

AFTER RECORDING, RETURN TO:
SYCAN B CORP.
3405 BALDY VIEW LANE
SPRINGFIELD, OR 97477

**AMENDED DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF SAHHALI SHORES AT NESKOWIN**

THIS DECLARATION is made on January 21, 1999 by Sycan B Corp. (Declarant).

RECITALS

A. Declarant is the owner of all the real property described in Exhibit "A" attached, including Lots 29 through 48 depicted in the plat of Sahhali Shores at Neskowin Unit One filed concurrently with this Declaration in the Plat Records of Tillamook County, Oregon, and desires to create thereon a Planned Community to be known as Sahhali Shores at Neskowin, with permanent roadways, utility installations and open spaces for the benefit of the Planned Community.

B. Declarant is reserving the right, but not undertaking the obligation, to annex additional property to the Planned Community subject it to the terms and provisions of this Declaration, the Articles and the Bylaws, as the same may be amended or supplemented. This right shall extend to the property described in Exhibit "B" and any other property selected by Declarant, there being no limitation on the number of lots or units or Common Property which Declarant may create or annex to the Planned Community. Declarant may annex additional property to the Planned Community in one or more Supplemental Declarations.

C. Declarant desires to provide for the preservation and enhancement of the property values, amenities and opportunities in Sahhali Shores and for the maintenance of the Property and improvements thereon, and to this end desires to subject the Property to the covenants, restrictions, easements, charges and liens hereinafter set forth, each and all of which is and are for the benefit of the Property and each owner of any Lot.

D. Declarant has deemed it desirable for the efficient preservation of the values and amenities in the Planned Community to create a nonprofit corporation, to which will be delegated and assigned the powers of owning, maintaining and administering the Common Property and facilities and administering and enforcing the covenants and restrictions and collecting and disbursing the assessments and charges hereinafter created, and promoting the recreation, health, safety and welfare of the residents.

E. Declarant is recording these Amended Covenants, Conditions and Restrictions in order to completely restate and supersede the Declaration of Covenants, Conditions and Restrictions of Sahhali Shores at Neskowin Consolidated recorded on June 7, 1995 in Book 370, Page 116, Records of Tillamook County, Oregon, as amended prior hereto. This Declaration shall be effective in doing so immediately upon its recordation.

F. Joiners each own one or more of the platted lots of Sahhali Shores at Neskowin for which a Declaration as to Restrictions on Use of Private Areas and Common Areas Within Sahhali Shores at Neskowin was recorded on March 6, 1979, Book 261, Page 749, Records of Tillamook County, Oregon and amended by the recording of supplemental Covenants, Restrictions and Conditions of Sahhali Shores at Neskowin on January 8, 1993, Book 347, Page 633, Records of Tillamook County, Oregon, which are collectively referred to herein as the "First CC&R's." An attempt to restate and supersede the First CC&R's by recording Amended Covenants, Conditions and Restrictions of Sahhali Shores at Neskowin on March 19, 1998, Book 394, Page 589, Records of Tillamook County, Oregon, had no effect because the approval of 75% of the lot owners of the 28 platted lots was not obtained as required by Section 33 of the First CC&R's. The property to be affected is described in Exhibit "C."

G. Joiners have signed this Declaration or written consents to be bound by this Declaration (Written Consents) in order to completely restate and supersede the First CC&R's with this Declaration so that all of the platted lots of Sahhali Shores at Neskowin become a part of the Planned Community governed by this Declaration. Pursuant to Section 33 of the First CC&R's, this Declaration shall be effective in doing so at such time as a cumulative total of the owners of 75% of the platted lots of Sahhali Shores at Neskowin have signed and recorded either this Declaration or a Written Consent. Until then, this Declaration shall bind only the property described in Exhibit "A" and any additional property annexed to the Planned Community by the Declarant in one or more Supplemental Declarations.

H. Declarant and Joiners recognize that the lots in the Planned Community will share to varying degrees for their common benefit the common use of streets, sewerage, a water system and open space. The parties to this Declaration are recording this Declaration to subject to this Declaration all of the property described in Exhibits "A" and "C" together with such additional property as may hereafter be added to the Planned Community by Declarant. Declarant and Joiners recognize that the easement for access for the Planned Community to and from U. S. Highway 101 has been and will continue to be over a presently existing private roadway. The legal description thereof was unclear in some of the deeds to lots in Sahhali Shores at Neskowin and incorrect in others. In order to clarify and correct the description of the easement's location, the Declarant and Joiners agree that the access easement is limited to the private roadway described in Exhibit D to this Declaration. This description shall supersede any other description therefor which is contained in any deed to any lot in Sahhali Shores at Neskowin.

I. The parties agree that the Association shall be the entity which, in conformity with this Declaration, shall control and be responsible for performing and exercising the obligations and powers set forth in Recital D for the entire Planned Community.

NOW, THEREFORE, the Declarant and Joiners declare that the Property shall be held, transferred, sold, conveyed and occupied subject to the provisions of the Oregon Planned Community Act, ORS 94.550 et seq., and to the covenants, restrictions, easements, charges and liens hereinafter set forth in this Declaration.

SECTION 1. DEFINITIONS

1.1 "Articles" means the Amended Articles of Incorporation for the nonprofit corporation, Sahhali Shores at Neskowin Consolidated Owners Association, as filed with the Oregon Corporation Commissioner.

1.2 "Association" means Sahhali Shores at Neskowin Consolidated Owners Association, its successors and assigns.

1.3 "Board of Directors" means the Board of Directors of the Association.

1.4 "Bylaws" means the Bylaws of the Association.

1.5 "Common Property" means that area of land shown on the recorded plat or plats of the Property, including any improvements thereon, which are intended to be devoted to the common use and enjoyment of the Owners and which land has been conveyed to the Association.

1.6 "Declaration" means the covenants, restrictions, and all other provisions set forth in this Amended Declaration of Covenants, Conditions and Restrictions of Sahhali Shores at Neskowin.

1.7 "Declarant" means Sycan B Corp. and its successors and assigns as to any interest in the development of the Property.

1.8 "Living Unit" or "Unit" means any portion of a structure situated upon the Property designed and intended for use and occupancy as a residence by a single family.

1.9 "Lot" means Lots 29 through 48 of Sahhali Shores at Neskowin Unit One, and after the requisite number of Joiners have signed this Declaration or Written Consents, also Lots 1 through 28 of Sahhali Shores at Neskowin as shown on the plat recorded on March 6, 1979, Book 261, Page 749, Records of Tillamook County, Oregon and any of the lots which may be subsequently annexed to the Planned Community on any supplemental declaration and plat submitting additional property to the terms of this Declaration. "Lot," however, shall not include any lot depicted on any plat of the Property which is designated for use as Common Property on such plat or declaration of Sahhali Shores at Neskowin.

