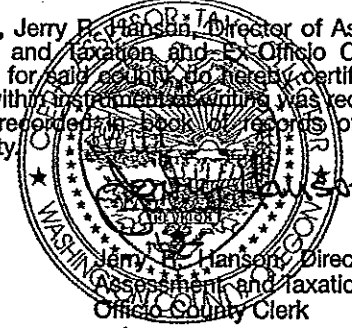


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STATE OF OREGON }
County of Washington } SS

I, Jerry F. Hanson, Director of Assessment and Taxation and Ex-Officio County Clerk for said county, do hereby certify that the within instrument containing was received and recorded in book of records of said county.



Jerry F. Hanson, Director of Assessment and Taxation, Ex-Officio County Clerk

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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR BAUER HIGHLANDS**

**MATRIX DEVELOPMENT CORPORATION,
an Oregon corporation
("Declarant")**

Dated May 21, 2001

*Return to:
Matrix Development*

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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR BAUER HIGHLANDS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF BAUER HIGHLANDS ("Declaration") is made this 21st day of May, 2001 by Matrix Development Corporation, an Oregon Corporation, as the Declarant.

WHEREAS, the Declarant is the owner, or controls, all that certain real property and improvements thereon located in the County of Washington, State of Oregon, described in Exhibit "A", attached hereto and incorporated herein by reference, and also referred to as Plat of Bauer Highlands, recorded April 27, 2001 in Book 130, Pages 16 through 20, recorded as Document No. 2001038436; and

WHEREAS, Declarant intends to develop the Property as a planned development, and to establish the planned development project of Bauer Highlands, Declarant desires to impose these mutually beneficial covenants, conditions, restrictions, easements, assessments and liens on the Property under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Lots and Common Area within Bauer Highlands; and

WHEREAS, Declarant has deemed it desirable for the preservation of the values and amenities in Bauer Highlands to create a non-profit corporation, to which will be delegated and assigned the powers and authority to own, maintain and administer the Association and the Common Area and facilities, and administer and enforce the covenants, conditions, and restrictions of this Declaration, and collect and disburse the assessments and charges hereinafter created.

NOW THEREFORE, the Declarant declares that the Property shall be held, transferred, sold, conveyed and occupied subject to the following covenants, conditions, restrictions, easements, charges and liens, or as noted herein, which shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in the Property or any part thereof and shall inure to the benefit of the Association and of each Lot Owner.

ARTICLE 1

DEFINITIONS

1.1 "Architectural Review Committee" or "ARC" shall mean the Declarant until turnover and thereafter shall refer to the Board of Directors unless the Board has appointed a separate body to carry out the functions described in Article 6 in which case "ARC" shall refer to this body.

1.2 "Articles" shall mean the Articles of Incorporation for the non-profit corporation, Bauer Highlands Homeowners Association, or such similar name approved by and filed with the Oregon Corporation Commissioner.

1.3 "Association" shall mean and refer to Bauer Highlands Homeowners Association, its successors and assigns.

1.4 "Bauer Highlands" shall mean the real property described on the attached Exhibit "A", and any annexations of additional lands to Bauer Highlands and all Common Area included within the Plat of Bauer Highlands.

1.5 "Board" or "Board of Directors" shall mean the Board of Directors of Bauer Highlands Homeowners Association.

1.6 "Bylaws" shall mean and refer to the Bylaws of the Association.

1.7 "Common Area" shall mean and refer to any areas of land shown on the recorded plat of the Property, including any improvements thereon, which are intended to be devoted to the common use and enjoyment of the members of the Association, including all or parts of Tracts A and B on the Plat.

1.8 "Declarant" shall mean and refer to Matrix Development Corporation, an Oregon Corporation, their successors or assigns, or any successor or assign if such successor or assign should acquire: (i) all or a material portion of Declarant's interest in the Property or (ii) all or a material portion of Declarant's rights under this Declaration, in either case as determined by Declarant and only pursuant to a recorded instrument expressly evidencing the acquisition of such interest or right executed by Declarant. All successors to Declarant shall have the same rights and interest as the initial Declarant. "Declarant" shall not refer to any other subsequent purchaser of a Lot or Home; provided Declarant may assign or delegate any of its rights or duties hereunder to a subsidiary or affiliate.

1.9 "Declaration" shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration of Covenants, Conditions and Restrictions for Bauer Highlands.

1.10 "General Common Expenses" shall mean those Common Area and Maintenance Area expenses incurred by the Association for the benefit of all of the Owners of the Lots within the Property.

