

After Recording Return to:

**AMENDMENT AND RESTATEMENT OF BYLAWS AND DECLARATION OF
COVENANTS AND RESTRICTIONS FOR
THE KNOLLS ESTATES PLANNED UNIT DEVELOPMENT**

This agreement amends and is a complete restatement of the Bylaws and CC&Rs of Covenants and Restrictions dated June 23, 1994, and recorded June __, 1994, at Book 1304 Page 649 of the Douglas County Official Records, Oregon, as amended by First Amendment to Bylaws and Declaration of Covenants and Restrictions dated November 7, 2006, and recorded May 29, 2007, at Reception No. 2007-012165 of the Douglas County Official Records, Oregon and Bylaws of the Knolls Estates PUD Owners' Association, Inc. dated August 5, 2009, and recorded August 12, 2009, at Reception No. 2009-014567 of the Douglas County Official Records, Oregon (collectively Declaration).

RECITALS

A. The Declaration applies to the Lots and Common Areas in The Knolls Estates Planned Unit Development (PUD) recorded at Reception No. 93-17212 on August 24, 1993, Replat of Lots 1-25 & 30-32 Knolls Estates P.U.D. recorded at Reception No. 95-15185 on August 14, 1995, Knolls Estates P.U.D. Phase 2 recorded at Reception No. 96-15115 on July 17, 1996, Knolls Estates P.U.D. Phase 3 recorded at Reception No. 96-15116 on July 17, 1996, and Replat of Lot 138, Lot 139 & Lots 155 thru 165, Knolls Estates PUD Phase 3 recorded at Reception No. 2005-00776 on March 29, 2005, in Douglas County Officials Records, Oregon (collectively referred to as "Plats").

B. As authorized by the Declaration, 75 percent of the Owners of the Knolls Estates PUD Owners' Association, Inc., have agreed to amend and completely restate the Declaration.

DECLARATION

1. Restrictions. The Owners adopt, as an amendment and complete restatement of the Declaration, these Covenants, Conditions, and Restrictions (CC&Rs) subject to the provisions of the Oregon Planned Community Act, ORS 94.550 *et seq.* (Act). In the event of conflict between the Act and these CC&Rs and the Rules (defined below), the Act will control

2. Definitions. The terms used in these CC&Rs are defined by the Act, except as otherwise provided in these CC&Rs. When used in these CC&Rs, the following terms are given the meanings indicated:

- 2.1. “Association” means The Knolls Estates PUD Owners' Association, Inc.;
- 2.2. “Assessment” means any charge imposed or levied by the Association on or against an Owner or Lot pursuant to these CC&Rs;
- 2.3. “Board” means the Board of Directors of the Association (each Board member being a Director);
- 2.4. “CC&Rs” means this restatement and amendment of the Declaration;
- 2.5. “Common Area” means any real property that is held or leased by the Association or designated on a plat as common area and includes private ways, cart paths, open spaces, and parking areas together with any common easements described or granted in these CC&Rs;
- 2.6. “Common Expenses” means expenditures made by or financial liabilities incurred by the Association as set out in these CC&Rs;
- 2.7. “Dwelling” means and refers to any building situated upon a Lot designed and intended for occupancy as a residence by a single family, whether or not occupied, but not including any structure located within a Common Area;
- 2.8. “Fiscal Year” means the calendar year unless otherwise determined by the Board.
- 2.9. “Guest” means any person other than an Owner who is authorized to occupy a residence or be present within the PUD with the direct or implied consent of an Owner;
- 2.10. “Legal Meeting” means any meeting that is called pursuant to these CC&Rs where a quorum is present to vote;
- 2.11. “Lot” means each lot within the PUD that was created by the Plats;
- 2.12. “Owner” means the record Owner, whether one or more persons or entities, of the fee simple title to any one Lot or the purchaser entitled to possession of any one Lot under a land sale contract, but does not include any person or entity holding an interest in any Lot merely as security for the performance of an obligation;
- 2.13. “Rules” means the rules adopted by the Board or the Design Committee (defined below) pursuant to the powers granted in these CC&Rs.

3. Property Rights in Common Area/Easements.

3.1. Owners' Easements. Subject to the provisions of these CC&Rs and the Rules, each Owner and Owner's family, guests, and invitees have a right and easement of enjoyment in and to the Common Area for any purposes and uses adopted by the Association for the benefit of the Association and Owners. Each Owner has a perpetual right of ingress and egress across the

Common Area to and from the Owner's Lot. This right passes to all successors in interest to such Lot when the Lot is transferred voluntarily, involuntarily, or by operation of law. Any attempt to transfer voluntarily or involuntarily any rights separately from the Lot is void. No vehicles will be allowed in the Common Area except on streets, driveways, and cart paths and except vehicles used to transport maintenance equipment or handicapped persons. The Association will maintain the Common Area, and no party may make any changes in the landscape design, architecture, ornamentation, or plantings or remove or trim trees, lawns, or shrubs in the Common Area without written authorization of the Association. No party may make any changes in the PUD that will increase the cost to insure of the Common Area. No fence, paving, landscaping, wall, building, or other construction of any type may be erected or maintained by any Owner, so as to trespass or otherwise encroach upon the Common Area. Under no circumstances will an Owner acquire any rights in the Common Area by any claim of non-use or adverse possession.

3.2. Utility Easements. All Owners have an easement for installation and maintenance of electric, water, and other utility and communications lines and services, with the approval of the Association. The Association may (and, to the extent required by law, must) grant easements to municipalities, communication companies, or other utilities performing utility services for the benefit of the Association or the Owners. The Association also grants free access to law enforcement, applicable fire district, and other emergency personnel and other public officials serving the PUD.

4. Permitted Uses, Construction Standards, and Restrictions of Lots. Each Lot is subject to all of the following limitations and restrictions:

4.1. Use, Occupancy, Right of Ingress and Egress. Each Lot is exclusively for the benefit of its Owner's residential purposes. All Dwellings are to be occupied by only one family. For these purposes, the term "family" means a group of persons related by blood, marriage, or adoption, and not more than three unrelated persons who are living together and sharing common facilities as a single household unit.

4.2. Limitation on Buildings. No more than one single family Dwelling may be erected or constructed on any Lot. All buildings must be constructed on site. No Dwelling may consist of a modular, manufactured, or prefabricated building. Except on those Lots specifically designated as "approved for two-story dwelling" on the Plat, no Dwelling may exceed one story in height. For approved two story Dwellings, the distance between the peak of the roof and the top plate of the lowest ceiling cannot exceed 12 feet.