1.10 "Member" means Owner and each Owner shall be a member of the Association.

1.11 "Occupant" means the occupant of a Living Unit who shall be either the owner, lessee or any other person authorized by the owner to occupy the premises.

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

1.13 "Planned Community" means the Lots together with the Common Property for which the Association has the obligations set forth in Recital D and elsewhere in this Declaration. The Planned Community is also referred to herein as Sahhali Shores or Sahhali Shores at Neskowin.

1.14 "Property" means all real property, including Lots 29 through 48 of Sahhali Shores at Neskowin Unit One, and after the requisite number of Joiners have signed this Declaration or Written Consents, also Lots 1 through 28 of Sahhali Shores at Neskowin, the Common Property and all improvements located on the real property subject to this Declaration together with such additional Lots and Common Property as may, from time to time, be annexed to the Planned Community.

1.15 "Rules and Regulations" means the documents containing rules and regulations and policies adopted by the Board of Directors or the Architectural Review Board as may be from time to time amended.

1.16 STEP Effluent Disposal System (STEP System) means the dosing tanks, dosing tank effluent pump, pressure effluent lines, holding tanks, gravel filter tanks, splitter valves and the common drainfields, together with all other facilities necessary to establish and operate the STEP System. The STEP System shall be part of the Common Property until and unless the Lots served by it are served by another sewerage system owned either publicly or by the Association. At such time, ownership of the STEP System shall, at Declarant's option, revert to Declarant. Reversion shall be effective upon the recording by Declarant of a "Notice of Reversion."

SECTION 2. PROPERTY SUBJECT TO THIS DECLARATION

The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in Tillamook County, Oregon and consists of Lots 29 through 48 and the adjoining Common Property of Sahhali Shores at Neskowin Unit One which are included within the legal description in Exhibit "A," and after the requisite number of Joiners have signed this Declaration or Written Consents, also Lots 1 through 28 and the adjoining Common Property, which are included within the legal description set forth in Exhibit "C" and any additional property which may be subsequently annexed to the Association.

SECTION 3. OWNERS ASSOCIATION - MEMBERSHIP AND VOTING RIGHTS

3.1 Organization. Declarant's predecessor in interest organized a corporation under the name Sahhali Shores at Neskowin Consolidated Owners Association, and which is referred to herein as the Association. The Association shall have the powers set forth in Recital D, ORS 94.550(9)(a) and elsewhere in this Declaration.

3.2 Members. Each Owner shall be a mandatory member of the Association. Membership in the Association shall be to appurtenant to, and may not be separated from, ownership of any Lot. Transfer of ownership of a Lot automatically transfers membership in the Association. Occupants and Owners shall be governed and controlled by this Declaration, the Articles, Bylaws, and rules and regulations of the Association and any amendments thereof.

3.3 Proxy. Each Owner may cast his or her vote by absentee ballot or pursuant to a proxy executed by the Owner. An Owner may not revoke a proxy given pursuant to this Section except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one (1) year after its date, unless the proxy specifies a shorter term.

3.4 Voting Rights. The Association shall have two (2) classes of voting members:

3.4.1 Class A. Class A members shall be all Owners of Lots other than the Declarant, and each Class A member shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which Owners are entitled to vote.

3.4.2 Class B. The Class B member shall be the Declarant, its successors and assigns. The Class B member shall have four (4) votes for each Lot owned. Provided, however, that all Class B memberships shall cease upon the conveyance by the Declarant of Lots, representing seventy-five percent (75%) of the total number of votes (termination date). Thereafter, each Owner, including the Declarant, shall be entitled to one (1) vote for each Lot owned with respect to all matters upon which owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots.

When more than one (1) person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event will fractional voting be allowed. Fractionalized or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes as of such termination date and thereafter shall be equal to the total number of Lots annexed to the Property and subjected to this Declaration as of such termination date.

3.5 Procedure. All meetings of the Association, the Board of Directors, the Architectural Review Board, and Association committees shall be conducted in accordance with such rules of order as may from time to time be adopted by the Board of Directors. A tie vote does not constitute a majority or approval of any motion or resolution.

SECTION 4. DECLARANT CONTROL

4.1 Interim Board and Officers. The Declarant hereby reserves administrative control of the Association. The Declarant, in its sole discretion, shall have the right to appoint and remove members of a three-member Interim Board of Directors, which shall manage the affairs of the Association, and which shall be invested with all powers and rights of the Board of Directors. Notwithstanding the provisions of this Section, at the Turnover Meeting at least one (1) Director shall be elected by Owners other than the Declarant, even if the Declarant otherwise has voting power to elect the Directors.

4.2 Transitional Advisory Committee. The Declarant shall form a Transitional Advisory Committee to provide for the transition of administrative control of the Association from the Declarant to the Class A members. Not later than the sixtieth (60th) day after the Declarant has conveyed Lots representing fifty percent (50%) of all votes in Sahhali Shores, the Declarant shall call a meeting of Owners for the purpose of selecting a Transitional Advisory Committee. The committee shall consist of three (3) members. The Class A members shall, by a majority vote, elect two (2) members, and the Declarant shall elect one (1) member. The committee shall have reasonable access to such information and

documents as the Declarant is required by law to make available. If the Declarant fails to call the meeting required under this Section, any Owner may do so.

4.3 Turnover Meeting. The Declarant shall call a meeting for the purpose of turning over administrative control of the Association from the Declarant to the Class A members within one hundred twenty (120) days of the earlier of the date that Lots representing seventy-five percent (75%) of the total number of votes have been conveyed to persons other than the Declarant. The Declarant shall give notice of the meeting to each Owner as provided in the Bylaws. If the Declarant does not call the meeting required under this Section, any Owner may do so.

SECTION 5. COVENANTS FOR MAINTENANCE ASSESSMENTS/SPECIAL ASSESSMENTS AND COMMON PROFITS

5.1 Creation of the Lien and Personal Obligation of Assessments. Except as otherwise provided herein, the Declarant hereby covenants, and each Owner covenants and agrees to pay the Association (1) regular assessments or charges for common expenses, and (2) special assessments as provided in this Section. All such assessments, together with interest thereon at the rate established from time to time by resolution of the Board of Directors and together with all other costs, fees, charges and fines allowed by law, shall be a lien and charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made. Such lien shall exist and be executed, recorded and foreclosed in the manner provided by law. If the Board of Directors has not established another rate, the interest rate on assessments shall be 12% per year. Notwithstanding any other provision in this Declaration, Declarant shall have no obligation to pay the Association either regular or special assessments during the time prior to the Turnover Meeting.