1.11 "General Plan of Development" shall mean the Declarant's general plan of development of the Property as approved by appropriate governmental agencies, as may be amended from time to time.

1.12 "Home" shall mean and refer to any portion of a structure situated on a Lot designed and intended for use and occupancy as a residence by a single family or household.

1.13 "HUD/VA" means the federal Department of Housing and Urban Development, the Federal Housing Administration or the Veterans Administration. Wherever in this Declaration the approval of HUD/VA is required as to any matter, request for approval may be sent to any of such agencies, or any other federal agency with responsibility for the matter at issue, and approval of such agency shall be considered HUD/VA approval for all purposes.

1.14 "Lot" shall mean a platted or partitioned lot or tract within the Property improved or scheduled to be improved with a dwelling unit, and shall not include any Common Areas, streets, alleys, or dedicated areas. The number of Lots within any phase of the Property that has not yet been platted shall be deemed the number of Lots then scheduled to be platted pursuant to the General Plan of Development.

1.15 "Lot Easement Area" shall mean and refer to those portions of any Lot subject to any easement benefiting the Association. The term "Lot Easement Area" shall not refer to any portions of any Lot encumbered by an easement to any other party, including without limitation, any governmental entity.

1.16 "Maintenance Area" shall mean the strip of real property located along NW Saltzman Road, from the location of the masonry wall initially constructed by Declarant along such street (the "Masonry Wall") to the interior edge of the sidewalk, including the portion of such Masonry Wall located along the curve line of Tract A and Lots 1, 10, and 11, portions of such strip being located both in the public right of way, Tract A, and on Building Lots 1 through 12. The Maintenance Area includes all improvements thereon and landscaping therein, including, without limitation, the Masonry Wall and its foundations and footings; any signage; and all trees, shrubs, grass, and sod, and irrigation systems, but excluding any landscaping on the side of the Masonry Wall facing the interior of any Owner's Lot. "Maintenance Area" also shall mean any other portion of the Property or improvements thereon, other than Common Areas, that this Declaration designates as the maintenance responsibility of the Association, or any other property which the Association by separate instrument agrees to maintain, if any.

1.17 "Members" shall mean and refer to the Owners of Lots in Bauer Highlands and who are members of the Bauer Highlands Homeowners Association.

1.18 "Occupant" shall mean and refer to the occupant of a Home who shall be the Owner, lessee or any other person authorized by the Owner to occupy the premises.

1.19 "Owner" shall mean and refer to the record Owner, whether one or more persons or entities, of the fee simple title to any Lot or a purchaser in possession 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.

1.20 "Plat" shall mean and refer to the recorded Plat of Bauer Highlands and any annexations to the original Plat.

1.21 "Property" shall mean and refer to all real property described on the attached Exhibit "A", and any annexations of additional property, including the Common Area Tracts, and all improvements located on the real property, as may be brought within the jurisdiction of the Association and be made subject to this Declaration.

1.22 "Rules and Regulations" shall mean and refer to the documents containing rules and regulations and policies adopted by the Board of the Association or the Architectural Review Committee ("ARC") and as may be from time to time amended by the Board and/or ARC.

1.23 "Tract" shall mean a parcel of land shown on the Plat and denoted by the word "Tract".

1.24 "Turnover Meeting" shall be the meeting called by the Declarant to turn over control of the Association to the Class A members.

ARTICLE 2

PROPERTY SUBJECT TO THIS DECLARATION

2.1 The real property which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration is located in Washington County, Oregon, in that certain plat map entitled "Bauer Highlands" filed in the plat records of Washington County, Oregon, more particularly described as Lots 1 through 154 of phase 1 of the Bauer Highlands Plat.

2.2 So long as Declarant owns any Lot within the Property, the Declarant may, at its sole option, annex additional property into the Association to be subject to the terms hereof to the same extent as if originally included herein and subject to such other terms, covenants, conditions, easements and restrictions as may be imposed thereon by Declarant. Declarant currently anticipates that there will be a total of approximately 276 Lots in the subdivision, including the Lots on this Plat, and Lots expected to be created in property to be annexed to the subdivision, but this number may be adjusted at the sole discretion of Declarant. Declarant shall have no obligation of any kind to annex any additional land to the Property.

(a) Eligible Property. There is no limitation on the number of Lots which Declarant may annex to the Property, or the right of Declarant to annex common property, except as may be established by applicable ordinances, agreements, or land use approvals.

(b) Consent or Joinder Not Required. No consent or joinder of any Class A member or other party except the record owner of the land being annexed shall be necessary to effect any annexation made pursuant to this Section.

