as the ARC. Declarant shall retain the right to a Board position in perpetuity.

6.1.3 Majority Action. Except as otherwise provided in this Declaration, a majority of the members of the ARC shall have the power to act on behalf of the ARC, without the necessity of a meeting and without the necessity of consulting the remaining member or members of the ARC. However, no majority action shall be taken without the consent of the Declarant. The ARC may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

6.1.4 Duties. The ARC shall consider and act on the proposals and/or plans submitted pursuant to this Article. The ARC, from time to time and at its sole discretion, may adopt architectural rules, regulations, and guidelines ("Architectural Standards").

6.1.5 ARC Decision. The ARC shall render its written decision approving or denying each application submitted to it within 15 working days after its receipt of all materials required with respect to such application. If the ARC fails to render such written decision within thirty (30) days of its receipt of all required materials or request an extension, the application shall be deemed approved. The ARC shall be entitled to request one or more extensions of time, not to exceed forty-five (45) days. In the event of such extension requests, if the ARC does not render a written decision within fifteen (15) days after the expiration of the extension(s), the application shall be deemed approved. Provided, however, the applicant may agree to further extensions to allow the applicant to complete or supplement the application.

6.1.6 ARC Discretion. If the ARC finds the proposed work inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for The Shire, the ARC may consider the site, shape, size, color, design, height, solar access, or other effect on the enjoyment of other Lots or the Common Area, and any other factors that it reasonably believes to be relevant in determining whether or not to consent to any proposed work.

6.2 Nonwaiver. Consent by the ARC to any matter proposed to it or within its jurisdiction shall not be deemed to constitute precedent or waiver impairing its right to withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

6.3 Appeal. After Declarant has assigned the right to appoint ARC members to the Board pursuant to Section 6.2, any Owner adversely impacted by ARC action may appeal such action to the Board. Such appealing Owner shall submit to the Board a written notice of appeal, setting forth specific objections or mitigating circumstances justifying the appeal, within ten (10) days after the ARC's action. The Board shall issue a final, conclusive decision within forty-five (45) days after receipt of such notice, and such decision shall be final and binding on the appealing Owner and the ARC. Provided, however, the Board shall make reasonable efforts to reach a decision within twenty (20) days. If the Board is serving as the ARC, then such appeal shall be deemed a request for reconsideration.

6.4 Effective Period of Consent. The ARC's consent to any proposed work shall automatically expire three months after issuance unless construction of the project has been commenced or the Owner has applied for and received an extension of time from the ARC.

6.5 Determination of Compliance. The ARC may inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of noncompliance and shall require the Owner to remedy the noncompliance.

6.6 Noncompliance. If the ARC determines that an Owner has not constructed an improvement consistent with the specifications of an ARC approval or has constructed an improvement without obtaining ARC approval, sends a notice of noncompliance to such Owner, and such Owner fails to commence diligently remedying such noncompliance in accordance with such notice, then, effective at 5:00 p.m. on the third day after issuance of such notice, the ARC shall provide notice of a hearing to consider the Owner's continuing noncompliance. The hearing shall be set not more than thirty (30) days from the date on which the notice of noncompliance was issued. At the hearing, if the ARC finds that there is no valid reason for the continuing noncompliance, the ARC shall determine the estimated costs of achieving compliance and may issue a fine against the non-complying Owner for such amount. The ARC also shall require the Owner to remedy such noncompliance within ten (10) days after the date of the ARC's determination. If the Owner does not comply with the ARC's ruling within such period or any extension thereof granted by the ARC, at its sole discretion, the ARC may remove the non-complying improvement, remedy the noncompliance, and/or record a notice of noncompliance in the county deed records. The costs of any such action shall be assessed against the Owner as a Reimbursement Assessment either before or after any remedial action is taken.

6.7 Liability. Neither the ARC nor any member thereof shall be liable to any Owner, or Occupant for any damage, loss, or prejudice suffered or claimed on account of any action or failure to act of the ARC or a member thereof, provided only that the ARC or the member has, in accordance with its or his or her actual knowledge, acted in good faith.