5.2 Regular Assessments.

5.2.1 Purpose of Assessments. The assessments levied under this Section shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the residents of the Planned Community, and for the improvement and maintenance of the Common Property, including payment of premiums for insurance required under this Declaration and to fund a replacement reserve for those items the Association has maintenance responsibility, and for payment of any common operating expenses such as landscaping, maintenance, water, sewer and garbage collection, management services, legal and accounting services and the like. Neither the Association, nor any assessments of the Owners shall be used to engage in lobbying or to exert political influence.

5.2.2 Basis for Assessment. There shall be two levels of assessments against Lots dependent upon whether such Lots are served by the STEP System.

(a) All Lots. All lots subject to assessments shall be assessed equally for costs not directly related to the STEP System including the following items:

- (1) Expenses of administration.
- (2) Expenses of operation, maintenance, repair and replacement of all improvements on the Common Property except the STEP System.

- (3) Any deficit in common expenses for any prior period.
- (4) Utilities for and property taxes attributable to the Common Property.
- (5) The cost of any professional management desired by the Board of Directors.
- (6) Any other items properly chargeable as an expense of the Association.
- (7) Reserve items as more particularly set forth in Sections 5.4 and 5.5.

(b) **STEP System Lots.** All Lots subject to assessments that are served by, or which in the determination of the Board of Directors will need to be served by the STEP System shall be separately and equally assessed for all costs directly related to the STEP System, including the installation, operation, maintenance, repair and replacement thereof.

(c) **Limited Benefit.** Any common expense or part thereof benefiting fewer than all the Lots may be assessed exclusively and equally against all of the Lots benefited.

All regular and special assessments shall be equally allocated among the Lots, except to the extent that Lots may be assessed in different manners as described above.

5.2.3 Method of Assessment. The Board of Directors shall determine the annual assessment in accordance with the provisions hereof. However, the annual assessment shall be sufficient to meet the obligations imposed by the Declaration. A budget shall be presented to Association and may be amended by the Class B Member or a majority of the votes of the entire membership if there is no Class B Member. The Board shall set the date(s) such assessments shall become due. The Board may provide for collection of assessments annually or in monthly, quarterly or semi-annual installments. However, upon the default in the payment of any one or more installments, the entire balance of such assessment may be accelerated at the option of the Board and be declared due and payable in full, together with interest and attorneys fees and costs as hereinafter provided.

Notwithstanding any other provisions of this Section, the regular assessments of the Association may not be increased by more than twenty percent (20%) in any one year without approval of a majority of the Owners at a meeting at which a quorum exists, or a majority of the votes of all Owners, if the vote is taken by written ballot.

5.3 Date of Commencement of Annual Assessments. The regular assessments with respect to the Lots shall commence at the time the Directors declare. Following such declaration, the pro rata regular assessment shall commence for each Lot from the date it is annexed to the Planned Community.

5.4 Common Property Reserve Account. The regular assessment against each Lot shall include an amount allocated to a reserve account established for the purpose of funding replacements of those elements of the Common Property that will normally require replacement, in whole or in part, in more than three (3) and less than thirty (30) years. Amounts assessed with respect to reserves shall take into account the estimated remaining life of the items for which the reserve is created and the current

replacement cost of such items. The assessments pursuant to this Section shall accrue from the date the plat of Sahhali Shores at Neskowin Unit One is recorded.

5.5 STEP System Lots Reserve Account. The assessment against each Lot that is served by, or which in the determination of the Board of Directors will need to be served by the STEP System shall include an amount allocated to a reserve account established for the purpose of funding replacement of such portions of the STEP System as will require replacement in more than three (3) and less than thirty (30) years. Amounts assessed with respect to reserve shall take into account the estimated remaining life of the items for which the reserve is established and the current replacement cost of such items. The assessment under this Section shall accrue from the date a Lot is served by the STEP System or the Board of Directors determines that the Lot will need to be served by the STEP System.

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

- (a) To correct a deficit in the operating budget by vote of a majority of the Board;
- (b) To collect amounts due to the Association from an Owner regardless of whether it is for breach of the Owner's obligations under the Declaration, these Bylaws, or the Association's rules and regulations, by vote of a majority of the Board;
- (c) Upon vote of a majority of the Board of Directors, to make repairs or renovations to the Common Property if sufficient funds are not available from the operating budget or replacement reserve accounts; or
- (d) To make capital acquisitions, additions or improvements, by vote of at least seventy-five percent (75%) of all votes allocated to the Lots.

5.7 Effect of Nonpayment of Assessments: Remedies of the Association. In addition to any other remedies provided by law, the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose a lien upon the Owner's Lot. No such action or a judgment entered therein shall be a waiver of the lien of the Association. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Property or abandonment of the Owner's Lot.

5.8 Subordination of the Lien to Mortgages. The lien with respect to any assessment provided for herein shall be prior to any homestead exemption and all other liens and encumbrances on a Lot, except:

- (a) A first mortgage of record; and
 - (b) A lien for real estate taxes and other governmental assessments or charges; and
 - (c) Liens and encumbrances recorded before the recordation of this Declaration.
- Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure or any proceeding in lieu thereof shall extinguish the lien of such assessments which became due prior to such sale or transfer.

5.9 Assessment Payments Belong to Association. Assessments paid are the property of the Association and are not refundable to Owners of Lots. The Owners of Lots may treat their outstanding share of the unexpended assessments as a separate item in any sale agreement for such Lot.

5.10 Common Profits. Profits arising from any operation or from the sale of any Association asset shall be shared among the Owners in proportion to their liability for payment of assessments.

SECTION 6. EASEMENTS AND COMMON PROPERTY

6.1 Obligations of the Association. Subject to the rights of Owners set forth in this Declaration, the Association shall be responsible for the exclusive management and control of the Common Property and any improvements thereon, and shall keep the same in good, clean, attractive and sanitary condition, order and repair, including, but not limited to, the removal of snow, trash and debris, the maintenance, cleaning, repair and replacement of the streets, parking areas, landscaped and unlandscaped land located on the Common Property. This obligation shall include the obligation for the operation, maintenance, repair and replacement of the STEP System.

