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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

TARALON RESIDENTIAL

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EXHIBIT A Property Subject to Declaration

Pages

**DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS**

FOR

TARALON RESIDENTIAL

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR TARALON RESIDENTIAL ("Declaration") is made this 6th day of December, 2005, by NNP-TARALON, LLC, a Delaware limited liability company, duly authorized to transact business in the State of Oregon ("Declarant").

A. Declarant owns or controls approximately 96.57 acres within the City of Happy Valley, Clackamas County, Oregon. Declarant proposes to develop portions of this property as a residential planned development to be known as "Taralon Residential," which shall be a Class I planned community pursuant to the Oregon Planned Community Act and shall be subject to ORS 94.550 through ORS 94.785. Of the approximately 96.57 acres owned or controlled by Declarant, Declarant contemplates developing approximately 45.48 gross acres for detached single-family residential houses, approximately 7.05 gross acres for attached single-family residential units, approximately 9.74 gross acres for apartment use and approximately 4.83 acres for commercial mixed use, with the balance of the acreage to be used for streets and roads, utilities, open space areas and Common Area. Declarant contemplates developing the property it owns or controls in phases, but it is not committing itself to plat and/or to develop any or all of the contemplated phases. The contemplated commercial mixed use development and the apartment development are not subject to this Declaration even though these developments may be identified with Taralon in their respective names and even though these developments are included in and are a part of the Master Plan Application submitted to the City of Happy Valley and of the Master Plan adopted by and approved by the City of Happy Valley under the project name of Taralon. References hereinafter made in this Declaration to "Taralon" shall mean the Taralon residential planned community initially consisting of the phases for the detached single-family residential homes and the phase for the attached single-family residential units, and shall not include the commercial mixed used phase or the apartment phase. The legal description of Taralon is attached hereto as Exhibit A and by reference incorporated herein.

B. Declarant intends to create in Taralon a carefully planned community which will provide an attractive place to live. Declarant will provide leadership in organizing and administering the Taralon project during the development period, but expects property

owners in Taralon to accept the responsibility for community administration by the time the development is complete.

C. The purpose of this Declaration is to provide for the ownership, maintenance and use of all portions of Taralon, including certain common areas which will be owned and operated by a homeowner association for the benefit of all properties now or later made subject to this Declaration.

D. Funds for the maintenance and operation of the common areas generally will be provided through assessments against those who purchase property within Taralon, although to assist with the development of Taralon, Declarant may from time to time itself provide some improvements. For the protection of all owners of property in Taralon there will be a system designed to assure that each person who purchases property in Taralon will pay an equitable share of the moneys necessary for the maintenance and development of common areas.

E. A Master Plan which includes Taralon has been adopted and approved by the City of Happy Valley ("Master Plan"). By adoption of the Master Plan and this Declaration, Declarant is not committing itself to take any action for which definite provision is not made in this Declaration. One who acquires property in Taralon will have the advantage of further development of Taralon, but shall not have any legal right to insist that there be development except as provided in this instrument or in the instruments which hereafter may be recorded annexing areas to Taralon and subjecting areas to this Declaration.

F. Declarant has recorded or will record a plat entitled "Taralon" in the Plat Records of Clackamas County, Oregon. For purposes of this Declaration, all references hereinafter made to "Phase 1" shall mean the property platted as "Taralon," which shall be the first phase of the planned community known as Taralon that is subject to this Declaration. Phase 1, as defined above, is approximately 13.70 acres (gross). Declarant contemplates platting the balance of the property described in Exhibit A in phases to be part of the planned community known as Taralon. However, Declarant is not committing itself to plat and/or develop any or all of the contemplated phases.

G. Declarant hereby declares that all of the property described in Exhibit A and any additional property which is hereafter subjected to this Declaration by Supplemental Declaration (as defined herein) shall be held, sold, and conveyed subject to the following easements, restrictions, covenants, conditions and charges, which are for the purpose of protecting the value and desirability of and which shall run with the real property subjected to this Declaration and shall be appurtenant thereto, and which shall be binding on all parties having any right, title, or interest in the described Properties or any part thereof, their heirs,

successors, successors-in-title, and assigns, and shall inure to the benefit of each owner thereof.

Article I.
Definitions

1.1 "Area of Common Responsibility" shall mean and refer to the Common Area, and, Common Easement Areas, together with those areas, if any, which by the terms of this Declaration become the responsibility of the Association. The office of any property manager employed by or contracting with the Association, if located on the Properties, or any public rights-of-way within or adjacent to the Properties, may be part of the Area of Common Responsibility.

1.2. "Articles of Incorporation" or "Articles" shall mean and refer to the Articles of Incorporation of Taralon Residential Community Association, as filed with the Secretary of State of the State of Oregon, as amended from time to time.

1.3. "Association" shall mean and refer to Taralon Residential Community Association, which shall be an Oregon nonprofit corporation, its successors or assigns. The use of the term "association" or "associations" in lower case shall refer to any other owners association having jurisdiction over any part of the Properties.

1.4. "Board of Directors" or "Board" shall mean and refer to the elected body having its normal meaning under Oregon corporate law.

1.5. "Bylaws" shall mean and refer to the Bylaws of Taralon Residential Community Association as amended from time to time. The Bylaws shall be recorded in Clackamas County, Oregon.

1.6. "Class B Control Period" shall mean and refer to the period of time during which the Class B Member is entitled to appoint all or a majority of the members of the Board of Directors.

1.7. "Common Area" shall be an inclusive term referring to all General Common Area as defined herein.

1.8. "Common Assessments" shall mean and refer to assessments levied against all Units in the Properties to fund Common Expenses.

1.9. "Common Easement Areas" shall mean those easements on any Unit established for the benefit of all Owners pursuant to a plat or declaration.

1.10. "Common Expenses" shall mean and include the actual and estimated expenses incurred by the Association for the general benefit of all Unit Owners, including the Reserve Fund, all as may be found to be necessary and appropriate by the Board pursuant to this Declaration, the Bylaws, and the Articles of Incorporation of the Association, but shall not include any expenses incurred during the Class B Control Period for initial development, original construction or installation of infrastructure, original capital improvements, or other original construction costs unless approved by Members representing a majority of the total Class A vote of the Association.

1.11. "Community Wide Standard" shall mean the standard of conduct, maintenance, or other activity generally prevailing throughout the Properties as set forth in Article XI. Such standard may be more specifically determined by the Board of Directors and the New Construction Committee. In no event, however, shall such standard be reduced below that standard established by the Declarant as of the termination of the Class B Control Period.

1.12. "Declarant" shall mean and refer to NNP-Taralon, LLC, a Delaware limited liability company, or its successors, successors-in-title or assigns who take title to any portion of the property described on Exhibit A for the purpose of development and/or sale and are designated as the Declarant hereunder in a recorded instrument executed by the immediately preceding Declarant.

1.13. "Emergency Assessment" shall have the meaning given in Section 10.4.

1.14. "General Common Area" shall mean all real and personal property which the Association now or hereafter owns or otherwise holds for the common use and enjoyment of all Owners, including Common Easement Areas.

1.15. "Improvements" means every structure or improvement of any kind, including but not limited to streets, street improvements, sanitary services, storm sewers, water services, lighting, other improvements for utilities, entry monuments, signage, walks, trails, parks, open space amenities, fences, gates walls, driveways, swimming pools, storage shelters, landscaping or other product of construction efforts on or in respect to the Properties.

1.16. "Lighting Improvement District" or "LID" shall mean and refer to a local unit of special purpose government which has been created to provide street light systems and lighting services to the area in which the Properties are located.

1.17. "Member" shall mean and refer to a Person entitled to membership in the Association, as provided herein and in the Bylaws.

1.18. "Mortgage" shall mean and refer to a mortgage, a deed of trust, a contract of sale (i.e. land sale contract), a deed to secure debt, or any other form of security deed.

1.19. "Mortgagee" shall mean and refer to a mortgagee, beneficiary, vendor or other holder of a Mortgage.

1.20. "Mortgagor" shall mean and refer to any Person who gives a Mortgage, including a mortgagor, grantor, and vendee.

1.21. "ORS" shall mean and refer to the Oregon Revised Statutes, as amended from time to time, and references to specific sections and subsections of ORS shall mean those sections and subsections as amended from time to time.

1.22. "Owner" shall mean and refer to one (1) or more Persons who hold the record title to any Unit which is part of the Properties, but excluding in all cases any party holding an interest merely as security for the performance of an obligation. If a Unit is sold under a recorded contract of sale, then the purchaser (rather than the fee owner) will be considered the Owner. If a Unit is subject to a written lease with a term in excess of one (1) year and the lease specifically so provides, then upon filing a copy of the lease with the Board of Directors the lessee (rather than the fee owner) will be considered the Owner for the purpose of exercising all privileges of membership in the Association.

1.23. "Person" means a natural person, a corporation, a partnership, a trustee, or any other legal entity.

1.24. "Properties" shall mean and refer to the real property described in Exhibit A attached hereto, together with such additional property as is hereafter subjected to this Declaration by Supplemental Declaration.

1.25. "Reserve Fund" shall have the meaning given in Section 10.11.

1.26. "Reserve Study" shall have the meaning given in Section 10.12.

1.27. "Special Assessment" shall mean and refer to assessments levied in accordance with Section 10.3 of this Declaration.

1.28. "Supplemental Declaration" shall mean an amendment or supplement to this Declaration executed by or consented to by Declarant which subjects additional property to this Declaration and/or imposes, expressly or by reference, additional restrictions and obligations on the land described therein. The term shall also refer to the instrument recorded

by the Association pursuant to Section 2.2 of this Declaration to subject additional property to this Declaration. The term shall also refer to any instrument recorded pursuant to Section 2.1(f) of this Declaration.

1.29. "Turnover Meeting" shall have the meaning given in Section 5.8.

1.30. "Unit" shall mean a platted or partitioned lot or parcel within the Properties, whether developed or undeveloped, intended for development, use, and occupancy as an attached or detached residence for a single-family, and shall, unless otherwise specified, include within its meaning (by way of illustration, but not limitation) condominium units, townhouse units, cluster homes, patio or zero lot line homes, and single-family detached houses on separately platted lots, as well as vacant land intended for development as such, all as may be developed, used, and defined as herein provided or as provided in Supplemental Declarations covering all or a part of the Properties. The term shall include all portions of the lot owned as well as any structure thereon. The term shall not include Common Area. The term shall not include apartment buildings or complexes or other multi-family structures intended for development as rental projects.

In the case of a parcel within the Properties of land on which single-family residences are to be constructed or are under construction, regardless of whether the parcel has been platted or partitioned into separate lots, the parcel shall be deemed to contain the number of Units designated for residential use for such parcel on the preliminary plat submitted by Declarant to the City of Happy Valley until such time as a residence has been constructed on the parcel of land and may be legally occupied by the Owner thereof. . After the residence constructed on the parcel of land may be so occupied, it shall constitute a separate Unit, and the number of Units on the remaining parcel of land not included in the Unit, if any, shall continue to be determined in accordance with this paragraph.

Article II.

Property Subject to Declaration

2.1 Phase 1. All of the property described in Exhibit A is subject to this Declaration. However, the initial development in Taralon shall be the real property within the plat entitled "Taralon" that is filed or will be filed in the Plat Records of Clackamas County, Oregon. The initial development in Phase 1 will consist of approximately 91 single-family Units.

Declarant agrees as part of the initial development in Phase 1 that Declarant shall construct and install, or supervise the installation of, the following contemplated Improvements: sanitary sewers, storm sewers, and water services; street improvements for

within or adjacent to Phase 1; and a portion of a multi-use path as a Common Area within and along the 55 to 75-foot wide natural gas line easement that meanders through Taralon. Notwithstanding the foregoing, Declarant may elect to add other Improvements not listed herein at Declarant's sole discretion. Declarant contemplates platting additional phases within Taralon, from time to time, in Declarant's sole discretion. With respect to each additional phase platted within the property described in Exhibit A:

(a) The procedure for expansion will be the platting of another phase. Declarant contemplates that the Improvements to be constructed in such phase will be substantially the same as those to be constructed in Phase 1, as modified by the nature of the residences contemplated for such phase.

(b) There shall be no limitation on the number of Units which Declarant may create in such phase, subject to governmental approvals and restrictions.

(c) There shall be no limitation on the right of Declarant to create Common Area or additional Common Area in such phase.

(d) The Owner of a Unit within such phase shall have the same voting rights as an Owner of a Unit within Phase 1, as more particularly set forth in Section 5.3 of this Declaration.

(e) The Owner of a Unit within such phase shall be assessed Common Expenses in the same manner as the Owner of Unit within Phase 1, as more particularly set forth in Article X of this Declaration.

(f) As additional phases of the property described in Exhibit A are platted, the Board of Directors may, but shall not be required to, record a Supplemental Declaration describing the property as platted for ease of identification and reference.

2.2. Annexation Without Approval of Class A Membership. Subject to Section 14.3 below, Declarant shall have the unilateral right, privilege, and option, from time to time at any time, until the expiration of the Class B Control Period, to subject to the provisions of this Declaration and the jurisdiction of the Association all or any portion of the real property adjacent to the Properties owned by Declarant. Such annexation shall be accomplished by filing in the Recorder's Office of Clackamas County, Oregon, a Supplemental Declaration annexing such property. Such Supplemental Declaration shall not require the consent of the Members. Any such annexation shall be effective upon the filing for record of such Supplemental Declaration unless otherwise provided therein. Subject to Section 14.3, Declarant shall have the unilateral right to transfer to any other Person the right, privilege, and option to annex such adjacent property which is herein reserved to Declarant, provided

that such transferee or assignee shall be the developer of at least a portion of the real property described in Exhibit A or such adjacent property and that such transfer is memorialized in a written, recorded instrument executed by the Declarant.

2.3. Annexation With Approval of Class A Membership. Subject to Section 14.3, and subject to the consent of the owner thereof, the Association may annex real property other than that described in Section 2.2, and following the expiration of the right of Declarant in Section 2.2, any adjacent property described in Section 2.2, to the provisions of this Declaration and the jurisdiction of the Association. Such annexation shall require the affirmative vote of Members representing a majority of the Class A votes of the Association present at a meeting duly called for such purpose and the consent of Declarant so long as Declarant owns property subject to this Declaration or which may become subject to this Declaration in accordance with Section 2.2.

2.4. Annexation Procedures. Annexation shall be accomplished by filing of record in the Recorder's Office of Clackamas County, Oregon, a Supplemental Declaration. Any such Supplemental Declaration shall be signed by the President and the Secretary of the Association, and by the owner of the property being annexed, and any such annexation shall be effective upon filing unless otherwise provided therein. The relevant provisions of the Bylaws dealing with regular or special meetings, as the case may be, shall apply to determine the time required for and the proper form of notice of any meeting called for the purpose of considering annexation of property pursuant to this Section 2 and to ascertain the presence of a quorum at such meeting. The Supplemental Declaration shall, among other things, describe the additional property to be annexed, may establish land classifications for the property to be annexed, may establish any additional limitations, uses, restrictions, covenants and conditions which are intended to be applicable to such property, and shall declare that such property is held and shall be held, conveyed, hypothecated, encumbered, used, occupied and improved subject to this Declaration. There shall be no limitation on the number of Units which Declarant may create or annex to the Taralon planned community.

2.5. Acquisition of Additional Common Area. Subject to Section 14.3, Declarant may convey to the Association additional real property, improved or unimproved, located within the Properties which, upon conveyance or dedication to the Association and acceptance by the Association, shall be maintained by the Association at its expense for the benefit of all its Members. There shall be no limitation on the right of Declarant to create or annex additional real property to the Common Area.