6.8 Estoppel Certificate. Within fifteen (15) working days after the ARC's receipt of a written request from an Owner and the ARC's receipt of payment of a reasonable fee fixed by the ARC to cover costs, the ARC shall provide such Owner with a certificate executed by the Chairperson or other authorized member of the ARC certifying with respect to any Lot owned by the Owner, that, as of the date thereof either **(a)** all improvements made or done upon such Lot comply with this Declaration, or **(b)** such improvements do not so comply, in which event, the certificate shall also identify the non-complying improvements and set forth with particularity the nature of such noncompliance. The Owner and such Owner's heirs, devisees, successors, and assigns shall be entitled to rely on the certificate with respect to the matters set forth therein. The certificate shall be conclusive as among Declarant, the ARC, the Association, all Owners, and all persons deriving any interest through any of them.

6.9 Fees. The ARC may charge applicants a reasonable application fee and additional costs incurred or expected to be incurred by the ARC to retain architects, attorneys, engineers, and other consultants to advise the ARC concerning any aspect of the applications and/or compliance with any appropriate architectural criteria or standards. Such fees shall be collectible as assessments pursuant to Article 10.

6.10 Declarant and Successor Exempt from ARC. The Declarant or a successor to all of the unsold Lots shall be exempt from the requirement to submit and have plans approved by the ARC. However, the Declarant and its successor shall not be exempt from the provisions of Article 4 of the Declaration, except as set forth in Section 4.25.

ARTICLE 7 – MEMBERSHIP IN THE ASSOCIATION

7.1 Members.

7.1.1 Owning Members. Each Owner shall be a member of the Association. Membership in the Association shall be appurtenant to, and may not be separated from, ownership of any Lot. Transfer of ownership of a Lot shall automatically transfer membership in the Association. Without any other act or acknowledgment, Occupants and Owners shall be governed and controlled by this Declaration, the Articles, Bylaws, and the Rules and Regulations of the Association and any amendments thereof.

7.1.2 Renter(s) as Community Members. Renters of property within the Association shall also be members of the Community. Renters may vote by ballot if given the proxy by the Property Owner. Renter(s) shall have one (1) vote per rental unit. Renter(s) of each dwelling unit shall have one (1) vote regardless of the number of renters. In the event of disagreement between the renters, their vote shall be disregarded.

7.2 Proxy. Each Owner may cast such Owner's vote in person, by written ballot, or pursuant to a proxy executed by such Owner. An Owner may not revoke a proxy given pursuant to this Section 7.2 except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date, unless the proxy specifies a shorter term.

7.3 Voting Rights. The Association shall have two classes of voting members:

7.3.1 Class A. Class A members shall be all Owners of Lots other than Declarant, and each Class A member shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote.

7.3.2 Class B. The Class B member shall be Declarant, its successors, and its assigns. The Class B member shall have three votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the earlier of the following dates (the "Termination Date"):

(a) Declarant reserves the right to maintain control indefinitely until such time that the Declarant chooses to cede control at the Declarant's sole discretion; and (b) The date on which Declarant elects in writing to terminate Class B membership. After the Termination Date, each Owner, including Declarant, shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots subject to this Declaration, initially or through annexation. When more than one person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event shall fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum.

7.4 Procedure. All meetings of the Association, the Board, the ARC, and Association committees shall be conducted with such rules of order as may from time to time be adopted by the Board. Notwithstanding which rule of order is adopted, the President shall be entitled to vote on all matters, not merely to break a tie vote. A tie vote does not constitute a majority or approval of any motion or resolution.