6.2 Association's Easements. The Declarant and the Owner hereby grant to the Association an easement with respect to all Lots for the purpose of installing, operating, maintaining, repairing and replacing facilities related to the STEP System to be located on the Lots. It shall be the obligation of the Association to install, operate, maintain, repair and replace the STEP System. The Association's easements for installation, operation, maintenance, repair and replacement of the STEP System include the dosing tanks, effluent pumps and pressure effluent lines on each Lot; said easements to be five (5) feet on each side of the dosing tanks located on each Lot and five (5) feet on either side of the center line of said pressure effluent lines. Within these easements, no structure, planting or materials shall be placed or permitted to remain which may materially damage or interfere with the installation, inspection, operation, maintenance, repair and replacement of the STEP System, dosing tanks and pressure effluent lines. The Association shall at all times have access to the easement area and such additional space on the affected Lot as may be reasonably necessary to fulfill its obligations regarding the STEP System. Upon completing its work, the Association shall restore the Lot as near as is commercially reasonable to the condition it was in immediately before the work was begun. Local government standards shall control if they conflict with the above provisions. The easements granted in this Section shall be perpetual and shall run with the land.

6.3 Declarant's Easements. The Declarant hereby reserves to itself and the Owners grant to the Declarant a blanket easement over, upon, through and under the Property, including, without limitation, all Lots and Common Property, for all purposes reasonably required in developing the Planned Community including, without limitation, ingress and egress for the construction, alteration and completion of improvements developed on the Property or the installation, maintenance, repair and replacement of the STEP System as well as all utility and service lines and systems serving one or more of the Lots or the development and sale of additional property regardless of whether such additional property is subjected to this Declaration, and the sale of Lots. Declarant's easement for the location of utility facilities of any nature shall include 10 feet along each side of all Lots. The easement herein reserved shall include the right to store materials on the Common Property at such places and for such

periods as may be reasonably required to affect the purposes for which this easement is reserved. The easement shall be perpetual and shall run with the land and shall be freely assignable by the Declarant.

6.4 Owners' Easement of Enjoyment. Subject to the provisions of this Declaration, the Bylaws, and Rules and Regulations of the Association, every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common Property, which shall be appurtenant to and shall pass with the title to every Lot. The STEP System shall be available for use by any Owner whose Lot does not qualify for on-site septic disposal or has been determined by the Board of Directors to need service from the STEP System. This easement for use of the STEP System shall automatically terminate at such time as the ownership of the STEP System reverts to Declarant pursuant to Section 1.16 or as otherwise provided in this Declaration.

6.5 Extent of Owners' Easements. The Owners' easements of enjoyment created hereby shall be subject to the following:

6.5.1 Subject to Rules and Fees. The right of the Association to establish reasonable rules and to charge reasonable assessments and fees for capital expenditures on the Common Property and the maintenance and upkeep of the Common Property and payment of all Association expenses.

6.5.2 Suspension of Owner's Right. The right of the Association to suspend the right of an Owner or any occupant of a Lot to use the Common Property and facilities for any period during which any assessment against such Owner or occupant's Lot remains unpaid for more than thirty (30) days after notice of such nonpayment; the right of the Association to suspend the right of a member to use any Common Property for a period not to exceed sixty (60) days for any other infraction of the Declaration, Bylaws or the Rules and Regulations of the Association. Provided, however, that no such suspension pursuant to this subsection shall deprive an Owner of access to his or her Lot.

6.6 Sale of Common Property. As provided by ORS 94.665, the Association may sell, dedicate or transfer any portion of the Common Property or create a security interest therein. Except as to the grant of easements for utilities and similar or related purposes, no such sale, dedication or transfer shall be effective unless approved by eighty percent (80%) of the votes of both Class A and Class B members. Provided further, if there is only one class of votes, such sale, dedication or transfer (except for utility and similar easements) must be approved by eighty percent (80%) of the votes held by Owners.

6.7 Declaration of Use. Any Owner may delegate his or her right of enjoyment to the Common Property and facilities to the members of the Owner's family and to a reasonable number of guests subject to general regulations as may be established from time to time by the Association and included within the Book of Resolutions.

6.8 Damage or Destruction of Common Property by Owner. In the event any Common Property is damaged or destroyed by an Owner or any of his or her guests, tenants, licensees, agents or members of his or her family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner does hereby authorize the Association to repair such damage; the Association shall repair damage in a good and workmanlike manner as originally constituted or as the area may be modified or altered subsequently by the Association in the discretion of the Association. The reasonable cost necessary for such repairs shall become a special assessment upon the Lot of the Owner who caused or is otherwise responsible for such damage.

SECTION 7.
GENERAL RESTRICTIONS ON USE OF COMMON PROPERTY

7.1 General. No person shall construct or reconstruct any improvements, or alter or refinish any improvement, make any excavation or fill, make any change in the natural or existing surface drainage or install a utility line or place any planting or equipment or object of any kind on the Common Property unless such person has first obtained approval therefor from the Architectural Review Board. This provision shall not, however, prohibit Declarant or the Association from installing, operating, maintaining, repairing and replacing portions of the STEP System on the Common Property.

7.2 Encroachments. If any portion of a Living Unit or other structure now or hereafter constructed on any Lot encroaches on any part of the Common Property or another Lot, such encroachment shall promptly be removed by the Owner of the Living Unit or structure.

SECTION 8.
OBLIGATIONS OF DECLARANT

8.1 Improvements in the Common Property. The Common Property will be improved with private roads, a water system, landscaping and the STEP System as deemed necessary by the Declarant. Except for the possible future expansion of the STEP System, it is contemplated that the improvements will be largely completed prior to conveyance of a Lot in Sahhali Shores at Neskowin Unit One to any Owner other than Declarant.

8.2 Ownership of Common Property. The Declarant shall convey the Common Property to the Association within sixty (60) days after 75% of the Lots have been conveyed to Owners other than Declarant. Additional Common Property adjacent to Lots in Sahhali Shores which are subsequently annexed will be conveyed to the Association within ninety (90) days after such annexation. If the Common Property is ever assessed for property tax purposes separately from the Lots, the Association shall take such steps as may be necessary to assess all Owners equally for their share of such taxes and to pay such property taxes on a current basis.

8.3 STEP System Improvements on Lots. Declarant or the Association, at Declarant's direction, shall make the initial installation of dosing tank, dosing tank effluent pump and pressure effluent lines as necessary on each STEP System Lot pursuant to the standards required by the Oregon Department of Environmental Quality and any other governmental agency having jurisdiction over such installation. The projected expense of such installation shall be paid by the Owner of the affected Lot to Declarant or Association as appropriate upon request prior to the commencement of the work. Any amount due to the Association therefor shall be deemed to be a special assessment pursuant to Section 5.6(b).