4.3. Garages. All Dwellings must include at least a 2 car garage attached to the Dwelling by a common wall or roof.

4.4. Roofing. Roofing may be asphalt composition shingles, ceramic tile, concrete tile, or some other high quality material. No metal or wood shake roofing is permitted.

4.5. Minimum Square Footage of Living Space. Dwellings must have a minimum of 1,400 square feet of living space, exclusive of the porches, garage, and decks.

4.6. Fireplaces & Stoves; Firewood Storage. No wood-burning fireplace or stove may be the primary heat source in a Dwelling. Firewood must be stored in a manner so that it is not visible from any point outside the Lot where it is stored.

4.7. Exterior Maintenance Obligations. Each Owner must maintain the Owner's Lot and Dwelling in a clean and attractive condition, in good repair, adequately finished. Such maintenance includes: painting, repair, replacement and care for roofs, gutters, downspouts, exterior building surfaces, glass surfaces, walks, driveways, and other exterior elements. All Lots must be kept free of brush, vines, weeds, and any grass must be cut or mowed at sufficient intervals to prevent creation of a nuisance or fire hazard. No resident will allow any rubbish or debris to accumulate upon any Lot or Common Area. All garbage and other waste must be kept in appropriate sanitary containers for proper disposal.

4.8. Fences and Hedges. No wire-based fencing will be permitted. No fence or hedge may be placed on the Lot between a line created by an extension of the front wall of a Dwelling and the street. Rear fences and hedges on lots adjacent to the golf course may be up to 4 feet high. Rear fences or hedges on lots not adjacent to the golf course may be up to 6 feet high. This restriction does not apply to any retaining wall that is used to hold soil in place.

4.9. Antennas and Satellite Disks. Satellite disk antennas over 24 inches in diameter and large TV or radio antennas are not permitted.

4.10. Animals and Pets. All pets of any kind must be kept on a leash, or otherwise under the control of the Owner, whenever outside of the Owner's Lot. No animal may be kept, bred, or maintained for any commercial purpose. Any animal which creates a nuisance must be removed from the PUD upon written notice from the Association.

4.11. Offensive or Unlawful Activities. No activity may be conducted or maintained on any Lot or Common Area which is detrimental to any other Dwelling or its occupants, which otherwise interferes with or jeopardizes the enjoyment of other Lots or the Common Area, or which is a source of annoyance to any other resident. All use of a Lot must comply with all applicable laws, zoning ordinances, and regulations of governmental bodies. If an Owner fails to cure any violation of this paragraph within 7 days after written notice from the Association, the Association may pursue the remedies specified in these CC&Rs, in addition to any other legal remedies available.

4.12. Firearms or Other Weapons. No firearms, air pistols, archery, slingshots, fireworks, or any other weapons or projectiles may be used anywhere within the PUD, except in areas designated in writing by the Association.

4.13. Lot Consolidations. The Owner of two or more adjoining Lots, with prior approval of the Association, may consolidate the Lots into one Lot. Any consolidation is effective upon final approval by the appropriate governmental authority, and the recording of appropriate documentation. Following the effective date of the consolidation, the consolidated

Lots constitute one Lot for all purposes of these CC&Rs, including voting rights, maintenance assessments, and building restrictions.

4.14. Vehicles and Parking. All non-operational vehicles must be parked in a Dwelling's garage. All operational vehicles must be parked in a Dwelling's garage or on its driveway. No Owner may park any vehicle on any street for a period in excess of 48 hours. In the event that an Owner does not remove a vehicle within 5 business days following the date of notice of a violation of this paragraph, the Association may remove the vehicle from the PUD and assess the expense of removal to the Owner.

Non-commercial utility trailers and boats may be parked on a Lot if reasonably concealed by a 6 foot fence or hedge that is located to comply with paragraph 4.8 and approved by the Design Committee in advance. Recreational vehicles, motor homes, campers, and camper trailers can be parked only on private lots in an enclosed garage structure attached to the Dwelling and approved by the Design Committee. One recreational vehicle, motor home, camper, or camper trailer belonging to a visitor may park in a Dwelling's driveway for a period of 48 hours or less. No vehicle parked in the PUD may be used for overnight accommodations.

4.15. Business Activities. A lawful occupation may be carried on by a resident of a Dwelling only as an accessory use, with the following restrictions: 1) No advertising signs will be displayed on any Lot or Dwelling, except a small professionally made nameplate may be attached to the Dwelling having a total face area not greater than 2 square feet; 2) No display may indicate from the exterior of a Dwelling that it is used for any purpose other than residential; 3) No materials directly related to a non-residential use may be stored outside the Dwelling or its garage.

4.16. Assembly. An Owner may not allow more than 35 people to assemble on a Lot or in a Dwelling without prior approval of the Board. The Board may impose reasonable restrictions on the maximum number of people, the hours for the assembly, and other measures necessary to protect the privacy and peaceful enjoyment of other Owners.

4.17. Waiving of Restriction. The Design Committee in the case of matters relating to design, construction, and landscaping, and the Board, in the case of all other matters in paragraphs 4.1 through 4.19, may waive any requirement, condition, or restriction upon the finding that such a waiver is reasonable and appropriate under the circumstances. Any request for waiver must be submitted in writing by the Owner and include the facts and reasons that support waiver of a restriction. Waivers must be approved by a majority vote of the Board; an approved waiver must be signed by the President and will be kept permanently in the Association Records.

4.18. Leasing. A Dwelling may not be rented on a daily or weekly basis. A Dwelling may be leased for a longer term with the written approval of the Association. Any lease is subject to all provisions of these CC&Rs.

4.19. Lessees and Other Invitees. Lessees, invitees, family members, contractors, and other persons entering the PUD under rights derived from an Owner must comply with all

provisions of these CC&Rs. Each Owner is responsible and liable for any failure of compliance in the same manner and to the same extent as if such failure had been committed by that Owner.