ARTICLE 8 – DECLARANT CONTROL

8.1 Interim Board and Officers. Declarant hereby reserves administrative control of the Association until such time that the Declarant chooses to cede control. The Declarant reserves the right to turn over control of the association at any time earlier than Declarant may have at any time indicated. Declarant, in its sole discretion, shall have the right to appoint and remove members of an interim board (the "Interim Board"), which shall manage the affairs of the Association and be invested with all powers and rights of the Board until the Turnover Meeting (as hereinafter defined). The Interim Board shall consist of from one to three members. Notwithstanding the provision of this Section 8.1, at the Turnover Meeting, at least one Director shall be elected by Owners other than Declarant, even if Declarant otherwise has voting power to elect all three Directors.

8.2 Declarant Control. Declarant reserves the right to maintain control indefinitely until such time that the Declarant chooses to cede control at the Declarant's sole discretion.

- 8.2.1** ORS 94.600 Declarant control of association. (1) Subject to ORS 94.604 to 94.621, a declaration may reserve special Declarant rights including, without limitation, the right to a period of Declarant control that **may be of limited or unlimited duration**. A formal or written proxy or power of attorney is not required from an owner to vest the Declarant with such authority.
- 8.2.2** (2) At such time as the Declarant chooses, the Declarant may voluntarily relinquish any rights reserved in the declaration under subsection (1) of this section.
- 8.2.3** (3) Upon the expiration of any period of Declarant control reserved in the declaration under subsection (1) of this section, the rights automatically shall pass to the lot owners, including the Declarant if the Declarant owns a lot in the planned community.
- 8.2.4** (4) A declarant may not amend a declaration to increase the scope of special declarant rights reserved in the declaration after the sale of the first lot in the planned community unless owners representing 75 percent of the total vote, other than the declarant, agree to the amendment. [1981 c.782 Â§11; 1999 c.677 Â§8]

8.3 Transitional Advisory Committee. The Declarant shall form a transitional advisory committee (the "Transitional Advisory Committee") to provide for the transition from administrative responsibility by Declarant for the planned community of The Shire Community Association to administrative responsibility by the Association. The Declarant shall call a meeting of owners for the purpose of selecting a Transitional Advisory Committee not later than the 60th day after the date the Declarant has chosen to cede control over to the Association owners other than a successor Declarant. The Transitional Advisory Committee shall consist of three (3) or more members. The Owners, other than the 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).

8.4 Turnover Meeting. Declarant shall call a meeting for the purposes of turning over administrative control of the Association from Declarant to the members within ninety (90) days following the Conversion Date for the purposes of turning over control of the Association to the Class A members. The Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. The Turnover Meeting shall be conducted in accordance with the Bylaws of the Association. At the Turnover Meeting, the Declarant shall turn over to the Association the responsibility for the planned community of The Shire and of the Association and the Association shall accept such administrative responsibility. At the Turnover Meeting, the Owners shall elect a Board in accordance with the Bylaws. At the Turnover Meeting, the Declarant shall deliver to the Association those items and documents required by ORS 94.616 or applicable successor provisions. In order to facilitate an orderly transition, during the three month period following the Turnover Meeting, the Declarant or an informed representative shall be available to meet with the Board on at least three mutually acceptable dates to review the documents delivered pursuant to this Section 8.3. Not later than ninety (90) days after the Turnover Meeting, the Association shall provide Declarant with an estoppels certificate (i) certifying that Declarant has satisfied all of its obligations owed to the Association, including, without limitation, any obligations arising out of or related to this Declaration, or (ii) identifying with specificity the extent to which any such obligations remain unsatisfied. The Declarant may at his discretion turnover the control at anytime he believes The Shire is developmentally conscious.

ARTICLE 9 – DECLARANT’S SPECIAL RIGHTS

9.1 General. Declarant is undertaking the work of developing Lots and other improvements within The Shire. The completion of the development work and the marketing and sale of the Lots is essential to the establishment and welfare of the Property as a residential community. Until the Homes on all Lots on the Property have been constructed, fully completed, and sold, with respect to the Common Area and each Lot on the Property, Declarant shall have the special rights set forth in this Article 9.

9.2 Marketing Rights. Declarant shall have the right to maintain a sales office and model on one or more of the Lots that Declarant owns. Declarant and prospective purchasers and their agents shall have the right to use and occupy the sales office and models during reasonable hours any day of the week. Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, on the Common Area.