(c) Declaration of Annexation. Annexation shall be evidenced by a written Declaration of Annexation executed by the Declarant, or (in the case of an annexation by action of members) by the Board and the owners of the property being annexed, setting forth the legal description of the property being annexed and any additional covenants, conditions and restrictions to be applied to such annexed property. Notwithstanding any provision apparently to the contrary, a declaration with respect to any annexed property may:

(i) establish such new land classifications and such limitations, uses, restrictions, covenants and conditions with respect thereto as Declarant may deem to be appropriate for the development of the annexed property;

(ii) with respect to existing land classifications, establish additional or different limitations, uses, restrictions, covenants and conditions with respect

thereto as Declarant may deem to be appropriate for the development of such annexed property; and/or

(iii) contain provisions necessary or appropriate to comply with any condition, requirement, or imposition of any governmental or regulatory authority.

Without limitation of the meaning of the foregoing provisions of this Section, in any Declaration of Annexation Declarant may, but shall not be obligated to, establish one or more special categories or types of Lots and have particular rights and obligations pertain to these different types of Lots, establish easements particular to these different Lots, establish assessments that pertain only to certain types of Lots, establish maintenance obligations of the Association or of Owners that vary in accordance with different types of Lots or different tracts of Common Area, establish insurance and casualty provisions that relate to certain types of Lots and not others, and establish limited common areas that benefit particular Lots to the exclusion of other Lots and provisions particular to such limited common areas.

(d) Voting Rights; Allocation of Assessments. Upon annexation, additional Lots so annexed shall be entitled to voting rights and assessments shall be reallocated and reapportioned.

(e) No Duty to Annex. Nothing herein contained shall establish any duty or obligation on the part of the Declarant or any member to annex any property into the Association and no owner of property excluded from the Association shall have any right to have such property annexed thereto.

2.3 Withdrawal of Property. Declarant may withdraw property from the Property only by a duly-adopted amendment to this Declaration, except that Declarant may unilaterally withdraw all or a portion of (i) any property annexed pursuant to Section 2.2 at any time prior to closing of the sale of the first Lot in the annexed property or (ii) property within any phase of the Property (other than designated Common Areas therein) for which a final plat creating individual Lots has not yet been recorded. Such withdrawal shall be effected by a declaration executed by Declarant and recorded in the deed records of the county in which the property being withdrawn is located. If a portion of the Property is so withdrawn, all voting rights otherwise allocated to Lots being withdrawn shall be eliminated, and the common expenses shall be reallocated among the remaining Lots.

ARTICLE 3

OWNERSHIP AND EASEMENTS

3.1 Non-Severability. The interest of each Owner in the use and benefit of the Common Area shall be appurtenant to the Lot owned by the Owner. No Lot shall be conveyed by the Owner separately from the interest in the Common Area, subject to the provisions of Section 3.3. Any conveyance of any Lot shall automatically transfer the right to use the Common Area without the necessity of express reference in the instrument of conveyance. There shall be no judicial partition of the Common Area. Each Owner, whether by deed, gift,

devise or operation of law, for his own benefit and for the benefit of all other Owners, specifically waives and abandons all rights, interests and causes of action for judicial partition of any interest in the Common Area and does further agree that no action for judicial partition shall be instituted, prosecuted or reduced to judgement. The ownership interest in the Common Area and Lots described in this Article are subject to the easements granted and reserved in this Declaration. Each of the easements reserved or granted herein shall be deemed to be established upon the recordation of this Declaration and shall forever be deemed to be covenants running with the land for the use and benefit of the Owners and their Lots and shall be superior to all other encumbrances applied against or in favor of any portion of Bauer Highlands.

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

3.3 Ownership of Common Areas. Title to the Common Area shall be conveyed to the Association, free of monetary encumbrances, not later than the first conveyance of a Lot at the Property to a person other than Declarant. The Board of Directors may convey title to any or all of Tracts A or B to a City or County agency.

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

(a) Easements on Plat. The Common Area and Lots are subject to the easements and rights of way shown on, or noted, on the plat of Bauer Highlands.

(b) Easements for Common Area. Every Owner shall have a non-exclusive right and easement of use and enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot.

(c) Easements Reserved by Declarant. So long as Declarant owns any Lot, Declarant reserves an easement over, under and across the Common Areas in order to carry out sales activities necessary or convenient for the sale of Lots. In addition, Declarant hereby reserves to themselves, and for their successors and assigns, a perpetual easement and right-of-way for access over, upon and across the Common Areas for construction, utilities, communication lines, drainage, and ingress and egress for the benefit of the Lots or other property owned by Declarant. Declarant, for themselves and their 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 Property or other real property owned by Declarant in such a way as to not unreasonably interfere with the occupancy, use, enjoyment or access to an Owner's Lot by that Owner or his family, tenants, guests or invitees.