2.6. Withdrawal of Property. Declarant may withdraw property from Taralon only by a duly adopted amendment to this Declaration except as otherwise set forth in this Section 2.6. Declarant may withdraw all or any portion of the unplatted property subject to this Declaration prior to platting, or may withdraw all or any portion of any property annexed

pursuant to Sections 2.2 or 2.3, by Supplemental Declaration at any time prior to the sale of the first Unit in the property annexed by such Supplemental Declaration. Any such withdrawal shall be by a Supplemental Declaration executed by Declarant and recorded in Clackamas County, Oregon. In the event of such withdrawal, all voting rights otherwise allocated to Units being withdrawn shall be eliminated, and Common Expenses shall be reallocated, to the extent necessary, as provided in Section 2.7. Provided, however, subject to Section 14.3, Declarant reserves the right to amend this Declaration unilaterally at any time during the Class B Control Period, without prior notice and without the consent of any Person, for the purpose of removing certain portions of the Properties then owned by the Declarant or its affiliates or the Association from the provisions of this Declaration to the extent originally included in error or as a result of any changes whatsoever in the plans for the Properties desired to be effected by the Declarant, provided, such withdrawal is not unequivocally contrary to the overall, uniform scheme of development for the Properties. Except as expressly set forth in this Section 2.6, the right to withdraw property from Taralon shall not expire.

2.7 Reallocation and Reapportionment of Common Area Expenses. In the event additional Units are annexed to or withdrawn from the Properties, commencing on the effective date of such annexation or withdrawal ("Change Date") and continuing thereafter, all Common Assessments shall be allocated based on the number of Units, including the annexed Units but excluding any withdrawn Units then existing and subject to the terms of this Declaration, and all Units shall be assessed a prorata share of all Common Expenses commencing with any Change Date. In the event prior to any Change Date, Common Assessments have been paid for Common Expenses which are, in Declarant's reasonable judgment, properly chargeable to the period prior to a Change Date but for which benefits will accrue to Owners after that Change Date, each Owner of any annexed Unit shall pay its prorata share to the Association for such amounts within thirty (30) days after receipt of written demand therefore, which demand shall be accompanied by reasonable supporting documentation. Adjustments to Common Expenses paid by all other Owners of Units prior to that Change Date shall be adjusted for the next calendar year for which billings of Common Expenses are rendered by the Association. In no event shall any refund be made to any Owner of a withdrawn Unit.

2.8. Voting Rights. An Owner of a Unit within property annexed pursuant to this Article shall have the same voting rights as an Owner of a Unit within the property described in Exhibit A.

2.9. Amendment. This Article shall not be amended without the prior written consent of Declarant so long as Declarant owns real property subject to this Declaration or which may become subject to this Declaration in accordance with Section 2.2. Any amendment is also subject to Section 13.2 and Section 14.3.

Article III.
Property Rights; Common Area

3.1. Conveyance of Common Area. The Common Area within the initial phase, that is, Phase 1, shall be conveyed to the Association prior to the conveyance of a Unit to any Unit purchaser other than a builder or developer holding title for the purpose of development and resale. If, as and when each subsequent phase is platted, the Common Area within that phase shall be conveyed to the Association prior to the conveyance of a Unit within the phase to any Unit purchaser other than a builder or developer holding title for the purpose of development and resale. The deed or deeds conveying Common Area shall be delivered to the Association by Declarant free and clear of monetary liens. Such deeds shall not include Common Easement Areas. Title to Common Easement Areas, subject to the easements set forth in this Declaration, shall rest in the Owners of the respective Units within which such areas are located, or in the public if part of a dedicated street or right of way.

3.2. Property Rights in Common Area. Every Owner shall have a right and nonexclusive easement of use, access and enjoyment in and to the Common Area, subject to:

(a) this Declaration as it may be amended from time to time and to any restrictions or limitations contained in any deed conveying such property to the Association;

(b) the right of the Association to limit the number of guests, and to adopt rules regulating the use and enjoyment of the Common Area;

(c) the right of the Board, after written notice and an opportunity to be heard as provided in the Bylaws, to suspend the right of an Owner to use recreational facilities within the Common Area (i) for any period during which any charge against such Owner's Unit remains delinquent, and (ii) for a period not to exceed thirty (30) days for a single violation, or for a longer period in the case of any continuing violation, of the Declaration, Bylaws, or rules of the Association;

(d) the right of the Association, acting through the Board, to grant easements and to dedicate or transfer all or any part of the Common Area pursuant to Section 14.3 hereof;

(e) the right of the Association to impose reasonable membership requirements and charge reasonable admission or other fees for the use of any recreational facility situated upon the Common Area;

(f) the right of the Board to permit nonmember use of the Common Area upon payment of use fees established by the Board; and

(g) the right of the Association, acting through the Board, to mortgage, pledge or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred subject to the approval requirements set forth in Sections 14.2 and 14.3 hereof.

Any Owner may delegate his or her right of use and enjoyment to the members of his or her family, lessees and social invitees, as applicable, subject to reasonable regulation by the Board and in accordance with procedures it may adopt. An Owner who leases his or her Unit shall be deemed to have delegated all such rights to the Unit's lessee.

3.3. Common Easement Areas. Common Easement Areas shall be reserved for signage, visual landscape features, utility and drainage easements (to the extent not located on Common Area). Such areas shall be maintained by the Association and no changes in landscaping will be permitted within such areas without written authorization by the Board. No building, wall, fence, paving, landscaping or construction of any type shall be erected or maintained by any Owner so as to trespass or encroach upon any Common Easement Areas, nor may any such areas be used by any Owner for storm water treatment purposes.

3.4. Alienation of the Common Area. The Association may not by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area owned directly or indirectly by the Association for the benefit of the Units unless the holders of at least seventy-five percent (75%) of the Class A votes of the Association and the Class B member (as defined in Section 5.3.2 below), if any, have given their prior written approval. If appropriate, the Association shall first offer to dedicate such property to the City of Happy Valley, Oregon and may provide that the offered property be released from any restriction imposed thereon by this Declaration. This provision shall not apply to the easements described in Section 3.5 below. The Association, upon approval in writing of at least fifty percent (50%) of the Class A votes of the Association and the Class B member, if any, and if approved by order or resolution of the City of Happy Valley, Oregon, may dedicate or convey any portion of the Common Area to a park district or other public body.

3.5. Easement Reserved by Declarant. So long as Declarant owns any Unit, Declarant reserves an easement over, under and across the Common Area in order to carry out sales and rental activities necessary or convenient for the sale or rental of Units. In addition, Declarant hereby reserves to itself and for the Owners of Units in all future phases of Taralon a perpetual easement and right of way for access over, upon and across the Common Area for construction, utilities, communication lines, drainage and ingress and egress for the benefit of other property owned by Declarant and future phases of the Properties. Declarant, for itself and for its successors and assigns, hereby retains a right and easement of ingress and egress

over, in, upon, under and across the Common Area and the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incident to the construction of the Improvements on the Properties or other real property owned by Declarant provided, however, that no such right shall be exercised by Declarant in such a way as to unreasonably interfere with the occupancy, use, enjoyment or access to an Owner's Unit by that Owner or its family, tenants, employees, guest or invitees.

Article IV.
Property Rights in Units

4.1. Use and Occupancy. The Owner of a Unit in the Properties shall be entitled to the exclusive use and benefit of such Unit, except as otherwise expressly provided in this Declaration, but the Unit shall be bound by and the Owner shall comply with the restrictions contained in Article XII below and all other provisions of this Declaration and provisions of any supplement or amendment to this Declaration.

4.2. Easements Reserved. In addition to the Common Area, Common Easement Areas and any utility and drainage easements shown on any recorded plat, Declarant hereby reserves the following easements for the benefit of Declarant and the Association:

4.2.1. Adjacent Common Areas. The Owner of any Unit which blends together visually with any Common Area shall, if the Association elects from time to time to so require, permit the Association to enter upon the Unit to perform all necessary maintenance of such Common Area.

4.2.2. Right of Entry. Declarant, the New Construction Committee and the Modifications Committee, 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 Unit for the purpose of determining whether or not the use and/or Improvements of such Unit are in compliance with this Declaration. No such entry shall be deemed to constitute a trespass or otherwise create any right of action in the Owner of such Unit.

4.2.3. Utility Easements. Easements for installation and maintenance of utilities and drainage facilities may be reserved over portions of certain Units, as shown on any recorded plat. Within such easements, the New Construction Committee and the Modifications Committee will not permit any structure, planting or any other material to be placed or permitted to remain on the easement area which may damage or interfere with the installation or maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obscure or retard the flow of water through drainage channels in the easements. The easement area of each Unit and all Improvements on it shall be maintained continuously by the Owner of the Unit, except for those Improvements for

which a public authority or utility company is responsible; and except for Common Easement Areas, which will be maintained by the Association.

Article V.
Association

Declarant shall organize an Association of all the Owners within Taralon. Such Association, its successor and assigns shall be organized under the name "Taralon Residential Community Association" or such similar name as Declarant shall designate, and shall have such property, powers and obligations as are set forth in this Declaration for the benefit of the Properties and all Owners of Units located therein.

5.1. Organization. Declarant shall, before the first Unit is conveyed to an Owner, organize the Association as a nonprofit corporation under the general nonprofit corporation laws of the State of Oregon. The Articles of Incorporation of the Association shall provide for its perpetual existence, but in the event the Association is dissolved, the net assets of the Association shall be distributed as follows: the net assets shall be dedicated to a public body, or conveyed and transferred to a nonprofit organization with similar purposes to that of the Association. Declarant shall cause the Bylaws to be recorded in the Recorder's Office of Clackamas County, Oregon.

5.2. Membership. Every Owner, as defined in Section 1.20, shall immediately upon creation of the Association and thereafter during the entire period of such Owner's ownership of a Unit, be deemed to be a Member of the Association, which membership rights 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. No Owner, whether one (1) or more Persons, shall have more than one (1) membership per Unit owned. In the event the Owner of a Unit is more than one (1) Person, votes and rights of use and enjoyment shall be as provided herein. The rights and privileges of membership may be exercised by a Member or the Member's spouse, subject to the provisions of this Declaration and the Bylaws. The membership rights of a Unit owned by a corporation or partnership shall be exercised by the individual designated from time to time by the Owner in a written instrument provided to the Secretary, subject to the provisions of this Declaration and the Bylaws.

5.3. Voting Rights. The Association shall have two (2) classes of membership, Class A and Class B, as follows:

5.3.1 Class A. Class A Members shall be all Owners with the exception of the Class B Member, if any. Therefore, each Class A Member shall be an Owner. Class A Members shall be entitled to one (1) equal vote for each Unit in which they hold the interest required for membership under Section 5.2 hereof; there shall be only one (1) vote per Unit.

In any situation where a Member is entitled personally to exercise the vote for his or her Unit and more than one (1) Person holds the interest in such Unit required for membership, the vote for such Unit shall be exercised as those Persons determine among themselves and advise the Secretary of the Association in writing prior to any meeting. In the absence of such advice, the Unit's vote shall be suspended if more than one (1) Person seeks to exercise it.

5.3.2. Class B. The Class B Member shall be the Declarant. The rights of the Class B Member, including the right to approve actions taken under this Declaration and the Bylaws, are specified elsewhere in this Declaration and the Bylaws. The Class B Member shall be entitled to appoint all or a majority of the members of the Board of Directors during the Class B Control Period as provided in the Bylaws. The Class B membership shall terminate, together with the termination of the Class B Control Period, and all rights of the Class B Member shall automatically pass to all Owners (including Declarant if Declarant owns one or more Units) upon the earlier of:

(a) when seventy-five percent (75%) or more of the Units in Taralon following the final phase of development of Taralon as permitted by the Master Plan are owned by Persons other than the Declarant and builders or developers holding title for the purpose of development and resale;

(b) December 31, 2020; or

(c) when, in its sole discretion, the Declarant so determines.

5.4. Transitional Advisory Committee. Not later than the sixtieth (60th) day after the date Declarant conveys fifty percent (50%) or more of the Units then existing in Taralon to Owners other than a successor Declarant or at such earlier date as the Class B Member so determines, Declarant shall call for a meeting of all Owners and shall provide notice of such meeting as provided in the Bylaws. At such meeting, Declarant or the Owners shall form a transitional advisory committee to provide for the transition of administrative responsibility for Taralon by the Declarant to the Association. Such committee shall consist of three (3) or more Members selected all of which shall be selected by the Owners except that Declarant may select no more than one (1) Member of such committee.

5.5 General Powers and Obligations. The Association shall have, exercise and perform all of the following powers, duties and obligations:

(a) The powers, duties and obligations granted to the Association by this Declaration.

(b) The powers and obligations of a nonprofit corporation pursuant to the general nonprofit corporation laws of the State of Oregon.

(c) The powers, duties and obligations of a homeowners association pursuant to the Oregon Planned Community act, whether or not such Act is applicable to this Declaration.

(d) Any additional or different powers, duties and obligations necessary or desirable for the purpose of carrying out the functions of the Association pursuant to this Declaration or otherwise promoting the general benefit of the Owner within the Properties.

The powers and obligations of the Association may from time to time be amended, repealed, enlarged or restricted by changes in this Declaration made in accordance with its provisions accompanied by changes in the Articles of Incorporation or Bylaws of the Association made in accordance with such instruments and with the nonprofit corporation laws of the State of Oregon.

5.6 Specific Powers and Duties. The powers and duties of the Association shall include, without limitation, the following:

5.6.1. Common Area. The Association, subject to the rights of the Owners set forth in this Declaration, shall be responsible for the exclusive management and control of the Common Area and all improvements thereon (including, without limitation, furnishings and equipment related thereto and common landscaped areas), and shall keep all Common Areas in good, clean, attractive, and sanitary condition, order, and repair, pursuant to the terms and conditions hereof and consistent with the Community-Wide Standard.

5.6.2. Personal Property and Real Property for Common Use. Subject to the provisions of Section 3.5 above, the Association, through action of its Board of Directors, may acquire, hold title to, convey, and dispose of tangible and intangible personal property and real property and interests therein. The Board, acting on behalf of the Association, shall accept any real or personal property, leasehold, or other property interests within the Properties conveyed to it by the Declarant.

5.6.3. Rules and Regulations and Enforcement. The Association, through its Board of Directors, may make and enforce reasonable rules and regulations governing the use of the Properties, which rules and regulations shall be consistent with the rights and duties established by this Declaration. The Association shall perform such acts, whether or not expressly authorized by this Declaration, as may be reasonably necessary to enforce the provisions of this Declaration and the rules and regulations adopted by the Association, including, without limitation, enforcement of the decisions of the New

Construction Committee and the Modifications Committee. Sanctions may include reasonable monetary fines and suspension of the right to vote and the right to use any recreational facilities on the Common Area, all as more particularly set forth in the Bylaws. The Board shall, in addition, have the power to seek relief in any court for violations or to abate nuisances. Imposition of sanctions shall be as provided in the Bylaws of the Association or as determined by the Board. The Association, through the Board, by contract or other agreement, shall have the additional right to enforce county or city ordinances and to permit Clackamas County or the City of Happy Valley to enforce ordinances on the Properties for the benefit of the Association and its Members.

5.6.4. Implied Rights. The Association may exercise any other right or privilege given to it expressly by this Declaration or the Bylaws, and every other right or privilege which may be reasonably implied from the existence of any right or privilege given to it herein or reasonably necessary to effectuate any such right or privilege.