9.3 Declarant Easements. Declarant reserves easements over the Property as more fully described in Sections 3.4 and 3.5 hereof.

9.4 Additional Improvements. Declarant does not agree to build any improvements not described in this Declaration.

ARTICLE 10 – FUNDS AND ASSESSMENTS

10.1 Purpose of Assessments, Expenses. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, aesthetics, and welfare of the Owners and Occupants of The Shire, for the improvement, operation, and maintenance of the Common Area and the Commonly Maintained Property, for the administration and operation of the Association for property and liability insurance.

10.2 Covenants to Pay. Declarant and each Owner covenant and agree to pay the Association the assessments and any additional charges levied pursuant to this Declaration or the Bylaws. All assessments for operating expenses, repairs and replacement, and reserves shall be allocated among the Lots and their Owners as set forth in Section 10.4.2.

10.2.1 Funds Held in Trust. The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely as set forth in Section 10.1. On the sale or transfer of any Lot, the Owner's interest in such funds shall be deemed automatically transferred to the successor in interest to such Owner.

10.2.2 Offsets. No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

10.2.3 Right to Profits. Association profits, if any, shall be the property of the Association and shall be contributed to the Current Operating Account.

10.3 Basis of Assessment, Commencement of Assessments. Declarant shall pay all common expenses of the Association until the Lots are assessed for common expenses. The amount and date of commencement of the initial annual assessment to Owners other than Declarant shall be determined by Declarant. In the sole and unfettered discretion of Declarant, Declarant may defer payment of reserves for a Lot until the Lot is conveyed to a third party. However, Declarant may not defer payment of accrued reserves beyond the date of the Turnover Meeting.

10.4 Annual Assessments. Annual assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. The initial annual assessment shall be determined by Declarant and shall be prorated on a monthly basis at the time of the closing of the first sale from Declarant. For proration purposes, any portion of a month shall count as a full month. Annual assessments shall be payable on a periodic bases, not more frequently than monthly, as determined by the Board. The fiscal year shall be the calendar year unless another year is adopted by vote of the Association members.

10.4.1 Townhome Assessments. The Board shall prepare a separate budget covering the estimated expenses for each Townhome Neighborhood on whose behalf those expenses are expected to be incurred during the coming year pursuant to the terms and provisions set for in this Article. Individual Townhome Neighborhood's may request that additional services or a higher level of services be provided by the Association, and in such case, any additional costs shall be added to their budget. Such budget shall include a capital contribution establishing a reserve fund for repair and replacement of capital items maintained at that Townhome Neighborhood's expense, if any, within their own Neighborhood. Townhome Neighborhood expenses shall be allocated equally among all Units within the benefited Townhome Neighborhood; for exterior maintenance of structures, insurance on structures, or replacement reserves which pertain to particular structures shall be levied on each of the benefited Units in proportion to the benefit received.

The Board shall cause a copy of such budget and notice of the amount of the Neighborhood Assessment for the coming year to be delivered to each Owner of a Unit in all of the Townhome Neighborhoods not less than 45 nor more than 60 days prior to the beginning of the fiscal year. All monies collected as Townhome Neighborhood Assessments shall be held and used by the Association solely for the benefit of the Neighborhood on whose behalf such monies were collected, and the Association shall maintain separate books and records of such receipts and expenditures. Townhome Neighborhood assessments are collected in addition to the umbrella Association dues and are the responsibility of the Board of Directors to manage.

10.4.2 Budgeting. Each year the Board shall prepare, approve, and make available to each Member a pro forma operating statement (budget) containing (a) estimated revenue and expenses on an accrual basis; (b) the amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area and Commonly Maintained Property and for contingencies; (c) an itemized estimate for the remaining life of, and the methods of funding to defray repair, replacement, or additions to major components of such improvements as provided in Section 10.6.2; and (d) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement, or additions to major components of the Common Area and the Commonly Maintained Property. Notwithstanding that budgeting shall be done on an accrual basis, the Association's books shall be kept on a cash basis and the Association shall be a cash basis taxpayer, unless applicable governmental regulations require otherwise. For the first fiscal year, the Board shall approve the budget no later than the date on which annual assessments are scheduled to commence. Thereafter, the Board shall annually prepare and approve the budget and distribute a copy or summary thereof to each Member, together with written notice of the amount of the annual assessments to be levied against the Owner's Lot, within 30 days after adoption of such budget.