(d) Additional Easements. Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the

development of Bauer Highlands. No structure, planting or other material shall be placed or permitted to remain within any easement area which may damage or interfere with the installation or maintenance of utilities, or which may change the direction of flow of drainage channels in the easements, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Lot and all improvements thereon shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority, utility company or the Association is responsible.

(e) Association's Easements. There are hereby reserved to the Association and its duly authorized agents and representatives such easements as are necessary to perform the duties and obligations of the Association set forth in this Declaration, the Bylaws and Articles, as the same may be amended or supplemented. The Maintenance Area is a Lot Easement Area and includes, without limitation, an easement in favor of the Association for the location of the Masonry Wall, landscaping, and other improvements thereon and for the Association's construction, maintenance, repair and restoration of the Maintenance Area.

(f) Easement to Governmental Entities. There is hereby reserved and granted a non-exclusive easement over the Common Area to all governmental and quasi-government entities, agencies, utilities, and their agents for the purposes of performing their duties within Bauer Highlands.

(g) Retaining Walls. Retaining walls have been constructed between certain upper and lower grade Lots within the Property (the "Retaining Walls"). The Retaining Walls are not in all cases located at the Lot line. The location of a Retaining Wall (or the construction by an Owner of any improvements on or near the Retaining Wall) shall not constitute evidence of the intended location of a Lot line or provide grounds for any claim of adverse possession or prescriptive easement. Each Lot upon which any portion of a Retaining Wall is located shall be subject to an easement, for the benefit of all other Lots, for the purposes of support by and natural drainage from such Retaining Wall. No Owner shall take any action that may, in the judgment of the Association, result in disturbance of, weakening of, or damage to the Retaining Walls, and any Lot Owner who takes such action shall be responsible for all resulting costs of repair and restoration of the Retaining Wall. Otherwise, neither the Association nor any Owner shall have any affirmative obligation to maintain or repair the Retaining Walls. However, should they elect to do so, the Association, any Owner whose Lot is adjacent to Retaining Wall, and their duly authorized agents and representatives, shall have the right to enter the property upon which any portion of a Retaining Wall is located for the purpose of making any necessary repair to or maintenance of the Retaining Wall.

3.5 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 Lots unless the holders of at least 80 percent of the Owners of Lots not owned by Declarant at the time of vote and the Class B member, if any, have given their prior written approval. This provision shall not apply to a grant of the easements in the Common Area described herein or to dedications of Common Area to

government authority or utility. A sale, transfer or encumbrance of the Common Area or any portion of the Common Area in accordance with this Section may provide that the Common Area so conveyed shall be released from any restriction imposed on such Common Area by this Declaration. No such sale, transfer or encumbrance may, however, deprive any Lot of such Building Lot's right of access or support without the written consent of the Owner of such Lot.

ARTICLE 4

LOTS AND HOMES

4.1 Residential Use. Lots shall be used for residential purposes only. Except with the consent of the Board of Directors of the Association, no trade, craft, business, profession, commercial or similar activity of any kind shall be conducted on any Lot, nor shall any goods, equipment, vehicles, materials or supplies used in connection with any trade, service or business be kept or stored on any Lot. Nothing in this paragraph shall be deemed to prohibit (a) activities relating to the sale of residences, (b) the right of Declarant or any contractor or homebuilder to construct residences on any Lot, to store construction materials and equipment on such Lots in the normal course of construction of Bauer Highlands, and to use any residence as a sales office or model home for purposes of sales in Bauer Highlands, to maintain on site a temporary construction and/or sales office or trailer, and (c) the right of the Owner of a Lot to maintain his professional or personal library, keep his personal business or professional records or accounts, handle his personal business or professional telephone calls or confer with business or professional associates, clients or customers, in his residence, so long as such activity is not observable outside of the residence, do not significantly increase parking or vehicular traffic, or is in violation of applicable local government ordinances. The Board of Directors shall not approve commercial activities otherwise prohibited by this paragraph unless the Board determines that only normal residential activities would be observable outside of the residence and that the activities would not be in violation of applicable local government ordinances.