5.6.5. Governmental Interests. During the Class B Control Period, the Declarant shall have the authority to designate sites within the Properties, which may include Common Area owned by the Association, for fire, police, water, and sewer facilities, public schools and parks, and other public facilities.

5.6.6. Assessments. The Association shall adopt budgets and impose and collect Assessments as provided in Article X of this Declaration.

5.6.7 Employment of Agents, Advisers and Contractors. The Association, through its Board of Directors, may employ the services of any person or corporation as managers, hire employees to manage, conduct and perform the business, obligations and duties of the Association, employ professional counsel and obtain advice from such persons or firms or corporation such as, but not limited to landscape architects, architects, planners, lawyers and accountants, and contract for or otherwise provide for all services necessary or convenient for the management, maintenance and operation of the Properties.

5.6.8 Create Classes of Service and Make Appropriate Charges. The Association may, in its sole discretion, create various classes of services and make appropriate Assessments or charges therefor to the users of such services, including but not limited to reasonable admission and other fees for the use of any and all recreational facilities situated on the Common Areas, without being required to render such services to those of its members who do not assent to such charges and to such other rules and regulations as the Board of Directors deems proper. In addition, the Board of Directors shall have the right to discontinue any services upon nonpayment or to eliminate such service for which there is no demand or adequate funds to maintain the same.

5.7. Liability. A member of the Board of Directors or an officer of the Association shall not be liable to the Association or any member thereof for any damage, loss or prejudice suffered or claimed on account of any action or failure to act in the performance of his duties, except for acts of gross negligence or intentional acts. In the event any member of the Board of Directors or any officer of the Association is made a party to any proceeding because the individual is or was a director or officer of the Association, the Association shall indemnify such individual against liability and expenses incurred to the maximum extent permitted by law.

5.8. Turnover Meeting. Declarant shall call a meeting of the Association for the purpose of turning over administrative responsibility for the Properties to the Association (the "Turnover Meeting") not later than ninety (90) days after termination of the Class B membership in accordance with Section 5.3.2, giving notice to the Owners as provided in the Bylaws. At the Turnover Meeting the then existing directors shall resign and their successors shall be elected by the Owners as provided in this Declaration and in the Bylaws of the Association. If Declarant fails to call the Turnover Meeting required by this Section, any Owner or Mortgagee of a Unit may call the Turnover Meeting by giving notice as provided in the Bylaws.

5.9. Contracts Entered into by Declarant or Board of Directors Prior to Turnover Meeting. Notwithstanding any other provision of this Declaration, any leases or contracts (including management contracts, service contracts and employment contracts) entered into by the Declarant or the Board of Directors on behalf of the Association prior to the Turnover Meeting shall have a term of not in excess of three (3) years. In addition, any such lease or contract shall provide that it may be terminated without cause or penalty by the Association or Board of Directors upon not less than thirty (30) days' written notice to the other party given not later than sixty (60) days after the Turnover Meeting.

Article VI.

Maintenance, Utilities and Services

6.1. Association's Responsibility. The Association shall maintain and keep in good repair the Area of Common Responsibility, such maintenance to be funded as hereinafter provided. This maintenance shall include, but need not be limited to, maintenance, repair, and replacement, subject to any insurance then in effect, of all landscaping and other flora, structures, and Improvements, including all private streets (including, but not limited to, removal of ice and snow therefrom), the multi-use path along the gas line easement, and subsurface utility crossings on and through the gas line easement, situated upon the Common Area, all entry features within the Properties, and such portions of any additional property included within the Area of Common Responsibility as may be

dictated by this Declaration, or by a contract or agreement for maintenance thereof by the Association.

Except as otherwise specifically provided herein, all costs associated with all such maintenance, repair and replacement of the Area of Common Responsibility shall be a Common Expense to be allocated among all Units as part of the Common Assessment, notwithstanding that the Association may be entitled to reimbursement from the owner(s) of certain portions of the Area of Common Responsibility pursuant to this Declaration, other recorded covenants, or agreements with the owners(s) thereof. The maintenance, repair and replacement of the private streets and the subsurface utility crossings on and through the gas line easement shall be a Common Expense to be allocated among all Units notwithstanding that the foregoing may appear to benefit only specific Units; however, the foregoing will be tied into the multi-use path resulting in some benefit for all Units.

The Association may maintain other property which it does not own, including, without limitation, property dedicated to the LID or to the public, if the Board of Directors determines that such maintenance is necessary or desirable to maintain the Community-Wide Standard.

6.2. Owner's Responsibility. Each Owner shall maintain his or her Unit and all structures, parking areas and other improvements comprising the Unit (including removal of ice and snow, and any debris, from all sidewalk and driveway improvements immediately adjacent to or which are a part of such Owner's Unit) in a manner consistent with the Community-Wide Standard, all applicable covenants and any rules and regulations promulgated by Declarant or the Association unless such maintenance responsibility is otherwise assumed by or assigned to the Association pursuant to any Supplemental Declaration or other declaration of covenants applicable to such Unit. If any Owner fails properly to perform his or her maintenance responsibility, the Association may perform such maintenance responsibilities and assess all costs incurred by the Association against the Unit and the Owner thereof in accordance with Section 10.3.2 of this Declaration; provided, however, except when entry is required due to an emergency situation, the Association shall afford the Owner reasonable notice and an opportunity to cure the problem prior to entry.

6.3. Party Walls and Party Fences.

6.3.1. General Rules of Law to Apply. Each wall or fence built as a part of the original construction on the Units which shall serve and separate any two (2) adjoining Units shall constitute a party wall or fence and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

6.3.2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall or fence shall be shared by the Owners who make use of the wall or fence in equal proportions.

6.3.2.1. Prior Approval. Any Owner making use of a party wall or fence may arrange for repair or maintenance of the wall or fence, but may undertake such repair or maintenance only after obtaining the prior approval (which approval shall not be unreasonably withheld or delayed) of the Owners who make use of the wall or fence. The requesting Owner shall provide a good faith estimate of anticipated cost of the repair or maintenance when the Owner requests the other Owners' prior approval.

Notwithstanding the foregoing, if: (i) in the reasonable opinion of the Owner requesting the repair or maintenance, such work is required; (ii) the other Owners who make use of the wall or fence unreasonably refuse to agree to the repair or maintenance; and (iii) in the reasonable opinion of the requesting Owner, it would be imprudent to delay performance of the repair or maintenance, then the requesting Owner may complete the repair or maintenance. The requesting Owner may, as provided in Section 6.3.2.2., bill the other Owners who make use of the party wall or fence for the costs of the repair or maintenance upon completion and such Owners shall reimburse the requesting Owner, unless an arbitrator appointed pursuant to Section 6.3.5 determines that the repair or maintenance was not reasonably required or that the cost of the repair or maintenance should be allocated in another manner.

6.3.2.2. Evidence of Expenditures and Reimbursement. Subject to an Owner obtaining prior approval as describe in Section 6.3.2.1, above, the other Owners who make use of the wall or fence shall pay their share of the expenditures for repair or maintenance within thirty (30) days after receipt of a bill therefor and reasonably satisfactory evidence of all expenditures. If an Owner fails to pay a bill as and when due, the billing Owner shall have a lien against the Unit owned by the other Owner to secure the unpaid obligation. Unpaid bills shall bear interest from the date due until paid at a rate of interest equal to fifteen percent (15%) per annum. The billing Owner shall be entitled to record a notice of lien in the real estate records of Clackamas County, Oregon, and to foreclose the lien against the Unit of the delinquent Owner in any manner permitted by law.

6.3.2.3. Estoppel Letter. Each Owner agrees, upon the request of any other Owner sharing the use of a party wall or fence, to provide an estoppel letter to any prospective mortgagee or purchaser of the requesting Owner so that such mortgagee or purchaser will be aware of any unpaid maintenance or repair expenses by the requesting Owner.

6.3.2.4. Utility Easement. Each Owner sharing a party wall shall have an easement through the party wall for the purposes of installing, repairing, replacing and maintaining utility (including, but not limited to, water, sewers, meter boxes, telephones, gas, and electricity) lines, wires, pipes and conduits reasonably necessary for such Owner's Unit; provided, however, the exercise of this easement shall not unreasonably interfere with any adjoining Owner's use of the adjoining Owner's Unit.

6.3.3. Damage and Destruction; Condemnation. If a party wall or fence is destroyed or damaged by fire or other casualty, then to the extent that such damage is not covered by insurance and repaired out of the proceeds of insurance, any Owner who has used the wall or fence may restore it. Any other Owner or Owners thereafter making use of the wall or fence, shall contribute to the cost of restoration thereof in equal proportions without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions. If a party wall or fence is taken or conveyed by the Owners making use of the wall or fence in lieu of and under threat of condemnation, then the award for such taking shall be payable to the affected Owners in proportion to the diminution in fair market value of the affected Owners' Units as a result of the condemnation. Any award for the taking shall be used to restore or replace the party wall or fence if feasible. If restoration or replacement is not feasible in the reasonable judgment of the affected Owners, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the affected Owners.

6.3.4. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section 6 shall be appurtenant to the land and shall pass to such Owner's successors-in-title.

6.3.5. Arbitration. If any dispute arises concerning a party wall or fence, or under the provisions of this Section, each party shall appoint one (1) arbitrator. Should any party refuse to appoint an arbitrator within ten (10) days after written request therefor by the Board of Directors, the Board shall appoint an arbitrator for the refusing party. The arbitrators thus appointed shall appoint one (1) additional arbitrator and a hearing to consider the issue raised shall be held within thirty (30) days of such final appointment. The decision by a majority of all three (3) arbitrators shall be binding upon the parties and shall be a condition precedent to any right of legal action that either party may have against the other.

6.4. Maintenance of Utilities. The Association shall perform or contract to perform maintenance of all private utilities within the Areas of Common Responsibility, such as sanitary sewer service lines, domestic water service lines and storm drainage lines, except to the extent such maintenance is performed by utilities furnishing such services. The

Association shall not be liable for any interruption or failure of such services. Each Owner shall be responsible for maintaining utility lines within such Owners' Unit.

6.5. Security. The Association may, but shall not be obligated to maintain or support certain activities within the Properties designed to make the Properties safer than they otherwise might be. NEITHER THE ASSOCIATION, THE DECLARANT, ANY SUCCESSOR DECLARANT, THE NEW CONSTRUCTION COMMITTEE, THE MODIFICATIONS COMMITTEE, NOR ANY AGENT, EMPLOYEE, OFFICER, DIRECTOR OR MEMBER OF ANY OF THE FOREGOING (THE "ASSOCIATION PARTIES") SHALL IN ANY WAY BE CONSIDERED INSURERS OR GUARANTORS OF SECURITY WITHIN THE PROPERTIES, HOWEVER, AND NO ASSOCIATION PARTY SHALL BE HELD LIABLE FOR ANY LOSS OR DAMAGE BY REASON OR FAILURE TO PROVIDE ADEQUATE SECURITY OR INEFFECTIVENESS OF SECURITY MEASURES UNDERTAKEN. ALL OWNERS AND OCCUPANTS OF ANY UNIT, TENANTS, GUESTS AND INVITEES OF ANY OWNER, AS APPLICABLE, ACKNOWLEDGE THAT THE ASSOCIATION PARTIES DO NOT REPRESENT OR WARRANT THAT ANY FIRE PROTECTION SYSTEM, BURGLAR ALARM SYSTEM OR OTHER SECURITY SYSTEM DESIGNATED BY OR INSTALLED ACCORDING TO GUIDELINES ESTABLISHED BY THE ASSOCIATION PARTIES MAY NOT BE COMPROMISED OR CIRCUMVENTED, THAT ANY FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL PREVENT LOSS BY FIRE, SMOKE, BURGLARY, THEFT, HOLD-UP, OR OTHERWISE, NOR THAT FIRE PROTECTION OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS WILL IN ALL CASES PROVIDE THE DETECTION OR PROTECTION FOR WHICH THE SYSTEM IS DESIGNED OR INTENDED. EACH OWNER AND OCCUPANT OF ANY UNIT, AND EACH TENANT, GUEST AND INVITEE OF AN OWNER, AS APPLICABLE, ACKNOWLEDGES AND UNDERSTANDS THAT THE ASSOCIATION PARTIES ARE NOT INSURERS AND THAT EACH OWNER AND OCCUPANT OF ANY UNIT AND EACH TENANT, GUEST AND INVITEE OF ANY OWNER ASSUMES ALL RISKS FOR LOSS OR DAMAGE TO PERSONS, TO UNITS AND TO THE CONTENTS OF UNITS AND FURTHER ACKNOWLEDGES THAT THE ASSOCIATION PARTIES HAVE MADE NO REPRESENTATIONS OR WARRANTIES NOR HAS ANY OWNER, OCCUPANT, TENANT, GUEST OR INVITEE RELIED UPON ANY REPRESENTATIONS OR WARRANTIES, EXPRESSED OR IMPLIED, INCLUDING ANY WARRANTY OR MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE, RELATIVE TO ANY FIRE AND/OR BURGLAR ALARM SYSTEMS OR OTHER SECURITY SYSTEMS RECOMMENDED OR INSTALLED OR ANY SECURITY MEASURES UNDERTAKEN WITHIN THE PROPERTIES.

6.6. Services. The Association shall provide or contract for such services as the Board of Directors may reasonably deem to be a benefit to the Properties, including, without

limitation, landscape services, garbage and trash removal for Common Area and security services (subject to Section 6.5).

Article VII.

Insurance and Casualty Losses

7.1. Insurance. The Board of Directors, or its duly authorized agent, shall have the authority to and shall obtain blanket all-risk casualty insurance, if reasonably available, for all insurable improvements in or on any Area of Common Responsibility. If blanket all-risk coverage is not reasonably available, then at a minimum an insurance policy providing fire and extended coverage shall be obtained. The face amount of such insurance shall be sufficient to cover the full replacement cost of any repair or reconstruction in the event of damage or destruction from any insured hazard if available at a reasonable cost.

The Board shall also obtain a public liability policy covering the Area of Common Responsibility, insuring the Association and its Members for all damage or injury caused by the negligence of the Association, any of its Members or agents or any other person who has a right to occupy a Unit. The public liability policy shall have at least a One Million (\$1,000,000.00) Dollar single person limit as respects bodily injury and property damage, a Three Million (\$3,000,000.00) Dollar limit per occurrence, if reasonably available, and a Five Hundred Thousand (\$500,000.00) Dollar minimum property damage limit.

Premiums for all insurance on the Area of Common Responsibility shall be Common Expenses of the Association and shall be included in the Common Assessments, as described in Section 10.1. The policies may contain a reasonable deductible, and, in the case of casualty insurance, the amount thereof shall not be subtracted from the face amount of the policy in determining whether the insurance at least equals the full replacement cost. The deductible shall be paid by the party who would be liable for the loss or repair in the absence of insurance and in the event of multiple parties shall be allocated in relation to the amount each party's actual loss bears to the total.

All insurance coverage obtained by the Board of Directors shall be written in the name of the Association as trustee for the respective benefited parties, as further identified in subsection (b) below. Such insurance shall be governed by the provisions hereinafter set forth:

(a) All policies shall be written with a company authorized to do business in the State of Oregon which holds a Best's rating of A or better and is assigned a financial size category of XI or larger as established by A. M. Best Company, Inc., if reasonably available, or, if not available, the most nearly equivalent rating which is available.

(b) All policies on the Common Area shall be for the benefit of the Association and its Members and their Mortgagees, as their interests may appear.

