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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

FOR

THE RESERVE AT HECETA LAKE

DECLARANT: HECETA LAKE JOINT VENTURE

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EXHIBITS

- EXHIBIT A: Property Subject to Declaration
- EXHIBIT B: Easement for Cul-de-Sacs
- EXHIBIT C: Access, Utility and Maintenance Easement
- EXHIBIT D: Units Containing Wetlands

**DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS
FOR
THE RESERVE AT HECETA LAKE**

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR THE RESERVE AT HECETA LAKE ("Declaration") is made this _____ day of _____, 2005, by HECETA LAKE JOINT VENTURE, an Oregon partnership ("Declarant").

A. Declarant owns or controls approximately 116 acres within Lane County, Oregon. Declarant proposes to develop this property as a residential planned development to be known as "The Reserve at Heceta Lake," 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. 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. References hereinafter made in this Declaration to "The Reserve" shall mean the residential planned community consisting of detached single-family residential homes, known as The Reserve at Heceta Lake. One who acquires property in The Reserve will have the advantage of further development of The Reserve, but shall not have any legal right to insist that there be development except as provided in this instrument or in the instruments that hereafter may be recorded annexing areas to The Reserve and subjecting areas to this Declaration. The legal description of property that may be developed as part of The Reserve at Heceta Lake is attached hereto as Exhibit A and by reference incorporated herein.

B. The property that Declarant anticipates developing as The Reserve includes properties within and outside of the urban growth boundary established for the City of Florence, Oregon, in its comprehensive plan. The City of Florence does not currently desire to annex the property to the City, but may desire to annex the property at a future time. The Declarant and the City of Florence have, therefore, entered into the On-Site Sewage Disposal Agreement made November 16, 1987, and recorded in the records of Lane County, Oregon, on December 11, 1987, as document number 8753597 (the "Sewage Agreement"), which imposes certain obligations with respect to the property and obligates Declarant, its assigns and successors-in-interest, to so annex the property in the future at the request of the City of Florence. The terms of the Sewer Agreement are incorporated into this Declaration by this reference.

C. Declarant intends to create in The Reserve a carefully planned community that will provide an attractive place to live. Declarant will provide leadership in organizing and administering The Reserve during the development period, but expects property owners in The Reserve to accept the responsibility for community administration by the time the development is complete.

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

E. Funds for the maintenance and operation of the common areas generally will be provided through assessments against those who purchase property within The Reserve, although to assist with the development of The Reserve, Declarant may from time to time itself provide some improvements.

F. Declarant has recorded or will record a plat entitled "The Reserve at Heceta Lake, Phase 1" in the Plat Records of Lane County, Oregon (the "Plat of Phase 1"). Declarant desires to establish the property platted as The Reserve at Heceta Lake, Phase 1 as the first phase of the planned community known as The Reserve. For purposes of this Declaration, all references hereinafter made to "Phase 1" shall mean the property platted as The Reserve at Heceta Lake, Phase 1. Phase 1, as defined above, is approximately 41 acres (gross). Declarant contemplates platting the balance of the original total acreage constituting The Reserve (as described in Exhibit A) in phases. 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 that 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 shall run with the real property subjected to this Declaration and shall be appurtenant thereto, and 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, that 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 The Reserve 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 The Reserve at Heceta Lake 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 of the Association having its normal meaning under Oregon corporate law.

1.5. "Bylaws" shall mean and refer to the Bylaws of The Reserve at Heceta Lake Community Association as amended from time to time. The Bylaws shall be recorded in Lane 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 ARC. 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 Heceta Lake Joint Venture, an Oregon partnership, 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 or successor 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 (i) Lot 7, which is dedicated on the Plat of Phase 1 as a park; (ii) Parcel A, which is dedicated on the Plat of Phase 1 as a nature preserve; and (iii) all real and personal property that the Association now or hereafter owns or otherwise holds for the common use and enjoyment of all Owners, including Common Easement Areas. Neither Lot 7, nor Parcel A, shall be used for residential purposes at any time.

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

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

1.17. "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.

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

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

1.20. "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.

1.21. "Owner" shall mean and refer to one (1) or more Persons who hold the record title to any Unit that 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.

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

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

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

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

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

1.27. "Supplemental Declaration" shall mean an amendment or supplement to this Declaration executed by or consented to by Declarant that 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.

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

1.29. "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 detached residence for a single-family on a separately platted lot, 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.