10.4.3 Allocation of Assessments. The total amount in the budget shall be charged against all Lots as annual assessments.

10.4.4 Non-Waiver of Assessments. If before the expiration of any fiscal year the Association fails to fix annual assessments for the next fiscal year, the annual assessments established for the preceding year shall continue until a new annual assessment is fixed.

10.5 Special Assessments. The Board and/or the Owners shall have the power to levy special assessments against an Owner or all Owners in the following manner for the following purposes:

10.5.1 Correct Deficit. To correct a deficit in the operating budget, by vote of a majority of the Board;

10.5.2 Special Obligations of an Owner. To collect amounts due to the Association from an Owner for breach of the Owner's obligations under this Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

10.5.3 Repairs. To collect additional amounts necessary to make repairs or renovations to the Common Area or Commonly Maintained Property if sufficient funds are not available from the operating budget or replacement reserve accounts, by vote of a majority of the Board; or

10.5.4 Capital Improvements. To make capital acquisitions, additions or improvements, by vote of at least 80% of all votes allocated to the Lots.

10.5.5 Reimbursement Assessments. The Association shall levy a reimbursement assessment against any Owner and such Owner's Lot if a failure to comply with this Declaration, Bylaws, Architectural Standards, or any Rules and Regulations has (a) necessitated an expenditure of monies by the Association to effect compliance or (b) resulted in the imposition of a fine or penalty against such Owner or such Owner's Lot (a "Reimbursement Assessment"). A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association except on at least 10 days' written notice to the Owner being assessed. If, within said 10-day period, the Owner makes a written request to the Board for a hearing, a hearing shall be held. On request for a hearing, the Board shall conduct it not less than 10 nor more than 30 days after the request by the Owner, and shall make its decision within not more than 30 days after the hearing is held. If a notice has been previously given, and the hearing has already been held or waived (in writing or by the Owner's failure to appear) for the violation resulting in the Reimbursement Assessment, no additional notice and hearing is required before levying the Reimbursement Assessment.

10.6 Accounts.

10.6.1 Types of Accounts. Assessments collected by the Association shall be deposited into at least two separate accounts with a bank, which accounts shall be clearly designated as (a) the Current Operating Account and (b) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operating Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of capital improvements into the Reserve Account. Withdrawal of funds for the Association's Reserve Account shall require the signatures of either two Directors or one Director and an officer of the Association who is not a Director. In its books and records, the Association shall account separately for operating expenses relating to the Common Area/Commonly Maintained Property and operating expenses relating to all other matters, as well as for necessary reserves relating to the Common Area/Commonly Maintained Property and necessary reserves relating to all other matters.

10.6.2 Reserve Account. Declarant shall establish a Reserve Account, in the name of the Association, which shall be kept separate from all other funds held by the Association. The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair, or replacement of Common Area property and Commonly Maintained Property that normally requires replacement, in whole or in part, within three to 30 years and not for regular or periodic maintenance and expenses. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes.

10.6.2.1 Calculation of Reserve Assessment, Reserve Study. The Board of Directors of the Association shall annually conduct a reserve study, or review and update an existing study, of the Common Area and Commonly Maintained Property to determine the reserve account requirements. A reserve account shall be established for those items of the Common Area and Commonly Maintained Property all or part of which will normally require replacement in more than three and less than 30 years, for exterior painting, and for the maintenance, repair, or replacement of other items as may be required under the Declaration or Bylaws or that the Board of Directors, in its discretion, may deem appropriate. The reserve account need not include items that could reasonably be funded from operating assessments. 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 30-year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on reserves, to meet the maintenance, repair and replacement schedule. The reserve account assessment shall be allocated pursuant to Section 10.4.2.