(c) Exclusive authority to adjust losses under policies obtained by the Association on the Properties shall be vested in the Association's Board of Directors; provided, however, no Mortgagee having an interest in such losses may be prohibited from participating in the settlement negotiations, if any, related thereto.

(d) In no event shall the insurance coverage obtained and maintained by the Association's Board of Directors hereunder be brought into contribution with insurance purchased by individual Owners, occupants, or their Mortgagees.

(e) All casualty insurance policies shall have an inflation guard endorsement, if reasonably available, and an agreed amount endorsement with an annual review by one or more qualified persons, at least one of whom must be in the real estate industry and familiar with construction in the Clackamas County, Oregon.

(f) The Board of Directors shall be required to use reasonable efforts to secure insurance policies that will provide the following:

(i) a waiver of subrogation by the insurer as to any claims against the Board of Directors, its manager and officers, the Owners, and their respective tenants, servants, agents, and guests;

(ii) a waiver by the insurer of its rights to repair and reconstruct, instead of paying cash;

(iii) a statement that no policy may be canceled, invalidated, suspended, or subject to nonrenewal on account of any one or more individual Owners;

(iv) a statement that no policy may be canceled, invalidated, suspended, or subject to nonrenewal on account of the conduct of any director, officer, or employee of the Association or its duly authorized manager without prior demand in writing delivered to the Association to cure the defect and the allowance of a reasonable time thereafter within which the defect may be cured by the Association, its manager, any Owner, or Mortgagee;

(v) a statement that any "other insurance" clause in any policy exclude individual Owners' policies from consideration; and

(vi) a statement that the Association will be given at least thirty (30) days' prior written notice of any cancellation, substantial modification, or nonrenewal.

In addition to the other insurance required by this Section, the Board shall obtain, as a Common Expense, worker's compensation insurance, if and to the extent required by law, directors' and officers' liability coverage, if reasonably available, a fidelity bond or bonds on directors, officers, employees, and other Persons handling or responsible for the Association's funds, if reasonably available, and flood insurance, if required. The amount of fidelity coverage shall be determined in the directors' best business judgment but, if reasonably available, may not be less than one-sixth (1/6) of the annual Common Assessments on all Units, plus reserves on hand. Bonds shall contain a waiver of all defenses based upon the exclusion of persons serving without compensation and shall require at least thirty (30) days' prior written notice to the Association of any cancellation, substantial modification, or nonrenewal.

7.2. Individual Insurance. By virtue of taking title to a Unit subject to the terms of this Declaration, each Owner covenants and agrees with all other Owners and with the Association that each Owner shall carry blanket all-risk casualty insurance on the Unit(s) and structures constructed thereon meeting the same requirements as set forth in Section 7.1 for insurance on the Common Area, unless the Association carries such insurance (which it is not obligated to do hereunder). Each Owner further covenants and agrees that in the event of a partial loss or damage resulting in less than total destruction of structures comprising his or her Unit, the Owner shall proceed promptly to repair or to reconstruct the damaged structure in a manner consistent with the original construction or such other plans and specifications as are approved in accordance with Article XI of this Declaration. The Owner shall pay any costs of repair or reconstruction which are not covered by insurance proceeds. In the event that the structure is totally destroyed, the Owner may decide not to rebuild or to reconstruct, in which case the Owner shall clear the Unit of all debris and return it to substantially the natural state in which it existed prior to the beginning of construction and thereafter the Owner shall continue to maintain the Unit in a neat and attractive condition consistent with the Community-Wide Standard.

7.3. Damage and Destruction.

7.3.1 Immediately after damage or destruction by fire or other casualty to all or any part of the Properties covered by insurance written in the name of the Association, the Board of Directors or its duly authorized agent shall proceed with the filing and adjustment of all claims arising under such insurance and obtain reliable and detailed estimates of the cost of repair or reconstruction of the damaged or destroyed Properties. Repair or reconstruction, as used in this paragraph, means repairing or restoring the Properties to substantially the same condition in which they existed prior to the fire or other casualty,

allowing for any changes or improvements necessitated by changes in applicable building codes.

7.3.2 Any damage or destruction to the Common Area shall be repaired or reconstructed unless the Members representing at least seventy-five (75%) percent of the total Class A vote of the Association and the Class B Member (so long as such membership shall exist) shall decide within sixty (60) days after the casualty not to repair or reconstruct. If for any reason either the amount of the insurance proceeds to be paid as a result of such damage or destruction, or reliable and detailed estimates of the cost of repair or reconstruction, or both, are not made available to the Association within said period, then the period shall be extended until such funds or information shall be made available; provided, however, such extension shall not exceed sixty (60) additional days. No Mortgagee shall have the right to participate in the determination of whether the damage or destruction to Common Area or common property of a Neighborhood shall be repaired or reconstructed.

7.3.3 In the event that it should be determined in the manner described above that the damage or destruction to the Common Area shall not be repaired or reconstructed and no alternative improvements are authorized, then and in that event the affected portion of the Properties shall be restored to their natural state and maintained by the Association in a neat and attractive condition consistent with the Community-Wide Standard.

7.4. Disbursement of Proceeds. If the damage or destruction for which the proceeds of insurance policies held by the Association are paid is to be repaired or reconstructed, the proceeds, or such portion thereof as may be required for such purpose, shall be disbursed in payment of such repairs or reconstruction as hereinafter provided. Any proceeds remaining after defraying such costs of repair or reconstruction shall be retained by and for the benefit of the Association and placed in a capital improvements account. In the event no repair or reconstruction is made, any proceeds remaining after making such settlement as is necessary and appropriate with the affected Owner or Owners and their Mortgagee(s) as their interests may appear, shall be retained by and for the benefit of the Association and placed in a capital improvements account. This is a covenant for the benefit of any Mortgagee of a Unit and may be enforced by such Mortgagee.

7.5. Repair and Reconstruction. If the damage or destruction to the Common Area for which insurance proceeds are paid is to be repaired or reconstructed, and such proceeds are not sufficient to defray the cost thereof, the Board of Directors shall, without the necessity of a vote of the Members, levy a special assessment against all Owners on the same basis as provided for Common Assessments. Additional assessments may be made in like manner at any time during or following the completion of any repair or reconstruction.

Article VIII.

No Partition

8.1. Except as is permitted in the Declaration or amendments thereto, there shall be no judicial partition of the Common Area or any part thereof, nor shall any Person acquiring any interest in the Properties or any part thereof seek any judicial partition unless the Properties have been removed from the provisions of this Declaration. This Article shall not be construed to prohibit the Board of Directors from acquiring and disposing of tangible personal property nor from acquiring title to real property which may or may not be subject to this Declaration.

Article IX. Condemnation

9.1. Whenever all or any part of the Common Area shall be taken (or conveyed in lieu of and under threat of condemnation by the Board acting on the written direction of Members representing at least seventy-five (75%) percent of the total Class A vote in the Association) by any authority having the power of condemnation or eminent domain, each Owner shall be entitled to notice thereof. The award made for such taking shall be payable to the Association as trustee for all Owners to be disbursed as follows:

If the taking involves a portion of the Common Area on which improvement have been constructed, then, unless within sixty (60) days after such taking the Declarant (during the Class B Control Period only) and Members representing at least seventy-five (75%) percent of the total Class A vote of the Association shall otherwise determine, the Association shall restore or replace such improvements so taken on the remaining land included in the Common Area to the extent lands are available therefor, in accordance with plans approved by the Board of Directors of the Association. If such improvements are to be repaired or restored, the above provisions in Article VII hereof regarding the disbursement of funds in respect to casualty damage or destruction which is to be repaired shall apply.

If the taking does not involve any improvements on the Common Area, or if there is a decision made not to repair or restore, or if there are net funds remaining after any such restoration or replacement is completed, then such award or net funds shall be disbursed to the Association and used for such purposes as the Board of Directors of the Association shall determine.

Article X. Assessments

10.1. Creation of Assessments. There are hereby created assessments for Association expenses as may from time to time specifically be authorized by the Board of

Directors, to be commenced at the time and in the manner set forth in Section 10.6. There shall be three (3) types of assessments: (a) Common Assessments to fund Common Expenses for the benefit of all Members of the Association; (b) Special Assessments as described in Section 10.3 below; and (c) Emergency Assessments as described in Section 10.4 below. Each Owner, by acceptance of a deed or recorded contract for any portion of the Properties, is deemed to covenant and agree to pay these assessments. Common Assessments shall be levied on all Units as set forth in this Article X.

All Common, Special and Emergency Assessments, together with interest (at a rate established by resolution of the Board of Directors but not to exceed the highest rate allowed by Oregon law) as computed from the date the delinquency first occurs, late charges, costs, reasonable attorney fees, and fines or other charges imposed under this Declaration or the Bylaws, shall be a charge on the land and shall be a continuing lien upon the Unit against which each assessment is made until paid. Each such assessment, together with interest, late charges, costs, and reasonable attorneys fees, shall also be the personal obligation of the Person who was the Owner of such Unit at the time the assessment arose, and his or her grantee shall be jointly and severally liable for such portion thereof as may be due and payable at the time of conveyance, except no first Mortgagee who obtains title to a Unit pursuant to the remedies provided in the Mortgage shall be liable for unpaid assessments which accrued prior to such acquisition of title.

The Association shall, upon request of an Owner or Owner's agent, for the benefit of a prospective purchaser, furnish to any Owner liable for any type of assessment a written statement signed by an officer of the Association of all unpaid assessments against the Owner or the Unit effective through a date specified in the statement. The purchaser of such Unit shall not be liable for any unpaid assessments against the Owner or the Unit not included in the written statement. An escrow agent or a title insurance company providing escrow services or issuing title insurance in conjunction with the conveyance of such Unit (a) may rely on such statement, and (b) shall not be liable for failure to pay the Association at closing any amount in excess of the amount set forth in such statement. Such certificate shall be conclusive evidence of payment to the Association of such assessment therein stated to have been paid. The Association may require the advance payment of a processing fee not to exceed Fifty (\$50.00) Dollars for the issuance of such written statement.

All assessments shall be paid in such manner and on such dates as may be fixed by the Board of Directors. Unless the Board otherwise provides, Common Assessments may be paid in quarterly installments. Each Owner, by acceptance of a deed to his or her Unit, acknowledges that all Common Assessments levied hereunder are annual assessments due and payable in advance in quarterly installments or as otherwise fixed by the Board. The first annual Common Assessment levied on each Unit shall be adjusted according to the number of months remaining in the fiscal year as of the Assessment Date, as defined in Section 10.6. If

any Owner is delinquent in paying any assessments or other charges levied on his or her Unit, the Board may revoke any privilege of paying in installments and require assessments to be paid in full immediately.

No Owner may waive or otherwise exempt himself or herself from liability for the assessments provided for herein, including, by way of illustration and not limitation, by nonuse of Common Areas or abandonment of the Unit. The obligation to pay assessments is a separate and independent covenant on the part of each Owner. No diminution or abatement of assessment or set-off shall be claimed or allowed by reason of any alleged failure of the Association or Board to take some action or perform some function required to be taken or performed by the Association or Board under this Declaration or the Bylaws, or for inconvenience or discomfort arising from the making of repairs or improvements which are the responsibility of the Association, or from any action taken to comply with any law, ordinance, or with any order or directive of any municipal or other governmental authority.

The Association is specifically authorized but not obligated, to enter into subsidy contracts or contracts for "in kind" contribution of services or materials or a combination of services and materials for the payment of some portion of the Common Expenses.

10.2. Computation of Common Assessments. Prior to the Assessment Date for the first Unit to become subject to assessment, the Declarant shall conduct the initial Reserve Study (as defined in Section 10.12) and prepare and adopt an initial budget for the Association covering the estimated Common Expenses of the Association for the ensuing fiscal year. The budget shall include a capital contribution establishing the Reserve Fund in accordance with a budget separately prepared as provided in Section 10.11 below. Following the adoption of the initial budget, it shall be the duty of the Board, at least sixty (60) days before the beginning of each subsequent fiscal year, to prepare a budget covering the estimated Common Expenses of the Association during the coming year.

The Common Assessment to be levied against each Unit for the coming year shall be set at a level which is reasonably expected to produce total income to the Association equal to the total budgeted Common Expenses, including the Reserve Fund. In determining the amount of the Common Assessments, the Board, in its discretion, may consider other sources of funds available to the Association.

Each Unit shall be assessed for Common Expenses based on the following formula: Subject to the provisions of Section 10.3.2, all Units shall be assessed on the basis of one assessment per Unit. The amount of the assessment for each Unit shall be determined by dividing the amount of the annual total budgeted Common Expenses or other aggregate assessment (Special Assessment or Emergency Assessment) by the total number of Units. With respect to Common Assessments, the total number of Units shall be those Units subject

to Common Assessments determined in accordance with Section 10.6. The assessment determination will initially be made as of the first day of each fiscal year. However, in determining the number of Units, the Board shall take into account the number of Units reasonably anticipated to become subject to Common Assessments during the fiscal year. The determination for other assessments to be made upon the entire membership may be made by the Board at or about the time of such assessment rather than on the first day of the fiscal year, and if such other assessment is payable over a period of time, the Board may take into account the number of Units reasonably anticipated to become subject to that assessment during the same period of time. If the foregoing formula appears to be inequitable to the Board at any time by reason of materially miscalculating the number of Units that will be subject to assessment, the Board may from time to time reallocate any assessment in accordance with the foregoing formula by adjusting the number of Units subject to assessment to a more accurate number. The common profits of the Association shall be allocated among the Units on the same basis and formula as is above applied with respect to assessments.

So long as the Declarant has the right to annex additional property pursuant to Section 2.2 hereof, the Declarant may elect on an annual basis, but shall not be obligated, to reduce the resulting assessment for any fiscal year by payment of a subsidy; provided, any such subsidy shall be conspicuously disclosed as a line item in the income portion of the Common Expense budget and shall be made known to the membership. The payment of such subsidy in any year shall under no circumstances obligate the Declarant to continue payment of such subsidy in future years.

For each Common Expense budget adopted after the initial budget, the Board shall cause a copy of the Common Expense budget and notice of the amount of the Common Assessment to be levied against each Unit for the following year to be delivered to each Owner at least thirty (30) days prior to the beginning of the fiscal year. Such budget and assessment shall become effective unless disapproved at a meeting of the Members by Members representing at least a majority of the total Class A vote in the Association, and by the Class B Member, if such exists. There shall be no obligation to call a meeting for the purpose of considering the budget except on petition of the Members as provided for special meetings in the Bylaws, which petition must be presented to the Board within ten (10) days of delivery of the notice of assessments.

Notwithstanding the foregoing, however, in the event the proposed budget is disapproved or the Board fails for any reason so to determine the budget for any year, then and until such time as a budget shall have been determined as provided herein, the budget in effect for the immediately preceding year shall continue for the current year.

10.3. Special Assessments.

10.3.1. Entire Membership. The Association may levy Special Assessments, including Special Assessment for capital improvements or additions, from time to time provided such assessment receives the affirmative vote or written consent of Members representing a majority of the total Class A votes in the Association and the affirmative vote or written consent of the Class B Member, if such then exists. Special Assessments pursuant to this paragraph shall be payable in such manner and at such times as determined by the Board, and may be payable in installments extending beyond the fiscal year in which the Special Assessment is approved, if the Board so determines. Declarant shall not at any time be subject to Special Assessments on Units owned by Declarant.