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 Lane County 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 or may be, upon the recording of a supplemental declaration, subject to this Declaration. However, the initial development in The Reserve shall be the real property within the plat entitled "The Reserve at Heceta Lake, Phase 1" that is filed or will be filed in the Plat Records of Lane County, Oregon. The initial development in Phase 1 will consist of approximately 55 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: water services; street improvements for public streets; and a portion of several access paths, which are a Common Area within The Reserve. Notwithstanding the foregoing, Declarant may elect to add other Improvements not listed herein at Declarant's sole discretion. Declarant contemplates platting additional phases within The Reserve, 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.
- (b) There shall be no limitation on the number of Units that Declarant may create in such phase or phases that Declarant may create in The Reserve, subject to governmental approvals and restrictions.
- (c) There shall be no limitation on the right of Declarant to create additional Common Area in such phase, which will become part of The Reserve. Additions of Common Areas may result in increased assessments related to the maintenance of Common Areas.
- (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. Phase 2. Declarant currently anticipates developing the balance of the Property not included in Phase 1 as Phase 2 of The Reserve ("Phase 2"). Phase 2 has been approved by Lane County for development as an additional 50 Units. Declarant anticipates that Phase 2 will include the following Common Areas that will be made a part of The Reserve: (i) approximately one half of the seasonal lake and wetland commonly known as Heceta Lake and an approximately 100 foot wide buffer area along the Lake's water line (collectively, the "Lake"); (ii) an undeveloped nature preserve including wetlands that is approximately two (2) acres in size; (iii) a wetlands mitigation site of approximately six tenths (.6) of an acre; and (iv) common areas for streets, which may be private or public, upon dedication of any additional Common Areas to the Association (or to Lane County if streets are publicly dedicated), the Association shall be responsible for all maintenance or repair except as otherwise set forth in the dedication or this Declaration. Although these are the anticipated sizes, makeup and proposed uses for the Common Areas within Phase 2, Declarant

shall be under no obligation to dedicate these areas as Common Areas or to subject Phase 2 to this Declaration.

2.3. Annexation Without Approval of Class A Membership. Subject to Section 14.3 below, Declarant shall have the unilateral right 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 Lane County, Oregon, a Supplemental Declaration annexing such property. Such Supplemental Declaration shall not require the consent of the Class A 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 that 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.

2.4. 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 2.3, and following the expiration of the right of Declarant in Section 2.3, any adjacent property described in Section 2.3, 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 that may become subject to this Declaration in accordance with Section 2.3.

2.5. Annexation Procedures. Annexation shall be accomplished by filing of record in the Recorder's Office of Lane 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 that 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 that Declarant may create or annex to The Reserve.

2.6. 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 that, 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.

2.7. Withdrawal of Property. Declarant may withdraw property from The Reserve only by a duly adopted amendment to this Declaration except as otherwise set forth in this Section 2.7. 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 2.3 or 2.4, 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 Lane 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 2.8. 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 2.7, the right to withdraw property from The Reserve shall not expire.

2.8 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 that 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.

2.9. 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.

2.10. 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 that may become subject to this Declaration in accordance with Section 2.3. 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 Reserve shall be conveyed to the Association on or before the Turnover Meeting held pursuant to Section 5.8.. 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 the Board 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. This provision shall not apply to the easements described in Section 3.5 below. Notwithstanding the foregoing, 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 Lane County or the City of Florence, Oregon, as

appropriate, 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 The Reserve 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. Declarant desires to reserve certain easements in addition to the Common Area, Common Easement Areas and any utility and drainage easements shown on any recorded plat. The easements reserved herein shall be perpetual and non-exclusive, and shall run with the land and be binding on the successors and assigns of the owners of properties benefited and burdened under these easements. Notwithstanding any unity of ownership of the properties benefited and burdened under these easements at their creation or upon future conveyance, no merger of the dominant and servient interests shall occur absent termination by express, written agreement between the owners of the benefited and burdened properties or their successors in interest. The owners of the benefited and burdened properties contemplate that the benefited properties may be partitioned or subdivided, if allowed under the Declaration and all appropriate governmental consents are obtained, creating additional Units. The easements granted hereunder are intended to benefit any additional Units so created. No party to any of the easements shall prevent another party's

or permitted user's reasonable access or otherwise take any action or fail to take any action that would unreasonably interfere with the other party's rights under these easements. No party to the easement or permitted user shall have the right to park, load or unload any vehicle in any easement area other than under emergency conditions. No easement area shall be used in any manner that results in a violation of any rules and regulations, covenants, conditions, restrictions or laws affecting the easement area. Use of the easement areas shall be on a non-exclusive, non-priority basis.