5. Design Committee.

5.1. Purpose of Review by Design Committee. The purpose of these CC&Rs is to achieve a high standard of quality of workmanship, materials, and design and to help ensure harmony of external design and landscaping with existing improvements and the location of the proposed improvement. No improvement, including any building, structure, fence, wall, or landscaping that involves 30 percent or more of a Lot, the clearing or removal of natural vegetation, or any other improvement or any exterior alteration of any existing improvement may be undertaken on any Lot until the plans and specifications for such improvement showing the nature, kind, shape, heights, materials, colors, and proposed location have been submitted to and approved in writing by the Design Committee. Owners must submit the plans and specifications to the Design Committee prior to commencement of any such work and prior to application to Douglas County for any building permit

5.2. Application Guidelines and Procedure. An Owner must provide 2 copies of plans to the Design Committee. These copies must be on a minimum of 8 ½” x 11” sheets with overall dimensions being clearly visible and legible. A complete application will specify in writing the approval or consent requested and be accompanied by all material reasonably required or desired by the Design Committee to make an informed decision on such application. The Owner will comply with reasonable requests by the Design Committee for additional or clarifying information. The Design Committee will then timely consider the Owner’s submitted plans. The Design Committee may, in its sole discretion, withhold or condition its approval of any proposed improvement if the Design Committee finds the proposed improvement is incompatible with the design standards described in these CC&Rs or design guidelines adopted and published by the Design Committee. Design Committee discretion includes consideration of siting, shape, size, color(s), design, height, impairment of the view from other Lots within the PUD, or other effect on the enjoyment of other Lots or Common Area, disturbance of existing terrain and vegetation and any other factors which the Design Committee reasonably believes to be relevant and which will be considered by the Design Committee in rendering its decision whether or not to approve or to conditionally approve any proposed improvement within the PUD. The procedure and specific requirements for application for Design Committee approval or consent may be set forth in design guidelines or other rules formally adopted from time to time by the Board.

5.3. Time for Application Approval. If the Design Committee fails to approve, with or without conditions, or disapprove any submitted plans and specifications within 30 days after the date of plan submission, or in any event if no suit to enjoin the addition, alteration or change has been commenced within 90 days after completion thereof, approval will not be required and this paragraph 5 will be deemed to have been fully complied with.

5.4. Design Committee Appointment, Membership, and Action. The Design Committee consists of at least three members of the Association appointed annually by the Board. The Association will maintain a list of the names, addresses, and telephone numbers of the members of the Design Committee at its principal office. If the Board fails to appoint

members, then the Board itself will serve as the Design Committee. The Design Committee's consent to any proposed improvement is automatically revoked 1 year after the date of issuance unless construction of the approved improvement has been started within that period. An Owner may apply for and received a written extension of time from the Design Committee.

5.5. Liability. Owner assumes all responsibility for any substantive review or analysis of structural, geophysical, engineering, or other similar considerations, and the improvement's compliance with applicable building, zoning, or land use codes or regulations.

5.6. Certification of Completion. Within 30 business days after the Owner's written request for written certification of completion to the Design Committee, the Design Committee will provide the Owner with such certification with respect to any Lot as of the date of the certification, either: 1) all improvements made or completed within the Lot comply with these CC&Rs; or 2) improvements do not comply with these CC&Rs. Any purchaser from the Owner, as well as any Mortgage Holder, is entitled to rely on such certification with respect to the matters set out therein; such matters are conclusive as between the Design Committee, the Association, all Owners, and a purchaser or Mortgage Holder.

6. Judicial Council.

6.1. Judicial Council Appointment, Membership, and Action. The Judicial Council will consist of at least 3 Owners appointed by the Board from time to time, provided that if a Lot is owned by more than one owner, only one owner of the Lot may serve on the Judicial Council at any one time. The Association will maintain a list of the names, addresses, and telephone numbers of the members of the Judicial Council at its principal office.

6.2. Design Committee Appeal. Any Owner adversely affected by an action of the Design Committee may appeal such action to the Judicial Council. Such appeal must be made in writing within 10 calendar days of the Design Committee's action and contain specific objections or articulate mitigating circumstances justifying the appeal. The Judicial Council will make a final, conclusive decision within 14 business days following receipt of such appeal. Any construction work started must stop during pendency of the appeal.

6.3. Fine or Adverse Action Appeal. Any Owner adversely affected by an a fine or other action imposed by the Association may appeal such action to the Judicial Council. Such appeal must be made in writing within 30 calendar days of the notice of fine or action and contain specific objections or articulate mitigating circumstances justifying the appeal. The Judicial Council will make a final, conclusive decision within 30 business days after receipt of such appeal. Any construction work started must stop during pendency of the appeal. The imposition of any fine or action will be stayed during pendency of the appeal.

6.4. Decision Procedure. The Judicial Council will allow the Owner filing an appeal to present evidence to refute the adverse action. The Owner filing the appeal will have the right to question the members of the Board or Design Committee, as appropriate. The Judicial Council will base its decision on substantial, relevant evidence and render its decision in writing.

6.5. Final Decision. Any decision of the Judicial Council is final and binding on all parties to the appeal.

6.6. Appeal in Event of Judicial Council Vacancy. If the Board fails to appoint any members to the Judicial Council, then an appeal described in this paragraph may be determined by arbitration conducted in accordance with the rules of the Arbitration Service of Portland, Inc., or, if that service is no longer available, by a similar service selected by the Owner. The Association will pay the cost of the arbitration service.

7. Association Organization, Association Membership and Voting Rights, and Association Operation.

7.1. Association Organization. The Association has the property, powers, and obligations as set out in the Act and these CC&Rs.

7.2. Association Membership. Each Owner is a member of the Association. Membership in the Association is attached to, and may not be separated from, ownership of a Lot. Transfer of ownership of a Lot automatically transfers membership in the Association to the new Owner. Decisions of the Association require approval by a majority of the Owners present at a Legal Meeting.

7.3. Voting Rights. Each Owner is allocated 1 vote. When more than one individual or entity owns a Lot, the vote for that Lot may be cast as the co-owners determine, but in no event will fractional voting be allowed. Votes may be cast by proxy, by absentee ballot and by fiduciaries. Proxies must be filed with the Secretary-Treasurer (defined below) before or during the time of the vote. A proxy is valid for one year or the time period specified in the proxy.

7.4. Majority of Owners. As used in these Bylaws, the term “majority” means those Owners holding more than 50 percent of the votes present, in person or by proxy, at a Legal Meeting.

7.5. Quorum. Except as otherwise provided in these CC&Rs, the presence in person, by proxy, or by absentee ballot, of Owners holding 20 percent or more of the outstanding votes in the Association constitutes a quorum.

8. Meetings.

8.1. Annual Meeting. An annual meeting will be held each calendar year. The purpose of the annual meeting is to elect new members of the Board and to transact such other business of the Association as may properly come before the meeting.

8.2. Special Meetings. Special Meetings of the Association may be called by the President (defined below), by a majority of the Board, or upon a petition signed by 20 percent or more of the Owners and presented to the Secretary-Treasurer. All meetings called by a petition of Owners must be held at a formal gathering within 60 days after receipt of the petition by the

Secretary-Treasurer. The notice of a special meeting must state the time, place, and the purposes of the meeting. Only business stated in the notice will be transacted at a special meeting.