4.2 Construction. Except for construction performed by or contracted for by Declarant, no construction, reconstruction or exterior alterations shall occur on any Lot, unless the approval of the ARC is first obtained pursuant to Article 6. Consideration such as siting, shape, size, color, design, height, solar access, or material may be taken into account by the ARC in determining whether or not to consent to any proposed work. Such work includes, but is not limited to Homes, storage shelters, swimming pools, spas, landscaping, greenhouses, patios, fencing, basketball hoops or remodeling. The intent of this covenant is to ensure quality of workmanship and material, harmony of external design with the existing and planned structures as to location and visual compatibility and finish grade elevations. Original construction designs, materials and product specifications by Declarant may vary from any or all specified in this document. All construction performed by or contracted for by Declarant or its subsidiaries, shall be presumed to have met these minimum requirements or have been granted a variance thereto.

4.3 Building Standards. The following restrictions are minimum standards applicable to all Lots:

(a) Height. No Home shall exceed two (2) stories in height (excluding the basement portion of a daylight basement) above the ground;

(b) Floor Area. The square footage area of a Home shall not be less than one thousand four hundred (1400) square feet exclusive of attics, patios, decks, porches, balconies and garages;

(c) Garages. A garage must be constructed on each Lot. Garages may be used as a sales office by Declarant, but must be converted to a garage before permanent occupancy. Garages are to be maintained primarily for the storage of automobiles or similar vehicles. No garage may be enclosed or otherwise used for habitation, nor may any garage door be removed except when necessary to repair or replace a garage door with the same type of garage door.

(d) Security Doors/Windows and Screen Doors. No security doors and no exterior security bars or devices on windows and doors shall be installed without the prior written approval of the ARC. If the ARC approves any type security door or window security, such approval shall encourage or require a single style for all Homes so they will maintain a uniform and aesthetic appearance.

(e) Private Maintenance Easement. All construction shall comply with the private maintenance easement requirements set forth in Note 8 of the Plat.

4.4 Completion of Construction. The construction of any building on any Lot, including painting and all exterior finish, shall be completed within six (6) months from the beginning of the construction so as to present a finished appearance when viewed from any angle. This shall exclude any construction by Declarant. In the event of undue hardship due to weather conditions, this provision may be extended for a reasonable length of time upon written approval from the ARC. The Lot and building area shall be kept reasonably clean and in workmanlike order, free of litter, during the construction period with a garbage disposal facility located on site during such construction period. If construction has not commenced within three (3) months after the project has been approved by the ARC, the approval shall be deemed revoked unless the Owner has applied for and received an extension of time from the ARC.

4.5 Landscaping. The Association shall maintain any landscaping on Tract A and the Maintenance Area. Owners may use any enclosed side and rear yard for any purpose not prohibited hereunder, provided such use is not deemed, by the ARC or the Association to be a nuisance. Maintenance of all landscaping on individual Lots, except as specifically otherwise provided for in this document, is the Owner's sole responsibility.

(a) Landscape installation on Lot by Owners is subject to approval by the ARC. Street trees and perimeter landscaping installed by Declarant on individual Lots are to be maintained by the Owner in good condition, including watering. Completed landscaping on Lots shall be installed by Owners no later than 6 months after occupancy. All landscaping on Lots shall be maintained by Owners in a good condition, including watering, weeding, pruning, fertilization, mowing and other forms of maintenance. If

Owner fails to maintain said landscaping, Declarant, or the Association in their place, reserves the rights outlined in Section 4.19 to perform maintenance.

(b) Declarant reserves the right to install and maintain landscape improvements on Tracts A and the Maintenance Area and within any established landscape easements for sales and marketing purposes, and hereby reserves a landscape easement on the front yards of said Lots and the street sideyards for this purpose. Declarant is not obligated to provide any landscaping in said areas noted in this section.

4.6 Rental of Homes. An Owner shall be entitled to rent or lease his residence if:

(a) Written Rental Agreements Required. There is a written rental or lease agreement specifying that: (i) the tenant shall be subject to all provisions of the Declaration, Bylaws and Rules and Regulations, and (ii) failure to comply with any provision of the Declaration, Bylaws and Rules and Regulations shall constitute a default under the rental agreement.

(b) Minimum Rental Period. The period of the rental or lease is not less than thirty (30) days; and

(c) Tenant Must Be Given Documents. The Owner gives each tenant a copy of the Declaration, Bylaws and Rules and Regulations.

(d) Owner Responsibility. Owner shall be responsible for any violations by tenants and shall be solely responsible for either correcting or eliminating such violations, or getting tenant to do same.