4.2.1. Easements Reserved to Declarant and the Association. Declarant hereby reserves the following easements for the benefit of Declarant, as the Owner of the Properties, and the Association:

4.2.1.1. Adjacent Common Areas. The Owner of any Unit that 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.

4.2.1.2. Easement Allowing Right of Entry. Declarant, the ARC, and any representative of the Association authorized by the Board of Directors may at any reasonable time upon at least seventy two (72) hours prior notice, 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.

4.2.1.3. 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 ARC will not permit any structure, planting or any other material to be placed or permitted to remain on the easement area that may damage or interfere with the installation or maintenance of utilities, or that may change the direction of flow of drainage channels in the easements, or that 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.

4.2.1.4. Pedestrian Access Easements. The Declarant desires to provide for a pedestrian access easement allowing access to Tract A, which is a nature preserve and wetland area, and to certain areas within Phase 2 that the Declarant intends to

develop as Common Areas for Phase 2, as described in Section 2.2, including the Lake and Parcel B. The following easements for pedestrian access are hereby reserved across those Units designated on the Plat of Phase 1 as Lots 24, 25, 44, 45, and 54:

4.2.1.4.1. Easement Across Lots 24 and 25. A fifteen (15) foot wide pedestrian access easement, the centerline of which shall be the common lot line shared by Lots 24 and 25, and extending the length of the common lot line, as shown on the Plat of Phase 1.

4.2.1.4.2. Easement Across Lots 44 and 45. A fifteen (15) foot wide pedestrian access easement, the centerline of which shall be the common lot line shared by Lots 44 and 45, and extending the length of the common lot line, as shown on the Plat of Phase 1.

4.2.1.4.3. Easement Across Lot 54. A fifteen (15) foot wide pedestrian access easement across Lot 54, as shown on the Plat of Phase 1.

4.2.2. Easement for Cul-de-Sacs. Declarant constructed Lake Point Drive, Dunewood Drive and Star View Drive, which are or will become public streets, in Phase 1 and anticipates extending those streets to serve Phase 2. To accommodate the needs of emergency services providers, including fire and ambulance services, Declarant constructed temporary cul-de-sacs at the termination of those streets. Declarant hereby grants a temporary access easement to the Association allowing its members to use the cul-de-sacs as currently constructed at the terminus of Lake Point Drive, Dunewood Drive and Star View Drive, which cul-de-sacs are legally described in Exhibit B, attached hereto and by reference incorporated herein. This easement shall terminate upon Declarant's, its successors' or assigns', commencement of construction of the extension of those streets into Phase 2. Until termination of this easement, the Association shall bear all costs of repair and maintenance of the cul-de-sacs as though the cul-de-sacs were a Common Area of the Association and shall defend and indemnify Declarant for any and all claims arising from or in connection with use of the easement area by the Association.

4.2.3. Access, Utility and Maintenance Easement. Declarant hereby reserves an easement across a portion of Lot 32, as described on Exhibit C attached hereto and by reference incorporated herein, for the benefit of the portion of the Properties in Phase 2 described on Exhibit C as the "Benefited Property." The easement shall allow access to the Benefited Property. The easement may also be used for the installation, construction, inspection, maintenance, repair, reconstruction, and replacement of a roadway for access and all public and private utilities and facilities necessary for the development of the Benefited Property and shall include the right to enter upon the easement for such purposes. The cost of

the initial construction of any roadway or of construction of public or private utilities and facilities shall be bourn by the Owner(s) of the Benefited Property. The Owner of Lot 32 shall have the right to use such Owner's Unit, including that portion affected by this easement, for any purpose as long as the use does not interfere with the purposes for which the easement is granted. The cost of any maintenance or repair of the area within the easement shall be apportioned between the Owner of Lot 32 and the Owner(s) of Benefited Property based on each party's use of the easement.

4.2.4. Access Driveway and Utility Easement. The Owner of Lot 2, as shown on the Plat of Phase 1, (for the purposes of this Section 4.2.4., "Grantor") hereby grants to the Owners of Lots 1 and 3, as shown on the Plat of Phase 1 (for the purposes of this Section 4.2.4, each a "Grantee," and collectively the "Grantees"), a thirty (30) foot wide driveway, access and utility easement as shown on the Plat of Phase 1. The easement shall be used for the inspection, maintenance, repair, reconstruction, and replacement of (i) a driveway for the passage of motor vehicles, bicycles and pedestrian traffic, and (ii) all public and private utilities and facilities necessary for the development of the Grantees' lots, each as related to residential occupancy of Grantees' lots. The driveway shall be located within the easement area as currently constructed. Grantor shall not place any buildings or other permanent structures (other than the roadway) on the easement area.