8.3. Place of Meetings. Formal meetings of the Association will held at suitable places convenient to the Owners and as may be designated by the Board.

8.4. Notice of Meetings. The Secretary-Treasurer must deliver notice of each annual meeting, special meeting, or meeting by ballot at least 10 but not more than 50 days prior to the meeting, or in the case of a ballot meeting, the date the ballots are required to be returned. The notice must state the time, place, and purposes of the meeting.

8.5. Adjourned Meetings. If any gathering of Owners is not a Legal Meeting because a quorum is not present, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours or more than 10 days from the time of the original meeting. The adjournment provisions of this paragraph do not apply to meetings by a ballot.

8.6. Order of Business. The order of business at all annual meetings is as follows:

8.6.1. Roll call.

8.6.2. Proof of notice of meeting or waiver of notice.

8.6.3. Reading of minutes of the preceding annual meeting and any subsequent meeting.

8.6.4. Reports, if any, of officers and committees.

8.6.5. Election of Directors.

8.6.6. Unfinished business.

8.6.7. New business.

8.6.8. Adjournment.

8.7. Ballot Meetings. Subject to the limitations of in ORS 94.647 or any successor statute, any action that may be taken at a meeting of the Owners may be taken without a meeting if the Association delivers a written ballot to each Owner entitled to vote on the matter. The ballot must set forth each proposed action and provide an opportunity to vote for or against each proposed action. A proposed action is deemed to be approved by written ballot when the number of votes cast by ballot equals or exceeds any quorum requirement for a Legal Meeting, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting. The Secretary-Treasurer must provide the Owners with at least 10 days notice as required by ORS 94.647(2)(b) before written ballots are mailed or otherwise delivered. If at least 3 days before written ballots are scheduled to mailed, or otherwise distributed, at least 10 percent of the Owners petition the Board requesting secrecy procedures, a written ballot will

be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner, and instructions for making and returning the ballot. Written ballots that are not returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots as passed. The Secretary-Treasurer must count the returned written ballots within 72 hours of the ballot return deadline. The Secretary-Treasurer will provide notice of the ballot results to the Owners within 15 days of the ballot return deadline.

9. Board of Directors.

9.1. Number and Qualification. The Association's affairs are governed by a Board. The Board is composed of minimum of 3 and a maximum of 7 Owners; provided that if a Lot is owned by more than one owner, only one owner of the Lot may serve on the Board at any one time. An officer or employee of a corporation, the trustee of a trust, personal representative of an estate, or an employee of the trust or estate may serve on the Board, if the corporation, trust, or estate owns a Lot.

9.2. Election and Term of Office. The term of office of all Directors is fixed for 2 years, with the term of half the Directors expiring in odd years and half expiring in even years.

9.3. Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director by a vote of the Association will be filled for the balance of the director's term by a vote of a majority of the remaining Directors. Each person so elected is a Director until a successor is elected upon expiration of the term for which such person was elected to serve by the other Directors.

9.4. Removal. At an annual or special meeting, other than a meeting by ballot, any one or more of the Directors may be removed with or without cause by a majority vote at a Legal Meeting, and a successor may be elected to fill the vacancy created at that meeting. The vote to remove a Director is not effective unless the matter of the removal is an item on the agenda for the meeting and is stated in the notice for the meeting.

9.5. Powers. The Board has the following powers to:

9.5.1. Act on behalf of the Association in the exercise of the powers of the Association pursuant to the Act, these CC&Rs, and the Rules, and to conduct all business affairs of the Association.

9.5.2. Adopt and enforce the Rules; provided, any the Rules are subject to rescission or amendment by the Association on a majority vote at a Legal Meeting.

9.5.3. Levy fines and take action for violations of these CC&Rs and the Rules, provided that no fine or action is effective unless it is based on a resolution of the Board that was sent pursuant to the notice provisions of these CC&Rs.

9.5.4. Employ legal, accounting, and other personnel or consultants for reasonable compensation to perform such services as may be required for the proper administration of the Association.

9.5.5. Grant variances related to the provisions set forth in these CC&Rs, if permitted by these CC&Rs, and if permitted by applicable zoning, building, and other laws and regulations.

9.5.6. Establish committees from time to time as they deem necessary for the effective management of the Association.

9.5.7. Appoint members to or remove members from, with or without cause, committees by a vote of two-thirds of the directors then serving.

9.6. Duties. The Board has the following duties to:

9.6.1. Conduct the business affairs of the Association.

9.6.2. Record all of the Board's proceedings and acts on behalf of the Association and provide a report of the proceedings and acts at the annual meeting of the Association.

9.6.3. At least annually, review and purchase insurance for the Association and the Common Area.

9.6.4. Determine the manner in which all necessary income tax returns are filed, select the persons to prepare such tax returns, and annually cause to be filed the necessary income tax returns for the Association.

9.6.5. Pay all ad valorem taxes and assessments imposed on the Common Area.

9.6.6. Maintain a current mailing address of the Association.

9.6.7. At least annually, and prior to each assessment year, prepare a budget of Common Expenses and any assessments which the Board expects to be incurred for the upcoming assessment year. Within 30 days after adoption of the budget, the Board must provide a summary of the budget to all Owners.

9.6.8. Institute and maintain a voucher system for payment of Common Expenses which will require a sufficient number of signatories thereon as may be reasonably necessary to prevent any misuse of Association funds.

9.6.9. Fix the amount and keep records of both the general and any special assessments for each Lot and set the date that assessments are due. The Board may provide for collection of assessments on an annual or other periodic basis.

9.6.10. Maintain the reserve account and annually budget or review and update any existing budget to determine reserve account requirements, all in accordance with these CC&Rs and the Act.

9.6.11. Collect all assessments from the Owners and undertake necessary collection efforts that the Board deems appropriate with respect to delinquent assessments.

9.6.12. Provide a maintenance plan for and provide maintenance and repair of the Common Area and its improvements.

9.6.13. Cause the Association to comply with ORS 94.670 relating to maintenance within the state of Oregon of documents delivered to the Association by the Declarants, to deposit all Association assessments in the Association's bank account, to pay of all the Association's expenses from the Association's bank account, to maintain financial statements, and copies suitable for duplication of the following: the Declaration, the Articles of Incorporation, these CC&Rs, the Rules, the most recent financial statement, and the current operating budget of the Association.