SECTION 9.
USE RESTRICTIONS; ARCHITECTURAL CONTROLS
AND MAINTENANCE RESPONSIBILITIES

9.1 General.

9.1.1 Governmental Restrictions. All uses, occupancy, construction and other activities conducted on any Lot shall conform with and be subject to applicable zoning, use restrictions, setback requirements, construction and building codes of all local, state and federal public authorities.

9.1.2 Outdoor Storage. No outdoor storage of recreational vehicles, trailers or boats shall be allowed on the Common Property or outdoors on any Lot.

9.1.3 Garages. No garage shall be used for any purpose other than storage of automobiles, pick-ups, vans, "four wheel drive vehicles" and motorcycles, if such vehicles are intended and used for ordinary highway transportation of passengers and to store golf carts. Additionally, recreational fishing or pleasure boats may be stored in one parking space of a garage if it can be completely enclosed when the garage door is closed. Provided however, at least one garage space shall be used for the family vehicle. A driveway shall not be used for regular parking by Occupants.

9.1.4 Combination, Division. No Owner shall have the right to divide any Lot. Any Owner, upon compliance with the requirements of all applicable zoning, building and land use laws, regulations and ordinances, and the architectural requirements of the Declaration and any rules and regulations of the Association may construct (reconstruct or replace) one Living Unit on two or more Lots.

9.2 Use. All Lots shall be used primarily for residential, recreation and vacation purposes only. Neither any substantial commercial nor any retail or industrial use shall be allowed on any Lot. Provided however, subject to compliance with applicable laws and any rules or regulations of the Association, an Owner may rent his or her Living Unit on a nightly, monthly or other basis, even though such rental activity would usually be considered a commercial use.

9.3 Exterior Improvements.

9.3.1 Structures on Lots. No building shall be erected, altered, placed or permitted to remain on a Lot other than one attached or detached single family dwelling not to exceed two stories in height and a private garage or carport and except as are made more restrictive by these covenants, shall be in full compliance with the zoning restrictions of Tillamook County.

9.3.2 Provisions for and Restrictions on Buildings.

(a) The exterior of any structure erected on a Lot must be fully completed and painted with two (2) coats of stain, preservative, or paint within one (1) year after construction has commenced.

(b) The external design of all buildings on a Lot are expected to harmonize and to reasonably harmonize with the buildings on other Lots. All auxiliary buildings are to be of the same general design and materials as the Living Unit. The primary exterior color tone of all buildings shall blend with the natural environment. Bright, unnatural exterior colors are prohibited, except for limited use as trim and

accent panels. All Living Units, auxiliary buildings, fences, retaining walls and similar or dissimilar manmade structures shall be constructed in a good workmanlike manner in accordance with locally acceptable professional building practices. All material utilized shall reasonably harmonious with the other residences in the Planned Community.

(c) The ground floor area of the main structure, exclusive of one story open porches, garages, and carports, shall not be less than that required by Tillamook County Building Codes, with a minimum ground floor area of 1600 sq. ft. single level or a total of 1800 sq. ft. in two story or one story with daylight basement.

(d) All structures erected shall have full concrete, masonry, or concrete or wooden piers and piling foundations as approved by Tillamook County and designed to accommodate the terrain. Foundations and exterior walls of the building shall be finished in a suitable and customary manner for such type of building.

(e) No building shall be erected on any Lot which building exceeds thirty (30) feet in height when measured from the highest point of the building (exclusive of chimneys and flues) to the average natural ground contour on the uphill side of the dwelling structure, unless specifically approved by the Architectural Review Board for such building after a determination that it will not unreasonably restrict the view of neighboring Lots.

(f) Owners shall insure that design and construction of structures in the Planned Community will properly withstand the unique environmental coastal conditions including high winds, steep sites, heavy rainfall and a high level of corrosion including the protection of the coastal flora on the properties.

(g) All Living Units shall be constructed on the Lot and mobile homes or factory built homes shall not be permitted. Panels constructed off site but assembled on the Lot are permitted.

9.3.3 Common Property. No Owner shall construct or place any structure, material, planting, equipment or any object of any kind on any portion of the Common Property, unless granted written permission by the Board of Directors, and then only in strict compliance with such authorization.

9.4 Exterior Maintenance, Repair and Replacement.

9.4.1 No Association Responsibilities. Except as provided in this Declaration regarding the STEP System, the Association has no obligation to perform any maintenance, repair or replacement of the exterior of Living Units, or any maintenance of any landscaping on the Lots.

9.4.2 Owner Responsibilities. Each Owner shall perform all maintenance, repair and replacement of the Owner's Living Unit, and shall perform all maintenance, planting, pruning, mowing and cleaning of all lawns and landscaping on such Owner's Lot. Each Owner shall be responsible for the maintenance, repair and replacement of any other improvements, or materials located within the Owner's Lot. Each Owner shall be responsible for all costs related to the installation, operation, maintenance, repair and replacement of the portion of the STEP System or any septic system on the Owner's Lot.

9.5 Underground Utilities. No outdoor overhead wire or service drop for the distribution of electric energy or for telecommunication purposes nor any pole, antennae, satellite receiving dish, tower

or other structure for independent reception, transmission or support of any of the above shall be erected, placed or maintained within the Property. However, this provision shall not be construed or applied so as to impair an Owner's ability to receive video programming services over a satellite antenna less than one meter in diameter unless permitted by the Federal Communications Commission or other governmental agency having jurisdiction.

9.6 Leases/Rentals. Each Owner shall have the right to lease or rent his or her Living Unit for any period of time, subject to full compliance with applicable laws, the Articles, Declaration, Bylaws and Rules and Regulations of the Association and applicable local, state and federal laws and regulations. All such leases or rental agreements shall be in writing and shall be deemed to provide that their terms shall be subject in all respects to the provisions of this Declaration, the Articles, Bylaws and Rules and Regulations of the Association and that any failure by the lessee or renter to comply with the provisions of such documents shall constitute a default under said lease or rental agreement. The lessee's or renter's use and enjoyment of the Common Property under such lease or rental agreement shall be subject to suspension by the Board of Directors for any of the causes set forth elsewhere in this Declaration, including, without limitation, the nonpayment of assessments with respect to the Lot occupied by the lessee or renter. Any such lessee or renter shall be entitled to the use and enjoyment of the Common Property; provided, an Owner may not sever the right to the use and enjoyment of the Common Property from the right to occupy his or her Lot and the improvements thereon by means of a lease, rental agreement or otherwise.