10.3.2. Less Than All Members. The Association may levy a Special Assessment against any Member individually and against such Member's Unit to reimburse the Association for costs incurred in bringing a Member and such Member's Unit into compliance with the provisions of this Declaration, any amendments hereto, the Articles, the Bylaws, or the Association rules, which Special Assessment may be levied upon the vote of the Board after notice to the Member and an opportunity for a hearing. Notwithstanding the other provisions of this Article X, the Association may assess a Unit for the full amount of any Common Expense, the incurring of which is solely attributable to the negligence or willful misconduct of the Owner of such Unit or of such Owner's family members or invitees. Any Common Expense or any part of a Common Expense benefiting fewer than all of the Units may be assessed exclusively against the Units benefited.

10.4. Emergency Assessments. If the Common Assessments levied at any time are, or will become, in the opinion of the Board of Directors, inadequate to meet all expenses incurred under this Declaration for any reason, including nonpayment of any Owner's assessments on a current basis, the Board of Directors shall immediately determine the approximate amount of such inadequacy and issue a supplemental budget, noting the reason therefor, and levy an emergency assessment ("Emergency Assessment") for the amount required to meet all such expenses on a current basis. Emergency Assessments shall be apportioned as set forth in Section 10.2 above and be payable as determined by the Board of Directors.

10.5. Lien for Assessments. Whenever the Association levies any assessment against a Unit pursuant to this Article X, the Association shall have a lien upon the Unit for any unpaid assessments (together with and including interest, late charges, costs, attorney fees, fines and other charges) prior and superior to a homestead exemption and all other liens or encumbrances upon the Unit, except (1) all taxes, bonds, assessments, and other levies which by law would be superior thereto, and (2) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value. Recording of this Declaration constitutes record notice and

perfection of the lien for assessments. No further recording of a claim of lien for assessments or notice of a claim of lien under this Section 10.5 is required to perfect the Association's lien. The Association shall record a notice of claim of lien for assessments under this Section 10.5 in the deed records of Clackamas County before any suit to foreclose may proceed as below set forth in this Section 10.5. The notice of claim of lien shall contain:

- (a) a true statement of the amount due for the unpaid assessments after deducting all just credits and offsets;
- (b) the name of the Owner of the Unit, or reputed Owner, if known;
- (c) the name of the Association;
- (d) the legal description of the Unit; and
- (e) a statement that if the Owner of the Unit thereafter fails to pay any assessments when due, as long as the original or any subsequent unpaid assessment remains unpaid, the unpaid amount of assessments automatically continue to accumulate with interest without the necessity of further recording.

10.5.1. The proceedings to foreclose liens created by this Section 10.5 shall conform as nearly as possible to the proceedings to foreclose liens created by ORS 87.010, as amended from time to time, except, notwithstanding ORS 87.055, as amended from time to time, a lien may be continued in force for a period of time not to exceed six (6) years from the date the assessment is due. For the purpose of determining the date the assessment is due in those cases when subsequent unpaid assessments have accumulated under a notice recorded as above provided in this Section 10.5, the assessment and claim regarding each unpaid assessment shall be deemed to have been levied at the time the unpaid assessment became due.

10.5.2. The lien may be enforced by the Board of Directors acting on behalf of the Association.

10.5.3. An action to recover a money judgment for unpaid assessments, late charges, fines, interest, costs and/or attorney fees may be maintained without foreclosing or waiving the lien for unpaid assessments. However, recovery on such action operates to satisfy the lien, or the portion thereof, for which recovery is made.

10.5.4. Late charges, fines, interests, costs and attorney fees imposed pursuant to this Section 10.5 or pursuant to Oregon law are enforceable as assessments under this Section 10.5.

10.5.5. This Section 10.5 does not prohibit the Association from pursuing an action to recover sums for which a lien is created hereunder or from taking a deed in lieu of foreclosure and satisfaction of the lien.

10.5.6 The Association, acting on behalf of the Owners, shall have the power (but not the obligation) to bid for the Unit at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. During the period in which a Unit is owned by the Association following foreclosure: (a) no right to vote shall be exercised on its behalf; (b) no assessment shall be levied on it; and (c) each other Unit shall be charged, in addition to its usual assessment, its equal pro rata share of the assessment that would have been charged such Unit had it not been acquired by the Association as a result of foreclosure.

10.6. Date of Commencement of Assessments. Each Unit shall be subject to Common Assessments on the first to occur of the following dates (the "Assessment Date") :

(a) the first day of the twelfth (12th) month following the month in which an Owner (excluding Declarant) acquires record title to a Unit or a purchaser's interest under a recorded contract of sale if construction of a residence is not commenced on such Unit by that date, and for purposes of this Section 10.6, the time construction of a residence is commenced shall mean grading or other site preparation preparatory to construction of improvements on the Unit;

(b) the first (1st) day of the sixth (6th) month following the month in which construction was commenced if construction of a residence is commenced on a Unit prior to the first day of the twelfth (12th) month following the month in which an Owner (excluding Declarant) acquires record title to such Unit or a purchaser's interest under a recorded contract of sale and if construction of the residence on such Unit is not then completed;

(c) the first (1st) day of the first (1st) month following the month in which the residence constructed on a Unit is occupied;

(d) the first (1st) day of the third (3rd) month following the month in which the residence constructed on a Unit may be legally occupied; or

(e) the first (1st) day of the first (1st) month following the month in which an Owner who intends to occupy the residence on a Unit acquires record title to the Unit or a purchaser's interest under a recorded contract of sale.

Declarant shall not at any time be subject to Common Assessments on Units owned by Declarant..

10.7. Subordination of the Lien to First Mortgages. The lien of assessments, including interest, late charges (subject to the limitations of Oregon law), and costs (including attorney fees) provided for herein, shall be subordinate to the lien of any first Mortgage upon any Unit. The sale or transfer of any Unit recorded prior to recording of the notice of claim of lien shall not affect the priority of the assessment lien. However, the sale or transfer of any Unit pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Unit from lien rights for any assessments thereafter becoming due. Where the Mortgagee holding a first Mortgage of record or other purchaser of a Unit obtains title pursuant to judicial or nonjudicial foreclosure of the Mortgage, it shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Unit which became due prior to such acquisition of title. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from Owners of all the Units, including such acquirer, its successors and assigns.

10.8. Capitalization of Association. Upon acquisition of record title to a Unit by the first purchaser thereof other than the Declarant or an Owner who purchases solely for the purpose of constructing a residence thereon for resale, a contribution shall be made by or on behalf of the purchaser to the working capital of the Association in an amount equal to one-sixth (1/6) of the annual Common Assessment per Unit for that year as determined by the Board. This amount shall be in addition to, not in lieu of, the annual Common Assessment levied on the Unit and shall not be considered an advance payment of any portion thereof. This amount shall be deposited into the purchase and sales escrow and disbursed therefrom to the Association for use in covering operating expenses and other expenses incurred by the Association pursuant to the terms of this Declaration and the Bylaws.

10.9. Exempt Property. Notwithstanding anything to the contrary herein, the following property shall be exempt from payment of Common Assessments, Special Assessments and Emergency Assessments:

10.9.1. all Common Area; and

10.9.2. all property dedicated to and accepted by any governmental authority, public utility or the LID, including, without limitation, public schools, public streets, public lights, and public parks.

10.10. Operations Fund. The Association shall keep all funds received by it as assessments, other than the reserves described in Section 10.11 below (which shall be kept in a separate account exclusively for reserves), separate and apart from its other funds, in a bank account in the state of Oregon in the name of the Association to be known as the "Operations

Fund". The Association shall use such fund exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents within the Properties and in particular for the improvement and maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area and of the Units situated upon the Properties, including but not limited to:

- (a) Payment of the cost of maintenance, utilities and services as described in Article VI.
- (b) Payment of the cost of insurance as described in Section 7.1.
- (c) Payment of taxes assessed against the Common Area and any improvements thereon.
- (d) Payment of the cost of other services which the Association deems to be of general benefit to the Owners, including but not limited to management, accounting, legal and secretarial services.

10.11. Reserve Fund. The Declarant shall establish a budget based upon the Reserve Study set forth in Section 10.12 below and other reliable information and a reserve fund in the name of the Association in a bank account in the state of Oregon, for replacement of those items to be maintained by the Association all or a part of which will normally require replacement in more than three (3) and less than thirty (30) years and for exterior painting if items to be maintained by the Association include exterior painted surfaces ("Reserve Fund"). Such Reserve Fund shall be funded by assessments against the individual Units assessed for maintenance of the items for which the Reserve Fund is being established (except those items that can reasonably be funded from the Operations Fund) and shall be kept separate from the all other Association funds, including the Operations Fund. Such assessments shall be included in the Common Assessments established pursuant to Sections 10.1 and 10.2 and shall begin accruing as to each Unit conveyed to an Owner (excluding Declarant) as of the Assessment Date for such Unit, which is the date such Unit becomes subject to Common Assessments. . After the Turnover Meeting, if the Board of Directors has adopted a resolution, which may be an annual continuing resolution, authorizing the borrowing of funds, the Board of Directors may borrow funds from the Reserve Fund to meet high seasonal demands on the regular Operating Funds or to meet unexpected increases in expenses, which borrowing will later be repaid from Common Assessments, Special Assessments, or Emergency Assessments. Nothing in this Section shall prohibit prudent investment of the Reserve Fund. Following the second year after the Turnover Meeting, future assessments for the Reserve Fund may be reduced or increased by an affirmative vote of not less than seventy-five percent (75%) of the Members or eliminated by a unanimous vote of the Members. Assessments paid into the Reserve Fund are the property of the Association and are not

refundable to sellers or Owners of Units. Sellers of the Units, however, may treat their outstanding share of the Reserve Fund as a separate item in any sales agreement.

10.12. Reserve Study. Prior to the Assessment Date for the first Unit subject to Common Assessments, Declarant shall conduct a Reserve Study (the "Reserve Study") to determine the requirements for the Reserve Fund and may adjust the payments into the Reserve Fund as indicated by the Reserve Study or update thereof and provide for other reserve items as the Board of Directors deems appropriate. Prior to the Turnover Meeting, the Board may rely on the initial Reserve Study or update the Reserve Study at the Board's discretion. After the Turnover Meeting, the Board of Directors shall annually conduct a Reserve Study or review and update the existing Reserve Study. The Reserve Study shall include the identification of all items for which reserves are required to be established; the estimated remaining usable life of each item as of the date of the Reserve Study; the estimated cost of maintenance, repair or replacement of each item at the end of its useful life; and a thirty (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.

Article XI.
Architectural Standards

11.1. General

No "construction," which term shall include within its definition staking, clearing, excavation, grading, and other site work, no exterior alteration or modification of existing improvements, and no plantings or removal of plants, trees, or shrubs shall take place except in strict compliance with this Article, until the requirements below have been fully met, and until the approval of the appropriate committee has been obtained pursuant to the provisions of this Article XI. The Board of Directors may establish reasonable fees to be charged by the committees on behalf of the Association for review of applications hereunder and may require such fees to be paid in full prior to review of any application.

All dwellings constructed on any portion of the Properties shall be designed by and built in accordance with the plans and specifications prepared by a licensed architect which are approved by Clackamas County or the City of Happy Valley, as applicable, and the New Construction Committee (the "NCC").

This Article shall not apply to the activities of the Declarant, nor to construction or improvements or modifications to the Common Area by or on behalf of the Association.

The Board of Directors shall have the authority and standing, on behalf of the Association, to enforce in courts of competent jurisdiction decisions of the committees established in Sections 11.2 and 11.3. This Article may not be amended without the Declarant's

written consent so long as the Declarant owns any land subject to this Declaration or subject to annexation to this Declaration.

11.2. New Construction Committee. No construction shall take place except as approved by the NCC in advance, in writing, as described in this Article XI and any guidelines, rules or regulations adopted hereunder. The NCC may, at its discretion, require construction be approved prior to any sale of a Unit. The NCC shall consist of at least three (3), but not more than five (5), persons and shall have exclusive jurisdiction over all original construction on any portion of the Properties. During the Class B Control Period, the Declarant retains the right to appoint all members of the NCC who shall serve at the discretion of the Declarant. There shall be no surrender of this right prior to that time except in a written instrument in recordable form executed by Declarant. Upon the expiration of such right, the Board of Directors shall appoint the members of the NCC, who shall serve and may be removed at the discretion of the Board of Directors. The members of the NCC may include architects, engineers and other persons who are not members of the Association.

The NCC shall prepare and, on behalf of the Board of Directors, shall promulgate Architectural Guidelines and/or Development Guidelines which shall set forth design and development guidelines and application and review procedures. Copies of such documents shall be made available to Members by the NCC for review. The guidelines and procedures shall be those of the Association, and the NCC shall have sole and full authority to prepare and to amend them. The NCC shall make the guidelines and procedures available to Owners, builders, and developers who seek to engage in development of or construction upon all or any portion of the Properties and such Owners, builders and developers shall conduct their operations strictly in accordance therewith.

11.3. Modifications Committee. The Board of Directors may establish a Modifications Committee (the "MC") to consist of at least three (3) and no more than five (5) persons, all of whom shall be appointed by, and shall serve at the discretion of, the Board of Directors. Members of the MC may include architects or similar professionals who are not Members of the Association. The MC, if established, shall have exclusive jurisdiction over modifications, additions, or alterations made on or to existing Units or structures containing Units and the open space, if any, appurtenant thereto. Notwithstanding the above, the MC shall not take any action or approve any plans inconsistent with the guidelines promulgated by the NCC.

The MC shall promulgate detailed standards and procedures governing its areas of responsibility and practice, consistent with those of the NCC. In addition thereto, the following shall apply to all matters coming before the NCC. Plans and specifications showing the nature, kind, shape, color, size, materials, and location of such modifications, additions, or alterations, shall be submitted to the MC for approval as to quality of workmanship and design and as to harmony of external design with existing structures, location in relation to surrounding structures, topography, and finish grade elevation.

Nothing contained herein shall be construed to limit the right of an Owner to remodel the interior of his or her Unit, or to paint the interior of his or her Unit any color desired; provided, modifications or alterations to the interior of his or her screened porches, patios and similar portions of a Unit visible from outside the Unit shall be subject to approval hereunder.

11.4. Procedures. In addition to any other procedures which either the NCC or the MC may reasonably promulgate, any Member or person desiring a decision by either the NCC or the MC shall deliver a complete package of information, as reasonably determined by the appropriate committee, and such committee shall render its decision with respect to the construction proposal within thirty (30) working days after it has received all material required by it with respect to such application. In the event the committee to whom such application has been delivered fails to render its approval or disapproval within forty-five (45) working days after the committee has received all material required by it with respect to the application or, if no suit to enforce this Declaration has been commenced within one (1) year after completion of the work described in the construction proposal, then the requested decision shall be deemed approved and the related provisions of this Declaration shall be deemed to have been fully complied with.

11.5. Committee Discretion. The MC and the NCC may, at its sole discretion, withhold consent to any proposed work if such committee finds the proposed work would be inappropriate for the particular Unit or incompatible with the design standards that such committee intends for Taralon. Consideration such as siding, shape, size, color, design, materials, height, solar access, screen, impairment of view from other Units, or other effect on the enjoyment of other Units or the Common Area, disturbance of existing terrain and vegetation and any other factors which such committee reasonably believes to be relevant, may be taken into account by such committee in determining whether or not to consent to any proposed work. Regulations on location of television antennas and satellite receiving dishes shall be in conformance with any applicable federal communications commission rules.

11.6. No Waiver of Future Approvals. The approval of either the NCC or MC of any proposals or plans and specifications or drawings for any work done or proposed, or in connection with any other matter requiring the approval and consent of such Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings, or matters whatever subsequently or additionally submitted for approval or consent.