9.6.14. Keep financial records sufficiently detailed for proper accounting purposes and, within 90 days after the end of each fiscal year of the Association, distribute to each Owner and, upon written request, any Mortgagee of a Lot, a copy of the annual financial statement of the Association consisting of a balance sheet and income and expense statement for the preceding fiscal year.

9.7. Restriction on Power. The Board may not, except with a majority vote of the Owners at a Legal Meeting, incur aggregate expenditures for capital improvements to the Common Area, during any fiscal year in excess of 5 percent of the budgeted gross expenses for that fiscal year.

9.8. Management Agent. The Board may employ a management agent, to be compensated in an amount established by the Board, to perform such duties and services as the Board authorizes.

9.9. Regular Meetings. Regular meetings of the Board may be held at such time and place as determined, from time to time, by a majority of the Directors. Regular meetings of the Board may be called by the President on at least 3 days notice to each Director, given personally or by mail, telephone, e-mail, or fax, which notice states the time, place, and purpose of the meeting.

9.10. Special Meetings. Special meetings of the Board may be called by the President or by the Secretary-Treasurer or on the written request of at least two Directors. Special meetings of the Board may be called on at least 3 days notice to each Director, given personally or by mail, telephone, e-mail, or fax, which notice states the time, place, and purpose of the meeting.

9.11. Waiver of Notice to Directors. Before, at, or after any Board meeting, any Director may, in writing, waive notice of such meeting, which satisfies the notice requirement. Attendance by a Director at any Board meeting waives the notice requirement. If all the Directors are present at any meeting of the Board, no notice to Directors is required and any business may be transacted at such meeting.

9.12. Board of Directors Quorum. At all meetings of the Board, a majority of the existing Directors constitutes a quorum for the transaction of business, and the acts of the majority of the Directors are the acts of the Board. If quorum requirements are not met at any meeting of the Board, the majority of those present may adjourn the meeting to a time not less than 48 hours or more than 10 days from the time of the original meeting. Any business that might have been transacted at the meeting as originally called may be transacted without further notice at the adjourned meeting.

9.13. Board Meetings Open to All Association Members. Except for executive sessions, all meetings of the Board are open to all members of the Association; provided, however, that no Association member has a right to vote in the Board's meetings unless such member is also a member of the Board. The President has authority to exclude any Association member who disrupts the proceedings at a meeting of the Board.

9.14. Executive Sessions.

9.14.1. At the discretion of the Board, the following matters may be considered in executive sessions:

9.14.1.1. consultation with legal counsel concerning rights and duties of the Association regarding existing or potential litigation or criminal matters;

9.14.1.2. negotiations of contracts with third parties;

9.14.1.3. collection of assessments; and

9.14.1.4. any other purpose permitted by the Act.

9.14.2. Except in the case of an emergency, the Board will vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the presiding officer of the Board will state the general nature of the action to be considered, as precisely as possible, when and under what circumstances the deliberations can be disclosed to the Owners. The statement, motion, or decision to meet in executive session must be included in the minutes of the meeting. A contract or an action considered in executive session does not become effective unless the Board, following the executive session, reconvenes in open meeting and votes on the contract or action, which must be reasonably identified in the open meeting and included in the minutes.

9.15. Notice to Association Members of Board Meetings. For other than emergency meetings, notice of special Board meetings will be posted at a place or places in the PUD at least 3 days prior to the meeting or notice will be mailed to each Owner at least 7 days before the meeting by first-class mail or at least 3 days prior to the meeting will be hand-delivered to each Owner's address or sent to each Owner by email or fax. The Board will give Owners notice of regular Board meetings at the beginning of each year by first-class mail or other reasonable means setting out the time and place of the regular meetings. For any changed time or place, the notice requirements for special meetings apply.

9.16. Emergency Meetings. In the event of an emergency, Board meetings may be conducted by telephonic communication or by the use of a means of communication that allows all Board members participating to hear each other simultaneously or otherwise to be able to communicate during the meeting. No notice to either Directors or Association members is required for emergency Board meetings if the reason for the emergency is stated in the meeting minutes.

9.17. Compensation of Directors. No Director may be compensated in any manner, except for reimbursement of out-of-pocket expenses which must be approved by a majority vote of disinterested Directors at a Legal Meeting.

10. Officers.

10.1. Designation. The principal officers of the Association are the President and the Secretary-Treasurer.

10.2. Election of Officers. The officers of the Association may be elected by the Board at the organizational meeting of each new Board or any Board meeting thereafter, and hold office at the pleasure of the Board.

10.3. Removal of Officers. Upon an affirmative vote of a majority of the Board, any officer may be removed, either with or without cause, and such officer's successor may be elected at any regular or special meeting of the Board.

10.4. President. The President is the chief executive officer of the Association and presides at all meetings of the Association and of the Board. The President has all of the general powers and duties which are usually vested in the office of president of an association, including, but not limited to, the power to appoint committees from among the Owners from time to time as the President may, in the President's discretion, decide is appropriate to assist in the conduct of the affairs of the Association.

10.5. Secretary-Treasurer. The Secretary-Treasurer keeps the minutes of all meetings of the Board and the minutes of all meetings of the Association and has charge of such books and papers as the Board may direct; and, in general, performs all the duties incident of the office of secretary. Secretary-Treasurer has responsibility for Association funds and securities not otherwise held by a managing agent and is responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Secretary-Treasurer is

responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board. This position can be split into two positions of secretary and treasurer, respectively, by a vote of two-thirds of the directors then serving.

10.6. Directors as Officers. Any Director may be an officer of the Association.

11. Obligations of the Owners.

11.1. Assessments. All Owners are obligated to pay assessments imposed by the Association to meet all the Association's Common Expenses. Assessments are payable on a periodic basis, but not more frequently than monthly, as determined by the Board. The Board may impose interest or a service charge for late installment payments or allow a discount for payment of the annual assessment or any installment in advance. .

11.2. Statement of Assessments.

11.2.1. The Association will provide, within 10 business days of receipt of a written request from an Owner, a written statement that provides:

11.2.1.1. The amount of assessments due from the Owner and unpaid at the time the request was received, including: regular and special assessments; fines and other charges; accrued interest; and late payment charges.

11.2.1.2. The percentage rate at which interest accrues on assessments that are not paid when due.

11.2.1.3. The percentage rate used to calculate the charges for late payment or the amount of a fixed charge for late payment.

11.2.2. The Association is not required to provide a written statement if the Association has commenced litigation by filing a complaint against the Owner and the litigation is pending.