9.7 Accessory Buildings. A noncommercial type greenhouse may be erected; or a garden tool shed or other residential accessory building or improvements provided that these types of improvements are of pleasing architectural design and shall have the exterior painted and are located within the fenced in patio or court yards if such structure is separated from the Living Unit. All detached Living Units must provide a garage sufficient for a minimum of two vehicles. All other Living Units must provide a garage or carport for at least one vehicle for each Living Unit.

9.8 Screening. All garbage, trash, cuttings, refuse, and garbage and refuse containers, oil tanks, clothes lines, other service facilities, stored trailers, and RV's, shall be screened from view, from neighboring units and from common areas in a manner approved by the Architectural Review Board.

9.9 Nuisance. No noxious or offensive activity shall be carried on, on a Lot, nor shall anything be done or placed upon any Lot which interferes with or jeopardizes enjoyment of other Lots or within the Planned Community.

9.10 View Protection. If any tree, shrub, or other vegetation blocks or substantially obscures the view of the Pacific Ocean from any Living Unit, the Owner of such Living Unit may petition the Architectural Review Board for the trimming, topping, or removal of such tree, shrub, or other vegetation. Upon receipt of such a petition, the Architectural Review Board shall investigate the matter and determine whether said view is, in fact, blocked or substantially obscured. If the Architectural Review Board so determines in writing, then the offending tree, shrub, or other vegetation shall be trimmed, topped, or entirely removed. The Owner of the offending tree, shrub, or other vegetation shall be entitled to elect, within ten (10) days of the Architectural Review Board's determination, as to whether the offending tree, shrub, or other vegetation shall be trimmed, topped, or removed. In any event, the entire cost of trimming, topping, or removal shall be the sole responsibility of the petitioning Owner.

9.10.1 Retention of Natural Environment. Declarant desires to maintain retention of the present natural environment. Normal trimming, pruning and topping of trees or removal of hazardous trees will be permitted in undeveloped areas without approval and the felling and removal of trees and growth that interfere with the construction or maintenance of a septic system or road and access is permitted without approval. Natural flora shall be maintained to minimize erosion and to maintain the coastal character of the Property.

9.10.2 Excavation. Cuts, scraping, and removal of soil and/or shrubs and vegetation may adversely affect septic approval for the Lots. Such activities on Lots including the felling and removal of trees and growth that interfere with the construction or maintenance of a septic system or road and access require the prior approval of the Architectural Review Board. The Architectural Review Board's activities shall consider the desire to maintain the coastal character of the Property and the desire for each Lot to maintain its own, on-site, septic disposal system where approved by the County.

9.11 Fences, Walls and Hedges. No fence, wall or hedge shall exceed six (6) feet in height. Owners, who desire a fence, are encouraged to use the same or similar materials in style as fencing in the areas near the Planned Community. In no event shall side yard fences project beyond the front walls of any Living Unit or any garage, nor in excess of twenty-five (25) feet beyond the rear walls of any Living Unit or any garage, except as allowed by the Architectural Review Board. No fence, wall or hedge shall be permitted within the minimum set back line and the property line nor to extend more than twenty-five (25) feet from the structure of the Living Unit. Prior to construction, designs of all fences, hedges or walls must be approved in writing by the Architectural Review Board. The walls and/or fences on any Lot shall not be altered without written consent of the Architectural Review Board.

9.12 Sight Line Protection. No hedge, shrub or tree planting which obstructs sight lines at elevations between two (2) and six (6) feet above the roadways shall be placed or permitted to remain in the vision clearance triangle. The vision clearance triangle is the triangle formed: 1) on a corner Lot by the street property lines and a straight line connecting them at points 25 feet from the intersections of the street property lines extended; or 2) at a driveway by the street property line and the edge of the driveway and a straight line connecting them at points 15 feet from the intersection of the street and the driveway. Hedges, shrubs and trees shall be permitted in the vision triangle provided the foliage line is maintained at a height which does not obstruct sight lines in the vision clearance triangle.

9.13 Set Backs. No building or fencing shall be located on any Lot nearer than twenty (20) feet to the front Lot line, or any side street line. Except for attached Living Units permitted under Section 9.3.1, no building or fencing shall be located nearer than fifteen (15) feet to an interior Lot line. Except for attached Living Units permitted under Section 9.3.1, eaves, steps, open porches and balconies shall not be permitted to extend closer than ten (10) feet to an interior Lot line. The Architectural Review Board may approve a proposal which does not comply with these requirements pursuant to the process set forth in Section 10.

9.14 Parking. Adequate parking shall be provided for all vehicles of owners and guests on the residential lot where at all practical. Parking along the common roadway will be restricted.

9.15 Party Walls.

9.15.1 General Rules of Law to Apply. Each wall built as a part of a Living Unit which divides Living Units, and which is placed on the dividing line between Lots, shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Declaration, the general rules of law regarding party walls shall apply thereto.

9.15.2 Sharing of Repair and Maintenance. The cost of repair and maintenance of a party wall shall be shared equally by the Owners whose Living Units are divided by such wall.

9.15.3 Weatherproofing. Notwithstanding any other provision of this Section, an Owner who by his or her negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

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

9.15.5 Arbitration. In the event of any dispute arising concerning a party wall, or concerning the obligations of the Owners or the Association pursuant to the provisions of this Section, each party shall choose an arbitrator, and the arbitrators so chosen shall choose one additional arbitrator, and the dispute shall be resolved by a majority of all the arbitrators pursuant to the provisions of ORS 36.300 *et. seq.*, as amended.

9.16 Restrictions. The restrictions contained in this Section may not apply to all future development. The individual Lot restrictions on certain future development may require a separate set of covenants in respect to the restrictions to be applied to individual Lot use.

SECTION 10. ARCHITECTURAL REVIEW BOARD

10.1 Composition. The Board of Directors shall serve also as an Architectural Review Board. A quorum for the Architectural Review Board action shall be a majority of its members. The Board of Directors may delegate the duties of the Architectural Review Board to a committee appointed by the Board composed of not less than three (3) Owners.

10.2 Duties. It shall be the duty of the Architectural Review Board to regulate the external design, appearance, location and maintenance of all the Property and of improvements thereon, whether on a Lot or Common Property, and to regulate use of such Property as described in this Declaration. As soon as is reasonably practicable after the recording of this Declaration, the Architectural Review Board shall adopt general rules to implement the purposes and interpret the covenants of this Section, including, but not limited to, rules not less restrictive than those contained in this Declaration to regulate animals and tenants, storage and use of recreational vehicles, storage and use of machinery, use of outdoor drying lines, trash containers, planting, maintenance and removal of vegetation of the Property.