11.7. Variance. The NCC may authorize variances from compliance with any of its guidelines and procedures when circumstances such as topography, natural obstructions, hardship, or aesthetic or environmental considerations require, but only in accordance with duly adopted rules and regulations. Such variances may only be granted, however, when unique circumstances dictate and no variance shall (a) be effective unless in writing, (b) be

contrary to the restrictions set forth in the body of this Declaration, or (c) estop the Committee from denying a variance in other circumstances. For purposes of this Section 11.7, the inability to obtain approval of any governmental agency, the issuance of any permit, or the terms of any financing shall not be considered a hardship warranting a variance.

11.8. Compliance With Guidelines. Any contractor, subcontractor, agent, employee or other invitee of an Owner who fails to comply with the terms and provisions of the guidelines and procedures promulgated by the NCC or MC may be excluded by the Board from the Properties without liability to any person, subject to the notice and hearing procedures contained in the Bylaws.

11.9. No Liability. Review and approval of any application pursuant to this Article is made on the basis of aesthetic considerations only and neither committee shall bear any responsibility of ensuring the structural integrity or soundness of approved construction or modifications, nor for ensuring compliance with building codes and other governmental requirements. Neither the NCC, MC, Declarant, the Association, the Board of Directors, any officer, any committee, or member of any of the foregoing (collectively, the "Indemnified Parties") shall be held liable for any injury, damages or loss arising out of the manner or quality of approved construction on or modifications to any Unit and the Association shall indemnify the Indemnified Parties therefrom, provided only that the Indemnified Parties, in accordance with the actual knowledge possessed by such Party, acted in good faith.

11.10. Majority Action. Except as otherwise provided in this Declaration, a majority of the members of either the NCC or MC shall have the power to act on behalf of the committee of which they are a member without the necessity of a meeting and without the necessity of consulting the remaining members of the committee of which they are a member. The NCC and/or the MC may render its decision only by written instrument setting forth the action taken by the consenting members.

11.11. Appeal. At any time after Declarant has delegated appointment of the members of the NCC and MC to the Board of Directors of the Association pursuant to Section 12.2, any Owner adversely affected by action of either the NCC or MC may appeal any action adverse to such Owner to the Board of Directors of the Association. Appeals shall be made in writing within ten (10) days of the action taken by the NCC or MC and shall contain specific objections or mitigating circumstances justifying the appeal. A final, conclusive decision shall be made by the Board of Directors of the Association within fifteen (15) working days after receipt of such notification.

11.12. Effective Period of Consent. Consent of either the NCC or MC to any proposed work shall automatically be revoked one (1) year after issuance unless construction of the work has been substantially commenced in the judgment of the NCC or MC, as

appropriate and thereafter diligently pursued, unless the Owner has applied for and received an extension of time from the applicable committee.

11.13. Estoppel Certificate. Within fifteen (15) working days after written request is delivered to the NCC or MC by any Owner, and upon payment to the applicable committee of a reasonable fee fixed by such committee to cover costs, the applicable committee shall provide such Owner with an estoppel certificate executed by an authorized member of such committee and acknowledged, certifying with respect to any Unit owned by the Owner that as of the date thereof, either: (i) all improvements made or done upon or within such Unit by the Owner comply with this Declaration or (ii) 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 non-compliance.

Article XII.
Use Restrictions

12.1 General Provisions.

The Properties shall be used only for residential, recreational, and related purposes (which may include, without limitation, offices for any property manager retained by the Association or business offices for the Declarant or the Association consistent with this Declaration and amendments hereto). Any Supplemental Declaration or amendments to this Declaration may impose stricter standards than those contained in this Article. The Association, acting through its Board of Directors, shall have standing and the power to enforce such standards.

The Association, acting through its Board of Directors, shall have authority to make and to enforce standards and restrictions governing the use of the Properties, in addition to those contained herein, and to impose reasonable user fees for use of Common Area facilities. Such regulations and use restrictions shall be binding upon all Owners, occupants, invitees and licensees, if any, until and unless overruled, canceled or modified in a regular or special meeting of the Association by the vote of Members representing a majority of the total Class A votes in the Association and by the Class B Member, so long as such membership shall exist.

12.2 Delegation by Board. Whenever in the use restrictions set forth in this Article XII, the consent or approval of the Board of Directors is required for certain activities, the Board of Directors may from time to time adopt resolutions designating an authorized representative to give such consent or approvals in lieu of the Board, and such resolutions may include conditions to and limitations on the authority granted by the Board.

12.3. Signs. No sign of any kind shall be erected within the Properties without the written consent of the Board of Directors, except entry and directional signs installed by Declarant; provided, however, that not more than one (1) "For Sale" or "For Rent" sign placed by the Owner, Declarant or by a licensed real estate agent, not exceeding twenty-four (24) inches high and thirty-six (36) inches long may be temporarily displayed on any Unit so long as such sign complies with all applicable ordinances of the City of Happy Valley. If permission is granted to any Person to erect a sign within the Properties, the Board reserves the right to restrict the size, color, lettering and placement of such sign. The Board of Directors or Declarant (during the Class B Control Period) shall each have the right to erect signs as they, in their discretion, deem appropriate. Notwithstanding the above, no signs, flags, banners or similar items advertising or providing directional information with respect to activities being conducted outside the Properties shall be permitted within the Properties.

12.4. Traffic, Parking and Prohibited Vehicles.

12.4.1 Traffic Rules and Regulations. The Board of Directors may adopt speed limits, use restrictions and other traffic-related rules and regulations for the private streets, and shall have the right and authority to enforce such rules and regulations, and the right to levy fines and other sanctions for violations (see Section 5.6.3 for fines and other sanctions).

12.4.2. Parking. Vehicles shall be parked only in the garages or in the driveways, if any, serving the Units or in appropriate spaces or designated areas in which parking may or may not be assigned and then subject to such reasonable rules and regulations as the Board of Directors may adopt. The Board of Directors may designate certain on-street parking areas on the private streets within the Properties for visitors or guests subject to reasonable rules and regulations. The Board of Directors shall have the right and authority to enforce parking rules and regulations and to levy fines and other sanctions for violations.

12.4.3. Prohibited Vehicles. Commercial vehicles, vehicles with commercial writing on their exteriors, vehicles primarily used or designed for commercial purposes, tractors, mobile homes, recreational vehicles, trailers (either with or without wheels), campers, camper trailers, boats and other watercraft, and boat trailers shall be parked only in enclosed garages or special parking areas, if any, designated by the Board. Stored vehicles and vehicles which are either obviously inoperable, in extreme state of disrepair or do not have current operating licenses shall not be permitted on the Properties except within enclosed garages. For purposes of this Section, a vehicle shall be considered "stored" if it is put up on blocks or covered with a tarpaulin and remains on blocks or so covered for fourteen (14) consecutive days without the prior approval of the Board. For purposes of this Section, a vehicle shall be considered in "extreme state of disrepair" when the Board of Directors reasonably determines that its presence offends the occupants of the area of the Properties in

which the vehicle is located. Notwithstanding the foregoing, service and delivery vehicles may be parked in the Properties during daylight hours for such period of time as is reasonably necessary to provide service or to make a delivery to a Unit or the Common Areas. Any vehicle parked in violation of this Section or parking rules promulgated by the Board for five (5) days following the date notice is mailed to such Owner may be towed by the agent of the Association in accordance with the Bylaws and at such Owner's cost and expense.

12.5. Occupants Bound. All provisions of the Declaration, Bylaws and of any rules and regulations or use restrictions promulgated pursuant thereto which govern the conduct of Owners and which provide for sanctions against Owners shall also apply to all Occupants, guests and invitees of any Unit. Every Owner shall cause all Occupants of his or her Unit to comply with this Declaration, the Bylaws, and the rules and regulations adopted pursuant thereto, and shall be responsible for all violations and losses to the Common Areas caused by such Occupants, notwithstanding the fact that such occupants of a Unit are fully liable and may be sanctioned for any violation of this Declaration, the Bylaws, and rules and regulations adopted pursuant thereto.

12.6. Animals and Pets.

12.6.1. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any portion of the Properties, except that dogs, cats, or other usual and common household pets not to exceed a total of two (2) may permitted in a Unit.

(i) Excluded from the foregoing restriction shall be birds, fish, small reptiles and small animals which are kept in cages or tanks which are permanently kept within the interior of a dwelling or residence situated on the Unit.

(ii) The Owner of a Unit may apply to the Board of Directors to increase the maximum number of two (2) household pets set forth above if the increased number and the type of household pet or pets would not be reasonably objectionable to the Owners of neighboring Units or other Units in the vicinity. The Board, in its sole discretion, may grant such applications subject to such terms, conditions and modifications as the Board may determine to be appropriate to accomplish the intent and purpose of this Section 13.6 and the other use restrictions of this Article.

12.6.2. Provided, however, and notwithstanding anything to the contrary set forth in paragraph 12.6.1 above, those pets which are permitted to roam free, or, in the sole discretion of the Board, endanger the health, make objectionable noise, or constitute a nuisance or inconvenience to the Owners of other Units or the owner of any portion of the Properties shall be removed upon request of the Board; and if the Owner fails to honor such

request, the pet may be removed by the Board at the cost and expense of the offending Owner.

12.6.3. No pets shall be kept, bred, or maintained for any commercial purpose.

12.6.4. Dogs shall at all times whenever they are outside a Unit be confined on a leash held by a responsible person.

12.7. Quiet Enjoyment. No portion of the Properties or any Unit shall be used, in whole or in part, for the storage of any property or thing that will cause it to appear to be in an unclean or untidy condition or that will be obnoxious to the eye; nor shall any substance, thing, or material be kept upon any portion of the Properties that will emit foul or obnoxious odors or that will cause any noise or other condition that will or might disturb the peace, quiet, safety, comfort, or serenity of the occupants of surrounding property.

No noxious, illegal, or offensive activity shall be carried on upon any portion of the Properties or any Unit, nor shall anything be done thereon tending to cause embarrassment, discomfort, annoyance, or nuisance to any person using any portion of the Properties. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, hazardous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Properties. No outside burning of wood, leaves, trash, garbage or household refuse shall be permitted within the Properties.

12.8. Unsightly or Unkempt Conditions. It shall be the responsibility of each Owner to prevent any unclean, unhealthy, unsightly, hazardous or unkempt condition on his or her Unit. The pursuit of hobbies or other activities, including specifically, without limiting the generality of the foregoing, the assembly and disassembly of motor vehicles and other mechanical devices, which might tend to cause disorderly, unsightly, or unkempt conditions are prohibited on any part of the Properties, including on or in any Unit.

12.9. Antennas. To the extent limitations are permitted by applicable law, no exterior antennas, aerials, satellite dishes, or other apparatus for the reception or transmission of television, radio, satellite or other signals of any kind shall be placed, allowed, or maintained upon any portion of the Properties, including any Unit, without the prior written consent of the NCC or MC, as appropriate. In order to comply with the applicable rules of the Federal Communications Commission relating to the installation of an antenna or dish, and notwithstanding any other provision of this Declaration expressing or implying to the contrary, the NCC or MC, as appropriate, shall act promptly in responding to any request for installation thereof, and any restrictions which such committee places on the installation of such antenna or dish shall not (a) unreasonably delay or prevent its installation, maintenance

or use (b) unreasonably increase the cost of its installation, maintenance or use, or (c) preclude reception of an acceptable quality signal. Provided, however, there may be installed within a Unit a satellite systems dish not to exceed one (1) meter (i.e. 39.37 inches) in diameter, which shall be screened by fencing or tasteful landscaping so as to be concealed from the view of neighboring Units, streets, and property located adjacent to the Unit. The Declarant and/or the Association shall have the right, without obligation, to erect an aerial, satellite dish, or other apparatus for a master antenna or cable system for the benefit of all or a portion of the Properties, should any such master system or systems be utilized by the Association and require any such exterior apparatus. Notwithstanding the foregoing, all restrictions concerning installation, size and location of satellite dishes under this Declaration are subject to the rules and regulations adopted from time to time by the Federal Communications Commission.

12.10. Basketball Equipment, Clotheslines, Garbage Cans, Tanks, Etc. All basketball hoops and backboards shall be portable and shall be confined to a driveway or backyard within a Unit. Basketball hoops and backboards shall not be affixed to a garage, residence, stationary post or other structure on a Unit. When not in use, basketball hoops and backboards shall be stored out of sight of neighboring Units, Persons on adjacent streets and other property located adjacent to the Unit. Clotheslines, garbage cans, above ground storage tanks, mechanical equipment, and other similar items on Units shall be located or screened so as to be concealed from view of neighboring Units, streets, and property located adjacent to the Unit. All rubbish, trash, and garbage shall be stored in appropriate containers approved pursuant to this Article XII and shall regularly be removed from the Properties and shall not be allowed to accumulate thereon.

12.11. Subdivision of Unit. No Unit shall be subdivided or its boundary lines changed except with the prior written approval of the Board of Directors. Declarant, however, hereby expressly reserves the right to replat any Unit or Units owned by Declarant. Any such division, boundary line change, or replatting shall not be in violation of the applicable subdivision and zoning regulations.

12.12. Firearms. The discharge of firearms within the Properties, including on or in any Unit, is prohibited. The term "firearms" includes "B-B" guns, pellet guns, and other firearms of all types, regardless of size. Notwithstanding anything to the contrary contained herein or in the Bylaws, neither the Association nor the Board shall be obligated to take action to enforce this Section and shall have no liability to any person as a result of the breach of this Section by any Person..

12.13. Pools. No above-ground swimming pools shall be erected, constructed or installed on any Unit.

12.14. Sprinklers and Irrigation. All sprinkler or irrigation systems installed in Units which are connected to a public or potable water supply must include the necessary back flow control devices. With respect to any sprinkler or irrigation system utilized by a Unit, the water shall be confined within the boundaries of such Unit. Provided, however, this Section 12.14 shall not apply to the Declarant, and it may not be amended without Declarant's written consent so long as Declarant has the right to annex property in accordance with Section 2.2.

12.15 Tents, Trailers and Temporary Structures. Except as may be permitted by the Declarant, the NCC, the MC or the Board of Directors, no tent, utility shed, shack, trailer or other structure of a temporary nature shall be placed upon a Unit or any part of the Properties.

12.16. Drainage and Septic Systems. Catch basins and drainage areas are for the purpose of natural flow of water only. No obstructions or debris shall be placed in these areas. No Person other than Declarant may obstruct or rechannel the drainage flows after location and installation of drainage swales, storm sewers, or storm drains. Declarant hereby reserves for itself and the Association a perpetual easement across the Properties for the purpose of altering drainage and water flow. Septic tanks and drain fields are prohibited on the Properties, including on any Unit.

12.17. Tree Removal. No trees shall be removed, except for diseased or dead trees and trees needing to be removed to promote the growth of other trees or for safety reasons, unless approved in accordance with Article XI of this Declaration. In the event of an intentional or unintentional violation of this Section, the violator may be required, by the committee having jurisdiction, to replace the removed tree with one (1) or more comparable trees of such size and number, and in such locations, as such committee may determine necessary in its sole discretion to mitigate the damage.

12.18. Sight Distance at Intersections. All property located at street intersections shall be landscaped so as to permit a clear line of vision across the street corners. No fence, wall, hedge, or shrub planting shall be placed or permitted to remain where it would create a traffic or sight problem.

12.19. Air Conditioning Units. Except as may be permitted by the NCC or MC, as appropriate, no window air conditioning units may be installed in any Unit.

12.20. Lighting. Except for seasonal decorative lights, which may be displayed between October 15 and January 10 only, all exterior lights must be approved in accordance with Article XI of this Declaration prior to installation. Without limiting the generality of the

foregoing restriction, all exterior lighting shall be designed to minimize glow and light pollution.