4.7 Animals. No animals, livestock or poultry of any kind shall be raised, bred, kept or permitted within any Lot other than a reasonable number of household pets which are not kept, bred or raised for commercial purposes and which are reasonably controlled so as not to be a nuisance. Any inconvenience, damage or unpleasantness caused by such pets, including noise, shall be the responsibility of the respective Owners thereof. No dogs shall be permitted to roam the Property unattended, and all dogs shall be kept on a leash while outside a Lot. An Owner may be required to remove a pet upon the receipt of the third notice in writing from the Association Board of Directors of violation any rule, regulation or restriction governing pets within the Property. The Board may adopt additional rules and regulations regarding pets, including, without limitation, the number of permitted pets, prohibited species of pets, and location of pet yards.

4.8 Nuisance. No noxious, harmful or offensive activities shall be carried on upon any Lot or common Area, nor shall anything be done or placed on any Lot or Common Area which interferes with or jeopardizes the enjoyment, or which is a source of annoyance to the other Owners or Occupants. The Board shall have sole authority and discretion to interpret and enforce this provision.

4.9 Parking. Parking of boats, trailers, motorhomes, trucks with a rating of greater than 3/4 ton capacity, unmounted truck campers, or other recreational vehicles or similar equipment and vehicles shall not be allowed on any part of the Property or on streets adjacent

thereto, excepting only within areas designated for such purposes by the Board in accordance with the terms of this Declaration or within the confines of a fully enclosed (including a roof) screened area or garage, the plans of which comply with applicable ordinances, agreements, or land use approvals and have been reviewed and approved by the ARC prior to construction, and no portion of the same may project beyond the screened area. Garages shall be primarily used for vehicular parking and not solely for storage. Parking of vehicles is prohibited in the Common Areas, except as may otherwise be permitted by the Board. Street parking is permitted except to the extent prohibited by government authorities or the Board.

4.10 Vehicles in Disrepair. No Owner shall permit any vehicle which is not currently licensed, inoperable, or is in an extreme state of disrepair to be abandoned or to remain parked upon any Lot for a period in excess of forty-eight (48) hours, nor on a Common Area or street for any length of time. A vehicle shall be deemed in an "extreme state of disrepair" when the Board of Directors reasonably determines that its presence offends the Owners and Occupants. Should any Owner fail to remove such vehicle within five (5) days following the date on which the notice is mailed to him by the Association, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner. No repair or maintenance of vehicles shall be allowed in parking spaces. All oil or grease on roadways or driveways shall be cleaned up immediately by Owner.

4.11 Signs. No signs shall be erected or maintained on any Lot except that not more than one "For Sale" or "For Rent" sign placed by the Owner, Declarant or by a licensed real estate agent, not exceeding twenty-four (24) inches high and thirty-six (36) inches long, may be temporarily displayed on any Lot, subject to the provisions of Section 9.2 below. The restrictions contained in this paragraph shall not prohibit the temporary placement of "political" signs on any Lot by the Owner or Occupant, or construction and marketing related signage by the Declarant or Declarant's subsidiaries, affiliates or, with Declarant's permission, contractors. No signs of any kind, other than Declarant's (or its subsidiaries', affiliates' or, with Declarant's permission, contractors') marketing signs or regulatory signage placed at the direction and approval of the ARC, will be allowed on Common Areas.

4.12 Rubbish and Trash. No Lot or part of the Common Area shall be used as a dumping ground for trash or rubbish of any kind. All garbage and other waste shall be kept in appropriate containers for timely and proper disposal, out of public view. Yard rakings, dirt and other material resulting from landscaping work shall not be dumped onto streets, the Common Areas or any other Lots. Should any Owner fail to remove any trash, rubbish, garbage, yard rakings or any such materials from any Lot, any roadways or Common Area where deposited by him within five (5) days following the date on which notice is mailed to him by the Board of Directors, the Association may have such materials removed and charge the expense of such removal to the Owner. Each Owner is responsible for trash disposal, and shall remove individual trash containers within 12 hours of collection. No trash and storage containers shall be visible from any adjacent street or neighboring Lot, and shall not be allowed to emit any odors or attract insects or rodents.

4.13 Walls, Fences and Hedges. No walls, fences or boundary hedges shall be installed without prior written approval of the ARC. Any walls or fencing installed on Owner's Lots either by Owner, or by Declarant, other than the Masonry Wall, will be Owner's

maintenance responsibility. All walls and fences that are Owner's responsibility are to be maintained in condition acceptable to Board and ARC. The Masonry Wall, and fences, if any, on Common Area Tracts along the perimeter boundaries of the plat will be maintained by the Association.