11.2.3. Upon default in the payment of any one or more installments of an assessment, the entire balance of the assessment may be accelerated at the option of the Association and declared due and payable in full, together with late charges, interest, and attorney fees and costs provided for in the Declaration.

11.3. Default. Failure by an Owner to pay any assessment of the Association is a default by the Owner of its obligations under these CC&Rs.

12. Common Area Maintenance and Utilities. Except as otherwise specifically provided in these CC&Rs, the cost of maintenance, repair, replacement, and private utilities of the Common Area is a Common Expense, and the performance of or contracting for such work is the responsibility of the Association, except that any damage caused by the negligence or intentional

act of an Owner or the Owner's invitee, guest, tenant, or employee will be repaired by the Association at the responsible Owner's sole cost and expense.

13. Sewer Systems.

13.1. Management and Control of the Sewer Systems. The city of Sutherlin is responsible for the exclusive management, control, and maintenance of the PUD sewer system. The Owners will take fee ownership subject to the City's perpetual, nonexclusive easement to use portions of the Lots for the purpose of carrying out the City's obligations as stated herein. The total cost of maintaining the sewer system will be allocated by agreement among the owners. The sewer system consists of the septic tank and appurtenances such as, but not restricted to, pumps, floats, panels, and the connection thereto.

13.2. The City's Right to Easement for Sewer Maintenance. Consistent with the rights of the Owners, the City of Sutherlin has the right to: establish reasonable rules for the sewer system management and to assess the cost of all sewer system repairs, maintenance, and capital improvements upon the land benefited by the sewer system; determine the necessity for, kind of, and the time for any repair, maintenance, or capital improvements required on the sewer system; suspend the right of any Owner to use the sewer system and turn off water service to the Lot for any period during which any assessment against such the Lot remains unpaid for more than thirty (30) days after notice has been given.

13.3. Easement Over Security Interest Holder's Lots. The City of Sutherlin has an access easement over the private access roads and lots for the purpose of reaching the private sewer system subject to the security agreement for any and all purposes the access has been reserved.

13.4. Damage to or Destruction of Sewer System by an Owner. In the event the sewer system is damaged or destroyed intentionally or negligently by an Owner or any of its guests, tenants, licensees, agents, or family, the Owner authorizes the City to repair said damages. The City will conduct repairs in as good and workmanlike manner as originally constructed. The reasonable cost necessary for such repairs or replacement as originally constituted will become a special assessment on the Lot of the Owner who caused the damage.

13.5. Installation of Onsite System. The initial installation of the onsite sewer system is the responsibility of the Owner. Installation must conform with standards developed by the City and will be inspected and approved by the City. All work and inspections are at the Owner's expense.

13.6. Annual Inspection. The City may make annual inspections of all septic tanks and may require an Owner to undertake necessary pumping and repairs.

13.7. Operating Costs and Payment. The total estimated expenses for the general maintenance of and the repairs to the sewer system, include inspection, operation, repairs, replacements, pumping, and emergency calls servicing the sewer system, and will be a utility charge to the Owners as provided in paragraph 12.

14. Emergency Right of Entry. In the event of an emergency originating from or threatening any Lot, the Association or any other person authorized by the Association has the right to enter the Lot.

15. Insurance and Bonds. The Association must obtain and maintain insurance for all insurable improvements in the Common Area against loss or damage by fire or other hazard and public liability insurance covering the Common Area and all damage or injury caused by the negligence of the Association.

16. Damage and Destruction.

16.1. Insurance Proceeds Sufficient to Cover Loss. In case of fire, casualty or other damage and destruction to any Common Area improvement, the insurance proceeds of the policy or policies maintained by the Association, if sufficient to reconstruct the damaged or destroyed improvement, will be applied to such reconstruction. Reconstruction of the damaged or destroyed improvement means restoring the improvement to substantially the same condition in which it existed prior to the fire, casualty or disaster. Such reconstruction will be accomplished under the direction of the Board.

16.2. Insurance Proceeds Insufficient to Cover Loss. If the insurance proceeds are insufficient to reconstruct the damaged or destroyed Common Area improvement, the damage to, or destruction of, such improvement may be promptly repaired and restored by the Association, using the proceeds of insurance, if any, on the improvement for that purpose. The Association may levy a special assessment to increase the proceeds available for reconstruction, pursuant to the terms of these CC&Rs.

17. Assessments.

17.1. Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot covenants and agrees to pay the Association (a) annual assessments or charges, (b) special assessments, and (c) individual assessments established and collected as provided in these CC&Rs. All such assessments, together with interest, attorney fees, and costs of collection as provided in these CC&Rs, will be a continuing lien upon the Lot against which each such assessment is made. Each such assessment, together with interest, attorney fees, and costs of collection are also the personal obligation of Owner of such Lot at the time the assessment became due. The personal obligation for delinquent assessments will not pass to an Owner's successor in title unless expressly assumed by the successor, but the lien of the assessment will run with the Lot, except as otherwise provided herein.

17.2. Purpose of Annual Assessments. The annual assessments levied by the Association will be used exclusively to pay the Common Expenses. Common Expenses include:

17.2.1. Expenses of administration, including reasonable and necessary accounting and legal fees.

17.2.2. Expenses of maintenance, repair, and replacement of the Common Area.

17.2.3. Cost of insurance and bonds.

17.2.4. Cost of providing utility or public services that are not otherwise available through public entities.

17.2.5. Cost of enforcing the provisions of these CC&Rs.

17.2.6. Cost of funding reserves.

17.2.7. Any deficit in Common Expenses for any prior assessment year.

17.2.8. Cost of taxes assessed to the Common Area.

17.2.9. Any other items properly chargeable as an expense of the Association, to perform its obligations under these CC&Rs, including expenses of the Board, the Design Committee, or the Judicial Council to perform their responsibilities under these CC&Rs.

17.2.10. Any other items agreed upon as Common Expenses by the Owners.

17.3. Reserve Account. The Board will manage a reserve account for replacement of the Common Area improvements which will normally require replacement, in whole or in part, in more than 1 year and less than 30 years. The reserve account need not include reserves for items which can reasonably be funded from operating expenses.

17.3.1. The assessment for reserves is included in the annual assessment for Common Expenses.

17.3.2. The reserve account is established in the name of the Association. The Board is responsible for administering the account and for making periodic payments into the account from assessments collected from the Owners.

17.3.3. The Board annually will prepare a budget that determines the reserve account requirements. The Board may approve the budget or adjust the amount of payments to provide for other reserve items that the Board, in its discretion, may deem appropriate.