10.3 Approval Required. No Living Unit, outbuilding, fence, wall or other structure of any type shall be commenced, erected or maintained upon the Property, nor shall any exterior addition to, change in, painting or staining of, or alteration to any Living Unit, outbuilding, fence, wall, or other structure on the Property of any type be made until the plans and specifications showing the nature, kind,

shape, height, materials, color and location of the same shall have been submitted to and approved in writing by the Architectural Review Board as to the harmony of external design, materials, color, preservation of natural vegetation and location in relation to surrounding structures and topography.

10.4 Procedure. An Owner wishing to take any action requiring approval under this Section shall give notice of such proposed action to the Architectural Review Board, together with a completed application in the form specified by the Architectural Review Board and complete plans and specifications therefor. The Architectural Review Board shall meet to review the Owner's request and shall render a decision by the vote of a majority of Board Members present within forty-five (45) days of receipt. Interested Owners shall have an opportunity to comment on the request at all such meetings, which shall be open to all Owners. Except as provided below, if the Architectural Review Board fails to issue a written decision within the time allowed, the request shall be deemed to be approved. Requests seeking approval for actions not in compliance with the set back requirements of Section 9.13 shall be deemed denied unless a written decision approving the request is issued within the time allowed.

10.5 Appeal. The decision of the Architectural Review Board under this Section (including any failure to approve or disapprove within the time allowed) shall be subject to appeal by any Interested Owner as set forth in this Section. Upon the payment of a reasonable fee established by the Architectural Review Board to cover administrative costs not to exceed Two Hundred Fifty Dollars (\$250), any interested Owner may appeal the decision of the Architectural Review Board to the Association members. The appeal shall be made in writing and shall be filed with the Secretary of the Association within thirty (30) days of the decision of the Architectural Review Board. The Board of Directors shall call a special or ballot meeting to be held after ten (10) days notice and within thirty (30) days after the appeal has been filed with the Secretary of the Association. It shall require a vote of at least a majority of the votes of each Class of Association members to reverse or modify the decision of the Architectural Review Board.

10.6 Exemptions. The following actions by the following persons shall be exempt from the provisions of this Section:

- (a) The planting of any shrubs, flowers or other plants (excepting trees) by any Owner within an enclosed courtyard or fenced area on such Owner's Lot;
- (b) Any act of the Declarant in developing any Lot or any portion of the Common Property in the Planned Community, whether or not annexed to the Association.

SECTION 11. EXPANSION

11.1 Right to Expand Planned Community. Declarant is the owner of adjoining properties for which further development is planned. Declarant may annex additional properties to the Planned Community. Additional property shall be added to the Planned Community upon the filing by Declarant of one or more Supplemental Declarations.

11.2 Content of Supplemental Declarations. Each Supplemental Declaration shall contain, at least, the following provisions:

11.2.1 Cross-References. Each Supplemental Declaration shall reference this Declaration (or as subsequently amended) including the date of recordation hereof and the book and page number where this Declaration is recorded.

11.2.2 Statement of Application. A statement that the provisions of this Declaration shall apply to the annexed property.

11.2.3 Description of Additional Property. A legal description of the property to be annexed.

11.2.4 Description of Common Property. A description of the Common Property, if any, located within the property to be annexed.

11.2.5 Statement of Right. A statement that the annexation is pursuant to the right of the Declarant as provided in this Declaration.

11.3 Additional Common Property. There is no limitation on the right of Declarant to annex additional Common Property to the Planned Community by following these procedures.

11.4 Additional Lots. There is no limitation on the number of Lots which may be created or annexed to the Planned Community.

11.5 Association Membership. Membership in the Association shall be expanded upon the recording of the Supplemental Declaration to include the Owners of annexed property. The new members shall thereafter have the rights and obligations established in this Declaration. This Declaration shall apply to the annexed property in the same manner as if such property had originally been subject to it and had originally constituted a portion of the Property. Thereafter, the rights, privileges, duties and liabilities of the Members and the burdens and benefits of the land shall be the same as though the annexed property had originally been subject to this Declaration.

11.6 Assessments. The Owner of annexed property shall be subject to prorated assessments for the balance of the fiscal year in which the Supplemental Declaration is recorded, and shall not be liable for Assessments prior to that date.

SECTION 12. DECLARANT'S SPECIAL RIGHTS

Until all Lots on the Property have been sold, with respect to the Common Property and each Lot, Declarant shall have the following special rights:

12.1 Sales Office and Model. Declarant shall have the right to maintain a sales office and model on one or more of the Lots which the Declarant owns. The Declarant and prospective purchasers and their agents shall have the right to use and occupy the sales office and models during reasonable hours any day of the week.

12.2 "For Sale" Signs. Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, the Common Property.

12.3 Declarant Easements. Declarant has reserved easements over the Property as more fully described in Section 6 hereof.

12.4 Expansion. Declarant may annex additional property to the Planned Community pursuant to Section 11.

12.5 Additional Improvements. Declarant may construct additional improvements on the Common Property which Declarant determines may be beneficial for the development of the Planned Community.

12.6 Reversion of the STEP System. Declarant may withdraw from the Common Property that portion of the Common Property which is used as the drainfield for the STEP System. The right to withdraw such property from the Common Property may only be exercised when the Lots served by the STEP System have available to them either a public sewerage system or alternate facilities adequate to serve their needs for disposal of domestic sewage. The withdrawal shall occur on the filing by Declarant of a Supplemental Declaration withdrawing the affected property from the Common Property. Subject to applicable laws and regulations, Declarant may divide the withdrawn property into lots which thereafter shall be Lots in the Planned Community and be subject to this Declaration on the same basis as property which is annexed to the Planned Community pursuant to Section 11.

SECTION 13. CONDEMNATION OF COMMON PROPERTY

In the event that all or any portion of the Common Property is appropriated as the result of condemnation or threat or imminence thereof, the following rules and guidelines shall apply:

13.1 Representation by Association. The Board of Directors shall have the sole authority, right and duty to represent each of the Owners for the purpose of negotiating and contesting, if it deems so doing to be necessary or appropriate, any condemnation award offered by the condemning authority in question and may authorize expenditures and assessments to retain adequate counsel or other experts for such purposes.

13.2 Allocation of Condemnation Award. The Board of Directors of the Association shall allocate and distribute any condemnation award received by it with respect to the Common Property to the Owners in proportion to the diminution in fair market value incurred by them with respect to their respective Lots and improvements as a result of said condemnation.