4.14 Service Facilities; Utilities. Service facilities (e.g. garbage containers, clotheslines, air conditioning compressors, etc.) shall be screened such that the elements screened are not visible at any time from the street or a neighboring property. All utility lines shall be maintained, repaired and replaced by the Owner of each Lot, or all Owners individually and collectively at their sole expense. The Association is not responsible for the maintenance of any utility, cable TV, or phone services of facilities. The exterior location of any heating and air conditioning compressors or heat pumps shall be approved in advance by the ARC. Said locations must take into consideration the noise and view from adjacent Homes.

4.15 Antennas, Satellite Dishes and Solar Collectors. No Owner may erect or maintain exterior antennas, microwave, aerial, tower or other devices for the transmission or reception of television, radio or other forms of sound or electromagnetic radiation, or solar collector panels or equipment upon any Lot unless such apparatus is erected and maintained in such a way that it is screened from public view along the street right-of-way directly in front of the house erected on the Lot, the side, in the case of a corner Lot, and from any neighboring Home. No such apparatus shall be erected without the prior written consent from the ARC. Exterior satellite dishes with a surface diameter of twenty-four (24) inches or less may be placed on any Lot so long as they are not visible from the street and are screened from all neighboring property. The authority of the ARC in this matter shall be subject to any regulations issued by the Federal Communications Commission ("FCC") or any other applicable governmental authority.

4.16 Exterior Lighting or Noisemaking Devices. Except with the consent of the ARC, no exterior lighting or noisemaking devices shall be installed or maintained on any Lot, other than security and fire alarms. False alarms of security and fire systems will not be allowed to repeatedly occur.

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

4.18 Damage or Destruction to Home and/or Lot. If all or any portion of a Lot or Home is damaged by fire or other casualty, the Owner shall either (i) restore the damaged improvements or (ii) remove all damaged improvements, including foundations, and leave the Lot in a clean and safe condition. Any restoration proceeding under (i) above must be performed so that the improvements are in substantially the same condition in which they existed prior to the damage, subject to current governmental regulations and building codes, provisions of Article 6 to be complied with by the Owner. The Owner must commence such work within sixty (60) days after the damage occurs and must complete the work within six (6) months thereafter.

4.19 Detached Buildings. No detached accessory buildings, including, but not limited to, detached garages, storage buildings, greenhouses, children's playhouses and similar structures, shall not be built without the prior written consent of the ARC acting in its sole discretion. Every outbuilding shall be compatible with the dwelling to which it is appurtenant in terms of its design and material composition. Outbuildings shall be of a one (1) story design and the overall height shall not exceed fifteen (15) feet, measured from the existing Lot grade, or have total floor area in excess of ten (10) percent of the first floor area of the main dwelling (excluding the area of the garage and any porches). No such buildings shall be used as additional living space and none shall contain any plumbing.

4.20 Owner's Maintenance Obligations. Each Owner shall maintain their Lot and Improvements (including without limitation any improvements described in Section 4.19) in a clean and attractive condition, in good repair and in such a fashion as not to create a hazard of any kind. Such maintenance shall include, without limitation, painting or staining, repair, replacement and care of roofs, gutters, downspouts, surface water drainage, walks and other exterior improvements and glass surfaces. In addition, each Owner shall keep shrubs, trees, grass and plantings of every kind neatly trimmed, fertilized, property cultivated and free of trash, weeds and other unsightly materials. The provisions of this section include the areas between the property line of any Lot and the nearest curb, including sidewalks and street trees, except as otherwise provided in this Declaration.

4.21 Subdivision. No Owner other than Declarant may subdivide a Lot or combine a Lot with any other Lot, without the prior written approval of the Association, and the prior written approval of Declarant for so long as Declarant owns a Lot.

4.22 Right of Maintenance and Entry by Association. If an Owner fails to perform maintenance and/or repair which he is obligated to perform pursuant to this Declaration for buildings or landscaping, and if the Board determines, after notice and a hearing (given pursuant to the provisions of the Bylaws), that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of Bauer Highlands, the Board may cause such maintenance and/or repair in connection therewith to be performed and may enter any such Lot whenever entry is necessary in connection with the performance of any maintenance or construction which the Board is authorized to undertake. Entry shall be made with as little inconvenience to an Owner as practicable and only after advance written notice of not less than forty-eight (48) hours, except in emergency situations. Such right of maintenance shall include, but not be limited to, buildings, street trees and front and side yard landscape.

4.23 Association Rules and Regulations. The Board of Directors, from time to time, may adopt, modify or revoke Rules and Regulations governing the conduct of persons and the operation or use of Lots and Common Areas, as it may deem necessary or appropriate in order to assure the peaceful and orderly use and enjoyment of the Property. A copy of any Rules and Regulations, upon adoption, amendment, modification or revocation thereof, shall be delivered by the Board of Directors promptly to each Owner and shall be binding upon all Owners and Occupants of all Lots upon the date of delivery or actual notice thereof. The method of adoption of such Rules and Regulations shall be provided in the Bylaws of the Association.