4.2.4.1 Grantor shall be responsible for all maintenance and repair of the driveway and the easement area generally. All maintenance and repair shall be performed on a prompt, diligent and regular basis in accordance with generally accepted maintenance standards and the requirements of this Declaration. Required maintenance shall additionally include the removal of sand, snow, ice and debris from the driveway as soon as practicable after their occurrence. Grantor shall obtain the Grantees' prior approval (which approval shall not be unreasonably withheld or delayed) before undertaking repair or maintenance work with respect to the easement area generally if such work will result in costs in excess of One Thousand and No/100 Dollars (\$1,000.00) per calendar year, and shall have no right to reimbursement if such approval is not obtained prior to commencing such work unless such approval is unreasonably withheld or delayed. The costs of maintenance and repair of the driveway and the easement area generally shall be apportioned between the Grantor and the Grantees based on each party's use of the easement. The Grantees shall reimburse Grantor for any cost of maintenance or repair of the driveway or the easement area generally due hereunder promptly as and when due. If a Grantee constructs a private driveway on such Grantee's Unit and does not make use of the driveway on the Grantor's Unit, then the Grantee shall have no liability for the costs of the repair and maintenance work related to the driveway, nor shall the Grantee have any right to approve the work related thereto for which the Grantee is not liable.

4.2.4.2 Each Grantee shall indemnify and hold harmless Grantor and the other Grantee from and against any and all claims arising from or in connection with use of the easement area by the indemnifying Grantee or its successors, assigns, lessees, mortgagees, invitees, guests, customers, agents and employees, together with all costs, expenses and liabilities incurred in connection with each such claim or action or proceeding brought thereon, including, without limitation, all attorney fees and expenses. In case any action or proceeding from which Grantee is obligated to indemnify the Grantor and/or other Grantee is brought against such parties, the indemnifying Grantee, upon notice from Grantor or the other Grantee, shall resist and defend such action or proceeding (by counsel reasonably satisfactory to Grantor or the other Grantee). Each Grantee shall at all times carry and maintain comprehensive general liability insurance in an amount not less than \$1,000,000, which insurance shall insure the insured against claims of Grantor or the other Grantee on account of the indemnity obligation set forth herein. Upon fifteen (15) days written notice, each Grantee shall provide Grantor and/or the other Grantee reasonable proof of such liability insurance.

4.2.4.3 If any party to this easement shall be in default of such party's obligations under this easement grant, the other parties shall be entitled to require performance of the obligations by suit for specific performance or, where appropriate, through injunctive relief. Such remedy shall be in addition to any other remedies afforded under Oregon law and those rights of cure and reimbursement specifically granted under this easement grant. If legal action is commenced in connection with this easement grant, the prevailing party or parties in such action shall be entitled to recover their reasonable attorney fees and costs incurred in the trial court and any appeal therefrom. The term "action" shall be deemed to include an arbitration and any action commenced in the Bankruptcy Courts of the United States and any other court of general or limited jurisdiction. The reference to "costs" includes, but is not limited to, deposition costs (discovery and otherwise), witness fees (expert and otherwise), out-of-pocket costs, title search and report expenses, survey costs, surety bonds and any other reasonable expenses.

4.3. 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 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 or the encroaching Association, as the case may be.

4.4. 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, Lane County, Oregon, the City of Florence, 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, 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, (including sanitary sewers when such service becomes available to Units in The Reserve) 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 Lane County, Oregon, the City of Florence, 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.

4.5. 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.

Article V.
Association

Declarant shall organize an Association of all the Owners within The Reserve. Such Association, its successor and assigns shall be organized under the name "The Reserve 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 by dedication to a public body, or conveyance and transfer 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 Lane County, Oregon.

5.2. Membership. Every Owner 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, except as specified otherwise in this Declaration or the Bylaws, have four (4) votes for each Unit owned by the Class B Member. 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) and such Owners shall become Class A Members entitled to one (1) equal vote for each Unit in which they hold the interest required for membership under Section 5.2 hereof, upon the earlier of:

(a) when eighty percent (80%) or more of the Units in The Reserve following the final phase of development of The Reserve as permitted by the Master Plan are owned by Persons other than the Declarant;

(b) December 31, 2025; 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 The Reserve 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 described 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 The Reserve from the Declarant to the Association. Such committee shall

consist of three (3) or more Members, 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, acting through its Board of Directors, 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.

(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 Owners 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, acting through the Board, 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 may acquire, hold title to, convey, and dispose of tangible and intangible personal property and real property and interests therein.