10.6.2.2 Loan from Reserve Account. After the Turnover Meeting described in Section 8.3, the Board may borrow funds from the Reserve Account to meet high seasonal demands on the Association's regular operating fund or to meet unexpected increases in expenses. Funds borrowed must be repaid later from assessments if the Board has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds. Not later than the adoption of the budget for the following year, the Board shall adopt by resolution a written payment plan providing for repayment within a reasonable period.

10.6.2.3 Increase or Reduction, or Elimination of Reserve Account Assessment. At any time after the second year after the Turnover Meeting, future assessment for the Reserve Account may be increased or reduced by the vote of Owners of Lots representing seventy-five percent (75%) of the votes computed in accordance with Section 7.3.

10.6.2.4 Investment of Reserve Account. Nothing in this Section 10.6 prohibits the prudent investment of Reserve Account funds, subject to any constraints imposed by the Board, the Bylaws, or the Rules and Regulations.

10.6.2.5 Refunds of Assessments. Assessments paid into the Reserve Account are the property of the Association and are not refundable to sellers or Owners of Lots. Sellers or Owners of Lots may treat their outstanding share of the Reserve Account's balance as a separate item in the sales contract providing for the conveyance of their Lot.

10.6.3 Current Operating Account. All costs other than those to be paid from the Reserve Account pursuant to Section 10.6.2 may be paid from the Current Operating Account.

10.7 Default in Payment of Assessments, Enforcement of Liens.

10.7.1 Personal Obligation. All assessments properly imposed under this Declaration or the Bylaws shall be the joint and several personal obligations of all Owners of the Lot to which such assessment pertains. In a voluntary conveyance (i.e., one other than through foreclosure or a deed in lieu of foreclosure), the grantees shall be jointly and severally liable with the grantors for all Association assessments imposed through the recording date of the instrument effecting the conveyance. A suit for a money judgment may be initiated by the Association to recover such assessments without either waiving or foreclosing the Association's lien.

10.7.2 Association Lien. The Association shall have a lien against each Lot for any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof that is delinquent. Such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorney fees (whether or not suit or action is instituted), actual administrative costs, and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Recording of the Declaration constitutes record notice and perfection of the lien. Said lien may be foreclosed at any time pursuant to the Planned Community Act. The Association shall record a notice of a claim of lien for assessments and other charges in the deed records of Deschutes County, Oregon, before any suit to foreclose may be filed.

The lien of the Association shall be superior to all other liens and encumbrances except property taxes and assessments, any first mortgage, deed of trust or land sale contract recorded before the Association's notice of lien, and any mortgage or deed of trust granted to an institutional lender that is recorded before the Association's notice of lien.

10.7.3 Interest, Fines, Late Fees, Penalties. The Board, in its reasonable discretion, may from time to time adopt resolutions to set the rate of interest and to impose late fees, fines, and penalties on delinquent assessments or for violations of the provisions of this Declaration, the Bylaws, Architectural Standards, and the Rules and Regulations adopted by the Board or the ARC. The adoption of such impositions shall be communicated to all Owners in writing not less than 30 days before the effective date by a notice mailed to the assessment billing address of such Owners. Such impositions shall be considered assessments that are lienable and collectible in the same manner as any other assessments; provided, however, that fines or penalties for violation of this Declaration, the Bylaws, or any rule and regulation, other than late fees, fines, or interest arising from an Owner's failure to pay regular, special, or reimbursement assessments may not be imposed against an Owner or such Owner's Lot until such Owner is given an opportunity for a hearing as elsewhere provided herein.

10.7.4 Acceleration of Assessments. If an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, on not less than ten (10) days' written notice to the Owner, may accelerate the due date of the full annual assessment for that fiscal year and all future installments of any special assessments.

10.7.5 Association's Right to Rents, Receiver. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of such Owner's Lot or shall be entitled to the appointment of a receiver.