13.3 Arbitration. In the event of any controversy by, among or between any Owner or Owners and the Board of Directors arising under this Section, each of the disputing parties shall choose one (1) arbitrator and such arbitrators shall choose one (1) additional arbitrator. The three (3) arbitrators shall resolve the controversy by majority vote and said decision shall be final, binding and unappealable upon the disputing parties. Any action or decision of the Board of Directors pursuant to this Section shall carry a rebuttable presumption of correctness for purposes of arbitration pursuant to this Section. The disputing parties each shall pay all the fees and expenses of the arbitrator designated by each of them and shall pay equally all fees and expenses of the third arbitrator. The disputing parties each shall pay their own expenses in connection with the arbitration.

13.4 Retention of Rights. No provision of this Section shall be construed as negating the right of the individual Owners to such incidental relief as the law may provide as a result of the condemnation of the Common Property.

SECTION 14. GENERAL PROVISIONS

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

14.2 Indemnification of Directors, Officers, Employees and Agents. The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he or she is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorney fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or with a plea of no contest or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to, the best interest of the Association, and, with respect to any criminal action or proceedings, had reasonable cause to believe his or her conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association, should it be proven at a later time that said person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

14.3 Enforcement. The Association and the Owners or any mortgagee on any Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens and charges now or hereinafter imposed by any of the provisions of this Declaration as may appertain specifically to such parties or Owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant or restriction herein contained shall 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 this Declaration, the prevailing party shall 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, the

Association shall be entitled to its reasonable attorney fees incurred in any enforcement activity taken to collect delinquent assessments, whether or not suit or action is filed.

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

14.5 Duration. The covenants and restrictions of this Declaration shall run with and bind the land for a term of thirty-five (35) years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless rescinded by a vote of at least ninety percent (90%) of the Owners and ninety percent (90%) of the first mortgagees. Provided however, amendments that do not constitute rescission of the Planned Community may be adopted as provided in Section 14.6.

14.6 Amendment. As provided by ORS 94.590 and except as otherwise provided in Sections 14.5 and 14.9, and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than seventy-five percent (75%) of the total votes of each class of members that are eligible to vote. Any amendment must be executed, recorded and certified as provided by law. Provided, however, that no amendment of this Declaration shall effect an amendment of the Bylaws, the Articles of Incorporation without compliance with the provisions of such documents, and the Oregon Non-Profit Corporation Act. Provided further, no amendment affecting any right of the Declarant herein contained may be effected without the express written consent of the Declarant.

14.7 Rights of Mortgagees. Any holder of a first mortgage or equivalent lien on any Lot and/or the improvements located thereon, upon written request to the Board of Directors of the Association, shall have the right to:

- (a) Receive timely written notice of meetings of the Association;
- (b) Receive timely written notice of any proposed abandonment, termination or contraction of this planned unit development;
- (c) Receive timely written notice of any material amendment of the Declaration or the Articles of Incorporation or Bylaws of the Association;
- (d) Receive timely written notice of any decision by the Association to terminate professional management and to assume self-management of the Property, if the Association previously has retained professional management services;
- (e) Inspect the financial records and similar documents of the Association at reasonable intervals during normal business hours;
- (f) Receive written notice of substantial damage to or destruction of any Lot and/or the improvements thereon or the Common Property and/or any improvements thereon; and
- (g) Receive timely written notice of any condemnation or eminent domain proceeding affecting the Common Property or any portion thereof.

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

14.9 Unilateral Amendment by Declarant. The Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any other state in which the Lots are marketed and sold, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon, or such other state, the approval of which entity is required in order for it to insure, guarantee or provide financing in connection with development of the Property and sale of Lots. Prior to the turnover meeting, no such amendment shall require notice to or approval by any Class A member.

14.10 Estoppel Certificate. Within (15) working days after written request is delivered to the Association by an Owner, the Board shall provide such Owner with an estoppel certificate executed by a member of the Board certifying, with respect to any Lot owned by the Owner, that as of the date thereof, either: all improvements made to such Lot by the Owner comply with this Declaration, or such improvements do not comply, in which event the certificate shall also identify the noncomplying improvements and set forth the nature of such noncompliance. Any purchaser in due course from the Owner, and any mortgagee or other encumbrancer, shall be entitled to rely on such certificate with respect to the matters set forth therein, such matters being conclusive as between the Association, and all Owners, and such purchaser or mortgagee.

14.11 Defenses. It shall be a defense to claims brought against a Lot Owner pursuant to this Section in respect to matters within the purview of the Architectural Review Board, where an Estoppel Certificate as described in Section 14.10 was issued and where the offending improvement was in existence at the time of the issuance of the Estoppel Certificate.

14.12 Liability. The scope of the Association's review is not intended to include any review or analysis of structural, geophysical, engineering, or other similar considerations. Neither the Association nor any member shall be liable to any Owner, Occupant, builder or developer for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the Association or any member.

14.13 Consent of Vendor. Declarants' ownership of the property described in *Exhibits A and B* is based in part on its purchase of such property from Charles C. Lake pursuant to the terms of a Real Estate Contract dated July 10, 1998, a Memorandum of which was recorded July 13, 1998 in Book 398, Page 292, Records of Tillamook County, Oregon. Charles C. Lake, for himself and his heirs, successors and assigns, has signed this Declaration in order to grant and provide his consent to the recording and effectiveness of this Declaration according to its terms.

14.14 Recitals. The Recitals are incorporated in this Declaration.

DATED this 21st day of January, 1999.

DECLARANT:

JOINERS:

SYCAN B CORP

SAHHALI PROPERTIES, INC.

By: (Signature of Richard Boyles)
Richard Boyles, President

By: (Signature of Charles Lake)
Charles C. Lake (Lots 1, 5, 23)

Title: President

(Signature of Charles Lake)
CHARLES C. LAKE

STATE OF OREGON, County of Lane)ss.

This instrument was acknowledged before me this 21st day of January, 1999 by Richard Boyles of Sycan B Corp.

(Signature of Janell R. McLaren)
Notary Public for Oregon

STATE OF Oregon)ss.
County of Lane)

My Commission Expires: 10/5/2002

This instrument was acknowledged before me this 19 day of January, 1999 by Charles C. Lake.

(Signature of Julie E. LaFoon)
Notary Public for Oregon

STATE OF Oregon)ss.
County of Tillamook)

My Commission Expires: 11/7/1999

This instrument was acknowledged before me this 19 day of January, 1999 by CHARLES C. LAKE as PRESIDENT of Sahlali Properties, Inc.

(Signature of Julie E. LaFoon)
Notary Public for Oregon
My Commission Expires: 11/7/1999