17.3.4. Any budget must include: (a) identification of all items for which reserves are required to be established; (b) the estimated remaining useful life of each item as of the date of the study; (c) the estimated cost of the maintenance, repair, and replacement of each item at the end of its useful life; and (d) 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.

17.3.5. Except as provided below, the reserve account may be used only for the purposes for which reserves have been established and must be kept separate from other funds. The Board may authorize the borrowing of funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet unexpected increases in expenses. Borrowed funds must be repaid with 9 percent annual interest by the end of the current fiscal year.

17.3.6. The Board, as applicable, may invest reserve account funds prudently. Assessments paid into reserve accounts will be kept with a safe and responsible depository, accounted for separately, and, if invested, the obligation or security will be fully guaranteed as to principal by the United States of America or one of its agencies.

17.3.7. Assessments paid into the reserve account are the property of the Association and are not refundable to Owners.

17.4. Budget for Annual Assessment. The Board will annually, with approval of the Board, prepare a budget for the annual assessments and, within 30 days of approval, provide a summary of the budget to all Owners. If, within 14 days thereafter, the Board is petitioned by Owners representing 20 percent of all votes in the Association, the Board will call a meeting of the Owners to consider rejection of the budget. The date of the meeting will be not less than 14 or more than 30 days after the summary is provided to the Owners. At the meeting, whether or not a quorum is present, the budget will be adopted unless Owners representing more than 67 percent of all votes in the Association reject the budget. If the proposed annual budget is rejected, the last annual budget will continue in effect until the Owners approve a subsequent budget.

17.5. Annual Assessments. The Board will fix the annual assessments each year following adoption or rejection of the budget as provided above. The Board will send written notice of the assessment to all Owners. In the event the proposed budget is rejected or in the event the Board fails to fix the amount or give notice of the new assessment, the assessments fixed for the preceding year will continue until new assessments are fixed and notice given. The annual assessments may be made payable on a monthly, quarterly, or annual basis, as determined by the Board.

17.6. Special Assessments for Capital Improvements. In addition to the annual assessments authorized above, the Board may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area for which the reserve account is inapplicable or inadequate, provided that any such assessment has the assent of 67 percent of the votes at a Legal Meeting.

17.7. Individual Assessments. In addition to other possible individual assessments set forth in these CC&Rs, the Board may assess an Owner individually for expenses incurred through such Owner's direction or failure to perform the obligations imposed on Owners by these CC&Rs or the Rules. Further, an Owner may be assessed individually for fines, interest,

charges and expenses (including attorney fees) incurred by the Association in the process of collection of assessments or enforcement of these CC&Rs or the Rules.

17.8. Uniform Rate of Assessment Exceptions. Except as otherwise provided in these CC&Rs, each assessment (annual and special) will be assessed against all Lots in equal amounts.

17.9. Subordination of the Lien to Real Estate Taxes and Mortgages; Transfer of Lot. The lien of the assessments provided for in these CC&Rs is subordinate to a lien for real estate taxes and other governmental assessments or charges and to the lien of any first trust deed or mortgage of record. Sale or transfer of any Lot does not affect the assessment lien. However, if a first mortgagee acquires a Lot by foreclosure or deed in lieu of foreclosure, the mortgagee and any subsequent purchaser from the mortgagee will not be liable for any of the assessments on the Lot which became due before the date that title was acquired through foreclosure; except that junior lienholders or purchasers under them who acquire title to a Lot as a result of foreclosure of a junior lien take title subject to the lien of any unpaid assessments. In any voluntary conveyance of a Lot, the grantee takes title subject to the lien of any unpaid assessments.

17.10. Common Income and Profits. All profits and income derived from the Common Area will be shared equally among the Owners as an offset against the Common Expenses of the Association.

18. Collection of Assessment; Enforcement.

18.1. Compliance with CC&Rs and Rules. Each Owner, and the Owner's family, guests, and invitees must comply with these CC&Rs and the Rules.

18.2. Authority to Enforce and Collect. The Board may take prompt action against any violator to enforce the provisions of these CC&Rs or the Rules, including prompt action to collect any unpaid assessment. The Board may make compromises on overdue assessments if the compromise benefits the Association. In taking action, the Board may exercise one or more of the remedies, separately or concurrently, specified in these CC&Rs, as well as any other remedies which may be available at law. In addition, any aggrieved Owner may bring an action to recover damages or to enjoin, abate, or remedy any noncompliance or breach by appropriate legal proceedings.

18.3. Abatement and Enjoining of Violations. In the event of a violation of provisions of these CC&Rs or the Rules, the Association has the right to:

18.3.1. Enter the Lot in which or as to which such violation exists and to summarily abate and remove, at the expense of the Owner, any thing or condition that may exist therein contrary to the intent and meaning of said provisions, and the Association will not be deemed in any manner of trespass;

18.3.2. Enjoin, abate, or remedy such thing or condition, including removal or alteration of construction by appropriate legal proceedings; or

18.3.3. Suspend the right of an Owner to use the Common Area.

18.4. Interest; Late Charges. Interest accrues on any assessment not paid when due at the rate of 18 percent per annum (or the highest rate permitted by law, if that is less than 18 percent) until paid. The Board may impose a late charge in an amount to be determined by the Board against an Owner who does not pay assessment when due.

18.5. Acceleration of Assessment. In the event that an Owner fails to pay an installment of an assessment when it is due, the Board may, after 10 days written notice, declare the defaulting Owner's entire annual or special assessment due immediately, and interest will accrue on the entire assessment at 18 percent per annum (or the highest rate permitted by law, if that is less than 18 percent) until paid.

18.6. Attachment, Notice, Recordation, Duration, and Foreclosure of Lien; Appointment of Receiver; Power to Bid at Foreclosure Sale. The Association must follow the provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 87.352 to 87.382 and provisions regarding the foreclosure of liens under ORS Chapter 88 (or successor statutes); except that notwithstanding ORS 87.376, and only to the extent allowed to extend the time for filing allowed by law, a lien for an unpaid assessment will continue in force and the suit to foreclose need not be commenced for a period of 3 years from the date the particular unpaid assessment became due. If an assessment is payable in installments, the full amount of the assessment is a lien from the date the first installment of the assessment becomes due. The Board, acting on behalf of the Association, has the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same, on behalf of the Association.

18.7. Action to Obtain and Recover a Money Judgment. The Association may bring an action to obtain a money judgment against an Owner for damages for the Owner's breach or noncompliance with the provisions of these CC&Rs or the Rules. The Association may bring an action to obtain a money judgment for unpaid assessments against the Owner personally obligated to pay the same. The action to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same.