ARTICLE 11 – GENERAL PROVISIONS

11.1 Records. The Board shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board also shall keep detailed and accurate financial records, including individual assessment accounts of Owners, the balance sheet, and income and expense statements. Individual assessment accounts shall designate the name and address of the Owner or Owners of the Lot, the amount of each assessment as it becomes due, the amounts paid on the account, and the balance due on the assessments. The minutes of the Association, the Board and Board committees, and the Association's financial records shall be maintained in the State of Oregon and reasonably available for review and copying by the Owners. A reasonable charge may be imposed by the Association for providing copies.

11.2 Indemnification of Directors, Officers, Employees, and Agents. The Association shall indemnify any Director, officer, employee, or agent who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative (other than an action by the Association) by reason of the fact that such person is or was a Director, officer, employee, or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action, or proceeding if such person acted in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe that such person's conduct was unlawful.

The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner that such person reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe that such person's conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit, or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee, or agent shall have a right of contribution over and against all other Directors, officers, employees, or agents and members of the Association who participated with or benefited from the acts that created said liability.

11.3 Enforcement; Attorney Fees. The Association and the Owners and any mortgagee holding an interest on a Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens, and charges now or hereinafter imposed by any of the provisions of this Declaration as may appertain specifically to such parties or Owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition, or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter. In the event a suit or action is commenced to enforce the terms and provisions of this Declaration (including without limitations, for the collection of assessments), the prevailing party shall be entitled to its actual administrative costs incurred because of a matter or event that is the subject of the suit or action, attorney fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal, the cost of the appeal, together with reasonable attorney fees, to be set by the appellate court. In addition, the Association shall be entitled to its reasonable attorney fees and costs incurred in any enforcement activity or to collect delinquent assessments, together with the Association's actual administrative costs, whether or not suit or action is filed.

11.4 Severability. Invalidity of any one of these covenants, conditions, or restrictions by judgment or court order shall not affect the other provisions hereof and the same shall remain in full force and effect.

11.5 Duration. The covenants, conditions, and restrictions of this Declaration shall run with and bind the land for a term of 35 years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of 10 years, unless rescinded by a vote of at least 90% of the Owners and 90% of the first mortgagees; provided, however, that amendments that do not constitute rescission of the planned community may be adopted as provided in Section 11.6.

11.6 Amendment. Except as otherwise provided in Section 11.5 or ORS 94.590, and the restrictions set forth elsewhere herein, this Declaration may be amended at any time during Declarant's control as described in Article 8 by Declarant, if after the period described in Article 8, by an instrument approved by not less than 75% of the total votes of members that are eligible to vote. Any amendment must be executed, recorded, and certified as provided by law; provided, however, that no amendment of this Declaration shall effect an amendment of the Bylaws or Articles without compliance with the provisions of such documents, and the Oregon Nonprofit Corporation Act and that no amendment affecting the general plan of development or any other right of Declarant herein contained may be effected without the express written consent of Declarant or its successors and assigns, including, without limitation, amendment of this Section 11.6.

11.7 Release of Right of Control. Declarant may give up its right of control in writing at any time by notice to the Association.

11.8 Unilateral Amendment by Declarant. In addition to all other special rights of Declarant provided in this Declaration, Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission, or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee, or provide financing in connection with development of the Property and sale of Lots.

11.9 Resolution of Document Conflicts. In the event of a conflict among any of the provisions in the documents governing The Shire, such conflict shall be resolved by looking to the following documents in the order shown below:

1. Declaration
2. Articles
3. Bylaws
4. Rules and Regulations.

IN WITNESS WHEREOF, Declarant has executed this instrument this 17 day of August, 2007.

Shire Development, Inc.

By: Ron Meyers
Ron Meyers, President

STATE OF OREGON

County of Deschutes

This instrument was acknowledged before me on 8/17, 2007
by Ron Meyers of The Shire
Notary Public for Oregon

Y. Lorraine Abney