12.21. Artificial Vegetation, Exterior Sculpture, and Similar Items. No artificial vegetation shall be permitted on the exterior of any portion of the Properties, including any Unit. Exterior sculpture, fountains, flags, and similar items must be approved in accordance with Article XI of this Declaration.

12.22. Energy Conservation Equipment. No solar energy collector panels or attendant hardware or other energy conservation equipment shall be constructed or installed on any Unit unless it is an integral and harmonious part of the architectural design of a structure, as determined in the sole discretion of the NCC or MC, as appropriate.

12.23. Wetlands, Lakes and Water Bodies. All wetlands, lakes, storm water ponds, irrigation water ponds and other ponds, streams, biofiltration swales and water retention facilities within the Properties, if any, shall be aesthetic amenities only, and no other use thereof, including, without limitation, fishing, swimming, boating, playing, or use of personal flotation devices, shall be permitted without the prior approval of the Board. The Association shall not be responsible for any loss, damage, or injury to any Person or property arising out of the authorized or unauthorized use of wetlands, lakes, stormwater ponds and other ponds, streams, biofiltration swales or water retention facilities within the Properties. No docks, piers, or other structures shall be constructed on or over any body of water within the Properties, except such as may be constructed by the Declarant or the Association.

12.24. Playground. Any playground or other play areas or equipment furnished by the Association or erected within the Properties shall be used at the risk of the user, and the Association shall not be held liable to any Person for any claim, damage, or injury occurring thereon or related to use thereof.

12.25. Fences. No hedges, walls, dog runs, animal pens or fences of any kind shall be permitted on any Unit except as approved in accordance with Article XI of this Declaration.

12.26. Business Use. No trade or business may be conducted in or from any Unit, except that an Owner or occupant residing in a Unit may conduct business activities within the Unit so long as: (a) the existence or operation of the business activity is not apparent or detectable by sight, sound or smell from outside the Unit; (b) the business activity conforms to all zoning requirements for the Properties; (c) the business activity does not involve persons coming onto the Properties who do not reside in the Properties or door-to-door solicitation of residents of the Properties; and (d) the business activity is consistent with the residential character of the Properties and does not constitute a nuisance, or a hazardous or

offensive use, or threaten the security or safety of other residents of the Properties, as may be determined in the sole discretion of the Board. The Board may from time to time restrict, limit and/or condition garage sales, moving sales or similar activities on a Unit.

The terms "business" and "trade", as used in this provision, shall be construed to have their ordinary, generally accepted meanings, and shall include, without limitation, any occupation, work or activity undertaken on an ongoing basis which involves the provision of goods or services to persons other than the provider's family and for which the provider receives a fee, compensation, or other form of consideration, regardless of whether: (i) such activity is engaged in full or part-time; (ii) such activity is intended to or does generate a profit; or (iii) a license is required therefor. Notwithstanding the above, the leasing of a Unit shall not be considered a trade or business within the meaning of this Section. This Section shall not apply to any activity conducted by the Declarant or a builder approved by the Declarant with respect to its development and sale of the Properties, including any Units within the Properties.

12.27. On-Site Fuel Storage. No on-site storage of gasoline, heating or other fuels or any flammable liquids or gases shall be permitted on any part of the Properties, including any Unit, except that up to five (5) gallons of fuel may be stored on each Unit for emergency purposes and for the operation of lawn mowers and similar tools or equipment, and except that propane gas tanks (in reasonable numbers and with reasonable amounts of propane) may be stored on each Unit, limited to use for outdoor barbeques. Also, the Association shall be permitted to store fuel for operation of maintenance vehicles, generators and similar equipment.

12.28. Pest Control. No Owner shall permit any thing or condition to exist upon any portion of the Properties which shall induce, breed or harbor any infectious plant, animal, or disease or any noxious insects or vermin.

12.29. Grades, Slopes and Drainage. Each Owner of a Unit shall accept the burden of and shall not in any manner alter, modify or interfere with, the established drainage pattern in grades, slopes and courses related thereto over any Unit or Common Area without the express written permission of the NCC or MC, and then only to the extent and in the manner specifically approved. No structure, plantings or other materials shall be placed or permitted to remain on or within any grades, slopes or courses, nor shall any other activities be undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow, or obstruct or retard the flow of water through drainage channels.

12.30. Leasing of Units.

12.30.1 Definition. "Leasing", for purposes of this Declaration, is defined as regular, exclusive occupancy of a Unit by any person or Persons other than the Owner for which the Owner receives any consideration or benefit, including, but not limited to a fee, service, gratuity, or emolument.

12.30.2 Leasing. In order (i) to protect the equity of Owners of Units; and (ii) to carry out the purpose for which the Properties were formed by preserving the character of the Properties as a homogenous residential development of predominantly owner-occupied homes and by preventing the Properties from assuming the character of an apartment, renter-occupied complex, leasing of a Unit shall be prohibited, except in the case of undue hardship as provided below, and except in the case of an Owner who is the initial builder or developer of the dwelling on a Unit for a term not to exceed three (3) years from the date of substantial completion of the dwelling; however, should the initial builder or developer sell, transfer or convey the Unit to any other Person, the exception to the leasing prohibition provided in this clause shall end ninety (90) days after the sale, transfer or conveyance of the Unit to such other Person unless the Unit is leased back to the initial builder or developer, in which case the term of the lease back shall not exceed three (3) years from the date of the lease back and shall be subject to continuous use by the initial builder or developer of the dwelling on the Unit.

12.30.3 Undue Hardship. The Board of Directors shall be empowered to allow reasonable leasing of Units upon written application to avoid undue hardship on an Owner. By way of illustration and not of limitation, examples of circumstances which would constitute "undue hardship" are those in which (i) an Owner must relocate his or her residence outside of the area which is located within a 25-mile radius from the City of Happy Valley city limits, cannot sell his or her Unit within ninety (90) days from the date the Unit was placed on the market, and the Owner continues to offer and advertise the Unit for sale at a reasonable price no greater than its current appraised market value; (ii) the Owner dies and the Unit is being administered by his or her estate; (iii) the Owner takes a leave of absence or temporarily relocates outside a 25-mile radius from the City of Happy Valley city limits and intends to return to reside in the Unit; or (iv) the Unit is to be leased to a member of the Owner's immediate family (which shall be defined to include a spouse, child, parent, or parent-in-law). Those Owners who have demonstrated that their inability to lease their Unit would result in undue hardship and have obtained the requisite approval of the Board may lease their Units for such duration as the Board reasonably determines is necessary to prevent undue hardship notwithstanding the provisions of this Section 12.30.3.

Any Owner who believes that he or she must lease his or her Unit to avoid undue hardship shall submit a written application to the Board setting forth the circumstances necessitating the leasing, a copy of the proposed lease, and such other information as the Board may reasonably require. Leasing in the case of undue hardship shall be permitted only

upon the Board's written approval of the Owner's application. When an Owner's right to lease is approved by the Board, a copy of the lease shall be submitted to the Board within ten (10) days after it has been signed by both parties.

12.30.4. Leasing Provisions. Such leasing as is permitted by this Section 12.31 shall be governed by the provisions set forth below. Each Owner covenants and agrees that such Owner shall cause any lease of a Unit to contain the following language and agrees that if such language is not expressly contained therein, then such language shall be deemed incorporated into such lease by existence of this covenant on the Unit. Any tenant, by occupancy in a Unit, agrees to the applicability of this covenant and incorporation of the following provisions into the lease:

(i) General. Units may be rented only in their entirety; no fraction or portion may be rented. There shall be no subleasing of Units or assignment of leases unless approved in writing by the Board. No transient tenants may be accommodated in a Unit. All leases shall be in writing and in a form approved by the Association. All rentals must be for a term of no less than one (1) year. The Unit Owner must make available to the tenant copies of the Declaration, Bylaws, and the rules and regulations.

(ii) Liability for Assessments. Each tenant agrees to be personally obligated for the payment of all assessments against the Owner which become due during the term of the lease and any other period of occupancy by the tenant or which become due as a consequence of the tenant's activities which violate provisions of the Act, the Declaration, the Bylaws, or the rules and regulations adopted pursuant thereto. The above provision shall not be construed to release the Unit Owner from any obligation, including the obligation for assessments, for which he or she would otherwise be responsible.

When a Unit Owner who is leasing his or her Unit fails to pay any annual or special assessment for a period of more than thirty (30) days after it is due and payable, then, upon request by the Board, the tenant shall pay to the Association all unpaid annual and special assessments, as lawfully determined and made payable during the term of the lease and any other period of occupancy by the tenant; provided, however, the tenant need not make such payments to the Association in excess of or prior to the due dates for monthly rental payments unpaid at the time of the Association's request. All such payments made by the tenant shall reduce, by the same amount, the tenant's obligation to make monthly rental payments to the Unit Owner. If the tenant fails to comply with the Board's request to pay assessments, the tenant shall pay to the Association all late charges, fines, interest, and costs of collection, including, but not limited to, reasonable attorney fees actually incurred, to the same extent the tenant would be required to make such payment to the Association if the

tenant were the Owner of the premises during the term of the lease and any other period of occupancy by the tenant.

(iii) Compliance with Declaration, Bylaws and Rules and Regulations. The tenant shall abide by and comply with all provisions of the Declaration, Bylaws, and rules and regulations adopted pursuant thereto and shall control the conduct of all other occupants and guests in order to ensure compliance with the foregoing. The tenant acknowledges that the violation by the tenant or any occupant living with the tenant of any provision of the Declaration, Bylaws, or rules and regulations adopted thereunder shall constitute a default under the lease. The Owner shall cause all occupants of his or her Unit to comply with the Declaration, Bylaws, and the rules and regulations adopted pursuant thereto, and is responsible for all violations and losses caused by such occupants, notwithstanding the fact that such occupants of a Unit are fully liable and may be sanctioned for any violation of the Declaration, Bylaws, and rules and regulations adopted pursuant thereto. In the event that the tenant, or a Person living with the tenant, violates the Declaration, Bylaws, or a rule and regulation for which a fine is imposed, such fine shall be assessed against the tenant; provided, however, if the fine is not paid by the tenant within the time period set by the Board, the Owner shall pay the fine upon notice from the Association of the tenant's failure to pay the fine. Unpaid fines constitute a lien against the Unit. Any tenant charged with violation of the Declaration, Bylaws, or rules and regulations adopted pursuant thereto is entitled to the same procedure to which an Owner is entitled prior to the imposition of a fine or other sanction.

(iv) Use of Common Areas. The Owner transfers and assigns to the tenant, for the term of the lease, any and all rights and privileges that the Owner has to use the Common Area of the Properties, including, but not limited to, the use of any and all recreational facilities and other amenities.

12.30.5. Rules and Regulations, Fines. The Board shall have the power to make and enforce reasonable rules and regulations and to fine, in accordance with the Declaration and Bylaws, in order to enforce the provisions of this Section 12.30. Any transaction which does not comply with this Section 12.30 shall be voidable at the option of the Board.

12.31. Laws and Ordinances. Every Owner and occupant of any Unit, their guests and invitees, shall comply with all laws, statutes, ordinances and rules of federal, state and municipal governments applicable to the Properties and any violation thereof may be considered a violation of this Declaration; provided, the Board shall have no obligation to take action to enforce such laws, statutes, ordinances and rules.

Article XIII.

General Provisions

13.1. Term. The covenants and restrictions of this Declaration shall run with and bind the Properties, shall be appurtenant thereto, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Declaration, their respective legal representatives, heirs, successors, and assigns, 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, unless an instrument in writing, signed by a majority of the then Owners, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions, in whole or in part, or to terminate the same, in which case this Declaration shall be modified or terminated as specified therein.

13.2. Amendment. Any amendment to this Declaration shall require prior approval from the United States Department of Housing and Urban Development ("HUD") and/or the Department of Veterans Administration ("VA") and/or a duly authorized representative of such federal agencies as long as there is Class B membership. Such approval while there is a Class B membership is sometimes hereinafter referred to as "HUD/VA Approval." Subject to HUD/VA Approval, prior to the conveyance of the first Unit, Declarant may unilaterally amend this Declaration. Thereafter, subject to HUD/VA Approval, this Declaration may be amended only by the affirmative vote or written consent, or any combination thereof, of Members representing at least seventy-five percent (75%) of the total Class A votes in the Association, and the consent of the Class B Member, so long as such membership exists. In addition, the approval requirements set forth in Article XIV hereof shall be met if applicable. Notwithstanding the above, the percentage of votes necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment to be effective must be recorded in the Recorder's Office of Clackamas County, Oregon. References to specific sections in this Declaration shall mean those sections as amended from time to time pursuant to this Section 13.2 or pursuant to other sections of this Declaration.

If an Owner consents to any amendment to this Declaration or the Bylaws, it will be conclusively presumed that such Owner has the authority so to consent and no contrary provision in any Mortgage or contract between the Owner and a third party will affect the validity of such amendment.

No amendment may remove, revoke, or modify any right or privilege of Declarant without the written consent of Declarant or the assignee of such right or privilege during the Class B Control Period. Furthermore, no amendment may increase the number of Units or change the boundaries of any Unit or any uses to which any Unit is restricted unless the Owners of the affected Unit(s) unanimously consent to such amendment.

13.3. Indemnification. The Association shall indemnify every officer, director, and committee member against any and all expenses, including counsel fees, reasonably incurred by or imposed upon such officer, director, or committee member in connection with any action, suit, or other proceeding (including settlement of any suit or proceeding, if approved by the then Board of Directors) to which he or she may be a party by reason of being or having been an officer, director, or committee member. The officers, directors, and committee members shall not be liable for any mistake of judgment, negligent or otherwise, except for their own individual willful misfeasance, malfeasance, misconduct, or bad faith. The officers and directors shall have no personal liability with respect to any contract or other commitment made by them, in good faith, on behalf of the Association (except to the extent that such officers or directors may also be Members of the Association), and the Association shall indemnify and forever hold each such officer and director free and harmless against any and all liability to others on account of any such contract or commitment. Any right to indemnification provided for herein shall not be exclusive of any other rights to which any officer, director, or committee member, or former officer, director, or committee member may be entitled. The Association shall, as a Common Expense, maintain adequate general liability and officers' and directors' liability insurance to fund this obligation, if such insurance is reasonably available.

13.4. Easements of Encroachment. There shall be reciprocal appurtenant easements of encroachment, and for maintenance and use of any such easement of encroachment, between each Unit and such portion or portions of the Common Area as are adjacent thereto and between adjoining Units sharing a party wall due to unintentional engineering errors, unintentional errors in original construction, unintentional building overhangs or projections, or settling or shifting of the improvements constructed, reconstructed, or altered thereon (in accordance with the terms of these restrictions) to a distance of not more than three (3) feet, as measured from any point on the common boundary between each Unit and the adjacent portion of the Common Area, along a line perpendicular to such boundary at such point; provided, however, in no event shall an easement for encroachment exist if such encroachment occurred due to willful and knowing action (not unintentional action) on the part of, or with the knowledge and consent of, the encroaching Owner(s) or the encroaching Association, as the case may be.