18.8. Collection Costs; Attorney Fees. Any Owner who fails to pay assessments when due is obligated to pay reasonable fees and costs including, but not limited to, reasonable attorney fees incurred in connection with the Association's efforts to collect the delinquent or unpaid assessments, whether or not suit or action is commenced. In the event the Association commences suit or action for the collection of any amounts due or to seek damages or enforcement of any provision of these CC&Rs or the Rules, the Owner is liable for all the costs of such suit or action, including without limitation reasonable attorney fees to be fixed by the court or courts, both at trial and on appeal, expert witnesses and consultant fees, title fees, and court costs, all in addition to all other sums, obligations, damages payable in such suit or action, both at trial and on appeal, and regardless of whether such action includes claims for declaratory relief, injunctive relief, or damages.

18.8.1. *Nonqualifying Improvements.* In the event that any Owner constructs or permits to be constructed on a Lot any nonqualifying improvements which contrary to the terms of these CC&Rs or the Rules, or causes any improvement, activity, condition, or nuisance contrary to the provisions of these CC&Rs or the Rules to remain uncorrected or unabated on the Lot, then the Board may notify the Owner in writing of any specific violation of these CC&Rs or the Rules and may require the Owner to remedy or abate the same in order to bring the Lot and the improvement, and the Owner's use thereof, into conformance. If the Owner is unwilling, unable, or refuses to comply with the Board's specific directive for remedy or abatement, or the Owner and the Board cannot agree to a mutually acceptable resolution within the parameters and intent of these CC&Rs, then the Board has the right to do any or all of the following in addition to any other rights or remedies provided in these CC&Rs after proper notice to Owner and Owner's opportunity to be heard within 30 days of written notice:

18.8.1.1. Impose reasonable fines against such Owner;

18.8.1.2. Enter onto the offending Lot without being subject to any trespass, conversion, or any other claim for damages, and remove the cause of such violation, or alter, repair, or change the item which is in violation of the CC&Rs in such a manner as to make it conform thereto, in which case the Association may assess such Owner for the reasonable cost of the work performed; or

18.8.1.3. Bring action, including injunctive relief, against the Owner on behalf of the Association to enforce these CC&Rs.

19. **General Provisions.**

19.1. Indemnification of Directors, Officers, Employees and Agents.

19.1.1. To the fullest extent permitted by law, the Association indemnifies any director, officer, employee or agent of the Association who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that it is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, limited liability company or other enterprise.

19.1.2. This duty to indemnify includes, without limitation, all damages, expenses, reasonable attorney fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by such person in connection with such suit, action or proceedings, if the indemnitee at all times material, acted in good faith, and in a manner he or she reasonably believed to be in the best interest of the Association, as applicable, and, with respect to any criminal action or proceedings, had at all times material no reasonable cause to believe his or her conduct was unlawful.

19.2. **Enforcement.** The Association, the Owners and the holder of any recorded mortgage on any Lot have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens and charges now or hereinafter imposed by any of the provisions of these CC&Rs as may appertain specifically to such bodies or owners, by any appropriate proceeding at law or in equity. Failure by any of them to enforce any covenant or restriction herein contained is in no event be deemed a waiver of their right to do so thereafter. In the event suit or action is commenced to enforce the terms and provisions of these CC&Rs, the prevailing party will be entitled to its attorney fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal, the cost of the appeal, together with reasonable attorney fees, to be set by the appellate court. In addition thereto, the Association will be entitled to its reasonable attorney fees and expert witness or consultant fees incurred in any enforcement activity taken on delinquent assessments, whether or not suit or action is filed.

19.3. **Severability.** The unenforceability or partial unenforceability of any term or provision of these CC&Rs, including without limitation the covenants regarding assessments, indemnity and collection of assessments and payments under indemnity rights conferred to any person in these CC&Rs, does not affect the enforceability or partial enforceability of the remaining provisions of these CC&Rs or any such covenants. In the event any term or provision of these CC&Rs is unenforceable or partially unenforceable, the unenforceable provision is void and the remaining provisions of these CC&Rs continue in full force and effect.

19.4. **Conflicts; Terms.** If there is any conflict or between these CC&Rs and applicable laws, zoning ordinances, and regulations of governmental bodies, the provisions of the laws, ordinances, and regulations will control.

20. **Notices.** All notices to the Association or the Board must be sent to the principal office of the Association or to such other address as the Board may designate from time to time. Notices by mail to any Owner must be sent to the address designated in writing by the Owner to the Board, or if no address has been designated, then to the address if the Owner's Lot. Notice will be deemed to have been given for all purposes upon receipt when personally delivered; one day after being sent, when sent by recognized overnight courier service; two days after deposit in United States mail, postage prepaid; or on the date transmitted by fax or email.

21. **Duration.** These CC&Rs run with the land and remain in full force and effect at all times with respect to all the property included in the PUD for an initial period of 20 years commencing with the date on which these CC&Rs is recorded. Thereafter, these CC&Rs continue to run with the land and remain in full force and effect at all times for successive additional periods of 10 years each. The continuation from the initial or any additional period into the next subsequent period is automatic and within the necessity of any notice, consent, or any other action.

22. **Amendments to CC&Rs.**

22.1. Amendment by Members. These CC&Rs may be amended only by affirmative vote or agreement of the Owners representing 75 percent or more of the total votes in the Association.

22.2. Recordation of Amendments. Amendments to these CC&Rs must be executed and certified by an officer of the Association designated for that purpose, as applicable. In the absence of designation, the president of the Association may sign on behalf of the Association. Any amendment must recorded in the deed records of Douglas County.

It is hereby certified that these CC&Rs have been adopted by the PUD, in accordance with the Declaration and ORS 94.590 and will be recorded in the Deed Records of Douglas County, Oregon.

President

Secretary-Treasurer

STATE OF OREGON, County of Douglas) ss.

This instrument was acknowledged before me on _____, 2011, by _____, President of the Knolls Estates Homeowners Association.

Notary Public - State of Oregon

STATE OF OREGON, County of Douglas) ss.

This instrument was acknowledged before me on _____, 2011, by _____, Secretary-Treasurer of the Knolls Estates Homeowners Association.

Notary Public - State of Oregon

DRAFT

CC&RS
OF
PROTECTIVE COVENANTS, CONDITIONS,
AND RESTRICTIONS
FOR
THE KNOLLS ESATES PLANNED UNIT DEVELOPMENT