13.5. Easements for Utilities, Etc. There is hereby reserved unto Declarant, so long as the Declarant owns any property described on Exhibit A, the Association, and the designees of each (which may include, without limitation, Clackamas County, Oregon, the City of Happy Valley, the LID, and any utility), blanket easements upon, across, over, and under all of the Properties for ingress, egress, installation, replacing, repairing, and maintaining cable television systems, master television antenna systems, security, and similar systems, roads, walkways, bicycle pathways, drainage systems, irrigation water systems,

street lights, signage, entry features, all other portions of the Area of Common Responsibility, and all utilities, including, but not limited to, water, sewers, meter boxes, telephones, gas, and electricity; provided, the exercise of this easement shall not unreasonably interfere with the use of any Unit and, except in an emergency, entry into any Unit shall be made only after reasonable notice to the Owner or occupant thereof.

Without limiting the generality of the foregoing, there are hereby reserved for the local water supplier easements across all Units and the Common Areas for ingress, egress, installation, reading, replacing, repairing, and maintaining water meter boxes. Notwithstanding anything to the contrary contained in this Section, no sewers, electrical lines, water lines, or other utilities may be installed or relocated on the Properties, except as may be approved by the Association's Board of Directors or as provided by Declarant.

Should any entity furnishing a service covered by the general easement herein provided request a specific easement by separate recordable document, the Board of Directors shall have the right to grant such easement over the Properties without conflicting with the terms hereof. The easements provided for in this Article shall in no way adversely affect any other recorded easement on the Properties.

The Board shall have, by a two-thirds (2/3) vote, the power to dedicate portions of the Common Area to Clackamas County, Oregon, the City of Happy Valley, the LID, or to any other local, state, or federal governmental entity, subject to such approval requirements as may be contained in Sections 14.2 and 14.3 of this Declaration.

The LID shall have the power to levy taxes upon any and all Owners of any of the Properties, including Unit Owners and the Association, for providing lighting and related services to the Properties.

13.6. Easement for Future Development. The Declarant and its duly authorized agents, representatives, and employees as well as its successors, assigns, licensees and mortgagees, shall have and there is hereby reserved an easement over the Common Area for the purposes of enjoyment, use, access and development of the property annexed pursuant to Section 2.2 or Section 2.3. This easement includes but is not limited to a right of ingress and egress over the Common Area for construction of roads and for tying in and installation of utilities on such property. Declarant agrees that it, its successors or assigns, shall be responsible for any damage caused to the Common Area as a result of vehicular traffic connected with development of such property.

13.7 Natural Gas Pipeline. Part of the Properties is subject to an easement for a natural gas pipeline. The easement is entitled Northwest Pipeline Corporation Right-of-Way and Easement, which was recorded September 6, 1994, as Fee No. 94-070500 of Official

Records of Clackamas County, Oregon ("Pipeline Easement"). Every Owner and occupant of any Unit subject to the Pipeline Easement and/or utilizing the multi-use path along the Pipeline Easement shall comply with the applicable provisions thereof, including the following provision:

"Grantor reserves the right to use and enjoy said property except for the purposes granted in this Easement, but such use shall not hinder, conflict or interfere with Grantee's surface or subsurface rights or disturb its facilities and no road, reservoir, excavation, change in surface grade, obstruction or structure shall be constructed, created or maintained on, over, along or within said right-of-way without Grantee's prior written consent."

Every Owner and occupant of any Unit subject to the Pipeline Easement and/or utilizing the multi-use path along the Pipeline Easement shall also comply with all applicable conditions of Grantee's written consent or permit given pursuant to the above quoted provision. Such conditions may include the Grantee's right to remove or affect consented to Improvements in the Pipeline Easement if the Grantee determines it is necessary to do so in order to construct, alter, maintain, repair or replace Grantee's gas transmission facilities located within the Pipeline Easement. Such work by Grantee may result in damage to Improvements, including, without limitation, damage to the surface of the private streets crossing the Pipeline Easement or to the surface of the multi-use path. It is understood that the Grantee will not be liable for any damages resulting from such work except as provided in the terms of the consent or permit. All costs to repair and restore the private streets and the multi-use path and Improvements thereunder therein shall be considered as Common Expenses to be allocated among all Units as part of the Common Assessments (except to the extent specific Owners have caused such damage by failure to comply with the terms of this Section 13.7), and the Association may establish appropriate reserves to be available for the cost of such damage.

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

13.9. Right of Entry. The Association shall have the right, but not the obligation, to enter into any Unit for emergency, security, and safety reasons, and to inspect for the purpose of ensuring compliance with this Declaration, the Bylaws, and the Association rules, which right may be exercised by the Association's Board of Directors, officers, agents, employees, managers, and all policemen, firemen, ambulance personnel, and similar emergency personnel in the performance of their respective duties. Except in an emergency situation in which no notice shall be required, entry shall only be during reasonable hours and

after notice to the Owner. This right of entry shall include the right of the Association to enter a Unit to cure any condition which may increase the possibility of a fire or other hazard in the event an Owner fails or refuses to cure the condition within a reasonable time after request by the Board.

13.10. Litigation. No judicial or administrative proceeding shall be commenced or prosecuted by the Association unless approved by a vote of seventy-five (75%) percent of the Members. This Section shall not apply, however, to (a) actions brought by the Association to enforce the provisions of this Declaration (including, without limitation, the foreclosure of liens), (b) the imposition and collection of assessments as provided in Article X hereof, (c) proceedings involving challenges to ad valorem taxation, or (d) counterclaims brought by the Association in proceedings instituted against it.

13.11. Use of the Words "Taralon". No Person shall use the words "Taralon" or any derivative thereof in any printed or promotional material without the prior written consent of the Declarant. However, Owners may use the words "Taralon" in printed or promotional matter where such words are used solely to specify that particular property is located within Taralon, and the Association shall be entitled to use the words "Taralon" in its name.

13.12. Compliance. Every Owner and occupant of any Unit shall comply with all lawful provisions of this Declaration, the Bylaws and rules and regulations of the Association. Failure to comply shall be grounds for an action to recover sums due, for damages or injunctive relief, or for any other remedy available at law or in equity, maintainable by the Association or, in a proper case, by any aggrieved Unit Owner or Owners.

13.13. Notice of Sale or Transfer of Title. In the event that any Owner desires to sell or otherwise transfer title to his or her Unit, such Owner shall give the Board of Directors at least seven (7) days prior written notice of the name and address of the purchaser or transferee, the date of such transfer of title, and such other information as the Board of Directors may reasonably require. Until such written notice is received by the Board of Directors, the transferor shall continue to be jointly and severally responsible for all obligations of the Owner of the Unit hereunder, including payment of assessments, notwithstanding the transfer of title to the Unit.

13.14. Common Irrigation System. The Declarant shall have the right, but not the obligation, to install an irrigation system with non-potable water to service the Common Area, or parts thereof, utilizing water from the wells on the Properties, subject to the approval of Happy Valley and/or Clackamas County, as applicable. Such irrigation system may be constructed, operated and maintained on a joint basis with other property owners adjacent to the Properties upon such terms and conditions as the Declarant or the Board of Directors may determine on behalf of the Association. The Board of Directors may from time to time adopt

rules and regulations as to the irrigation water. Costs in connection with a common irrigation system for Common Area shall be treated as Common Expenses, which will be funded by Common Assessments.

Article XIV.
Mortgagee Provisions

The following provisions are for the benefit of holders of first Mortgages on Units in the Properties. The provisions of this Article apply to both this Declaration and to the Bylaws, notwithstanding any other provisions contained therein.

14.1. Notices of Action. An institutional holder, insurer, or guarantor of a first Mortgage who provides written request to the Association (such request to state the name and address of such holder, insurer, or guarantor and the Unit number, therefore becoming an "eligible holder"), will be entitled to timely written notice of:

(a) any condemnation loss or any casualty loss which affects a material portion of the Properties or which affects any Unit on which there is a first Mortgage held, insured, or guaranteed by such eligible holder;

(b) any delinquency in the payment of assessments or charges owed by an Owner of a Unit subject to the Mortgage of such eligible holder, where such delinquency has continued for a period of sixty (60) days; provided, however, notwithstanding this provision, any holder of a first Mortgage, upon request, is entitled to written notice from the Association of any default in the performance by an Owner of a Unit of any obligation under the Declaration or Bylaws of the Association which is not cured within sixty (60) days;

(c) any lapse, cancellation, or material modification of any insurance policy maintained by the Association; or

(d) any proposed action which would require the consent of a specified percentage of eligible holders.

14.2. Special FHLMC Provision. So long as required by the Federal Home Loan Mortgage Corporation, the following provisions apply in addition to and not in lieu of the foregoing. Unless at least sixty-seven (67%) percent of the first Mortgagees or Members representing at least sixty-seven (67%) percent of the total Association vote entitled to be cast thereon consent (unless a greater percentage is required pursuant to this Declaration), the Association shall not:

(a) by act or omission seek to abandon, partition, subdivide, encumber, sell, or transfer all or any portion of the real property comprising the Common Area which the Association owns, directly or indirectly (the granting of easements for public utilities or other similar purposes consistent with the intended use of the Common Area shall not be deemed a transfer within the meaning of this subsection);

(b) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an Owner of a Unit (a decision, including contracts, by the Board shall not be subject to this provision where such decision is otherwise authorized by this Declaration);

(c) by act or omission change, waive, or abandon any scheme of regulations or enforcement thereof pertaining to the architectural design or the exterior appearance and maintenance of Units and of the Common Area (the issuance and amendment of architectural standards, procedures, rules and regulations, or use restrictions shall not constitute a change, waiver, or abandonment within the meaning of this provision);

(d) fail to maintain insurance, as required by this Declaration; or

(e) use hazard insurance proceeds for any Common Area losses for other than the repair, replacement, or reconstruction of such property.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on casualty insurance policies or secure new casualty insurance coverage upon the lapse of an Association policy, and first Mortgagees making such payments shall be entitled to immediate reimbursement from the Association.

14.3. HUD/VA Provisions. Anything to the contrary in this Declaration notwithstanding, the following requirements of HUD and/or VA (collectively "HUD/VA") shall control:

(a) The lien of any assessment is subordinate to the lien of any first Mortgage, as more particularly set forth in Section 10.7.

(b) Mortgagees are not required to collect assessments.

(c) Failure to pay assessments shall not constitute a default under any insured Mortgage.

(d) Approval by Members representing at least seventy-five percent (75%) of the total Class A votes in the Association is required to amend this Declaration, as more particularly set forth in Section 13.2. Amendment of this Declaration also requires prior approval by HUD/VA as long as there is Class B membership, as more particularly set forth in Section 13.2.

(e) The Common Area cannot be mortgaged or conveyed without the approval of Members representing at least seventy-five (75%) percent of the total Class A votes of the Association (excluding the Declarant). The dedication of Common Area also requires prior approval by HUD/VA as long as there is a Class B membership.

(f) If ingress or egress to any Unit is through Common Area, any conveyance or encumbrance of such area is subject to the easement of the Owner of the Unit.

(g) The Common Area shall be conveyed to the Association free and clear of all encumbrances (except easements, conditions and restrictions of record) before HUD insures the first Mortgage on the Properties, and any provision in this Declaration conflicting with the foregoing HUD requirement shall have no force or effect.

(h) Absolute liability is not imposed on Owners of Units for damage to Common Area or to Units.

(i) Annexation of any real property, as provided in Article II, shall require prior approval by HUD/VA as long as there is a Class B membership.

(j) Declarant intends that this Declaration and the Articles and Bylaws shall comply with HUD certification requirements as set forth in HUD Form 4150.1 REV-1 (2/90), as contained in the U.S. Department of Housing and Urban Development publication entitled Valuation Analysis for Home Mortgage Insurance, February, 1990, Handbook 4150.1 REV-1, pages 11-23 and 11-24 (the "HUD Certification"), the provisions of which are incorporated herein, and in the event of any conflict between the HUD Certification and the Declaration, Articles or Bylaws, the provisions of the HUD Certification shall prevail. However, with respect to required approvals by Members, if a greater percentage is required in this Declaration, the greater percentage shall control.

14.4. No Priority. No provision of this Declaration or the Bylaws gives or shall be construed as giving any Owner or other party priority over any rights of the first Mortgagee of any Unit in the case of distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Common Area.

14.5. Notice to the Association. Upon request, each Owner shall be obligated to furnish to the Association the name and address of the holder of any Mortgage encumbering such Owner's Unit.

14.6. Amendment by Board. Should the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation subsequently delete any of their respective requirements which necessitate some of the provisions of this Article or make any such requirements less stringent, the Board, without approval of the Owners, may cause an amendment to this Article to be recorded to reflect such changes.

14.7 Amendment to Comply with Federal Laws. Declarant may unilaterally amend this Declaration in order to comply with requirements of the Federal Housing Administration, the United States Department of Veterans Affairs, the Farmer's Home 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 corporation wholly owned, directly or indirectly, by the United States or the state of Oregon which insures, guaranties or provides financing for a planned community or lots in a planned community. However, if the need to amend the Declaration occurs after the Turnover Meeting, the amendment must be approved by the Members in accordance with Section 13.2.

14.8. Applicability of Article XIV. Nothing contained in this Article shall be construed to reduce the percentage vote that must otherwise be obtained under the Declaration, Bylaws, or Oregon law for any of the acts set out in this Article.

14.9. Failure of Mortgagee to Respond. Any Mortgagee who receives a written request from the Board to respond to or consent to any action shall be deemed to have approved such action if the Association does not receive a written response from the Mortgagee within thirty (30) days of the date of the Association's request, provided such request is delivered to the Mortgagee by certified or registered mail, return receipt requested.

Article XV.

Declarant's Rights

Any or all of the special rights and obligations of the Declarant set forth in this Declaration or the Bylaws may be transferred to other Persons, provided that the transfer shall not reduce an obligation nor enlarge a right beyond that contained herein or in the Bylaws, as applicable, and provided further, no such transfer shall be effective unless it is in a written instrument signed by the Declarant and duly recorded in the Recorder's Office of Clackamas County, Oregon.

Notwithstanding any provisions contained in the Declaration to the contrary, so long as construction and initial sale of Units shall continue, it shall be expressly permissible for Declarant to maintain and carry on upon portions of the Common Area such facilities and activities as, in the sole opinion of Declarant, may be reasonably required, convenient, or incidental to the construction or sale of such Units, including, but not limited to, business offices, signs, model units, and sales offices, and the Declarant shall have an easement for access to and use of such facilities. The right to maintain and carry on such facilities and activities shall include specifically, without limitation, the right to use Units owned by the Declarant and any clubhouse or community center which may be owned by the Association, as models and sales offices, respectively.

So long as Declarant continues to have rights under this paragraph, no Person shall record any declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument affecting any portion of the Properties without Declarant's review and written consent thereto, and any attempted recordation without compliance herewith shall result in such declaration of covenants, conditions and restrictions, or declaration of condominium or similar instrument being void and of no force and effect unless subsequently approved by recorded consent signed by the Declarant.

This Article may not be amended without the express written consent of the Declarant; provided, however, the rights contained in this Article shall terminate upon the earlier of (a) December 31, 2020, (b) the termination of the Class B membership, or (c) upon recording by Declarant of a written statement that all sales activity has ceased.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration this 6th day of December, 2005.

NNP-TARALON, LLC,
a Delaware limited liability company

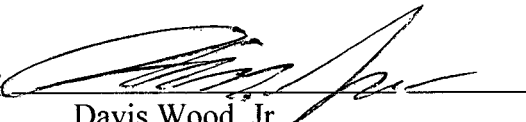
By: 
Davis Wood, Jr.
Vice President

EXHIBIT A

(Property Subject to Declaration)

All that real property shown in the plat of TARALON COMMONS, in the City of Happy Valley, County of Clackamas and State of Oregon, except Lot 5 and Lot 6, TARALON COMMONS, in the City of Happy Valley, County of Clackamas and State of Oregon.

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