4.24 Government Ordinances and Regulations. The standards and restrictions of the Article 4 shall be the minimum required. To the extent the ordinances and regulations of Washington County are more restrictive or provide for a higher or different standard, the ordinances and regulations of Washington County, or any jurisdiction the Property may be annexed into or is legally subject to, shall prevail.

4.25 Violation. The Association may impose a fine, charge or penalty for any violation of this Declaration, the Bylaws or Rules and Regulations after reasonable notice of the violation and a reasonable opportunity for a hearing. Additionally, the Association may seek injunctions or other equitable relief or may file an action for money damages owing from such violations.

ARTICLE 5

COMMON AREA AND MAINTENANCE

5.1 Use of Common Areas. Use of the Common Area and Maintenance Area is subject to the provisions of the Declaration, Bylaws, Articles and Rules and Regulations promulgated by the Board of Directors. There shall be no use of the Common Area except by Owners and their invitees. There shall be no obstruction of any part of the Common Area or Maintenance Area. Nothing shall be stored or kept in the Common Area or Maintenance Area without the prior written consent of the Board of Directors. No alterations or additions to the Common Area or Maintenance Area shall be permitted without the prior written approval by the Board of Directors. Nothing shall be stored or kept in the Homes or Common Area which will increase the rate of insurance on the Common Area without the prior written consent of the Board.

5.2 Maintenance of Common Area. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the Common Area or Maintenance Area, including, but not by way of limitation, all drainage systems, landscaping, irrigation systems, benches, common area lighting not maintained by a public agency, fencing, pathways and any other Improvements that may be included in Common Area or Maintenance Area, including the Masonry Wall. The Association shall keep the Common Area, the Maintenance Area and improvements thereon in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area and Maintenance Area in first class condition.

5.3 Alterations to Common Area. Only the Association shall construct, reconstruct, or alter any improvement situated upon the Common Area and Maintenance Area. A proposal for any construction of or alteration, maintenance or repair to an improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws and the Declaration.

5.4 Funding. Expenditures for alterations, maintenance or repairs to an existing capital improvement for which a reserve has been collected shall be made from the reserve account. As provided in Section 10.5, the Board may levy a special assessment to fund any

construction, alteration, repair or maintenance of an improvement (or any other portions of the Common Area or Maintenance Area) for which no reserve has been collected or for which the reserve account is insufficient to cover the cost of the proposed improvement.

5.5 Landscaping. All landscaping on any Lot or portion of the Common Area shall be maintained and cared for in a manner consistent with the standard of design and quality as originally established by Declarant or the ARC. The Association shall be responsible for all landscaping located in Common Area Tract A and the Maintenance Area. Tract A will be maintained primarily as a water quality facility with native plants, and will be maintained appropriately for that type of facility. Any Owner maintained areas shall be kept free of weeds and diseased or dead lawn, tree, ground cover or shrubs shall be promptly removed and replaced. All lawn areas shall be fertilized and neatly mowed, and trees and shrubs shall be fertilized and neatly trimmed on a regular basis.

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

5.7 Damage or Destruction of Common Area. In the event improvements or landscaping in any Common Area or Maintenance Area are damaged or destroyed by an Owner or any of his Occupants, guests, tenants, licensees, agents or members of his 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 the damage and restore the area in workmanlike manner as originally constituted or as may be modified or altered subsequently by the Association in the discretion of the Board of Directors. The reasonable cost necessary for such repairs shall become a special assessment upon the Lot of the Owner who caused or is responsible for such damage.

ARTICLE 6

ARCHITECTURAL REVIEW COMMITTEE

6.1 Architectural Review. No improvement shall be commenced, erected, placed or altered on any Lot until the construction plans and specifications showing the nature, shape, heights, materials, colors, and proposed location of the improvement have been submitted to and approved in writing by the ARC. It is the intent and purpose of this Declaration to assure quality of workmanship and materials and to assure harmony of exterior design with the existing improvements and landscaping. The ARC is not responsible for determining compliance with structural and building codes, solar ordinances, zoning codes or other governmental regulations, all of which are the responsibility of the Lot Owners. The procedure and specific requirements for review and approval of construction may be set forth in design guidelines adopted from time to time by the ARC. Construction by the Declarant is presumed to have been approved and is

thereby exempt from this review. In all cases which the ARC consent is required by this Declaration, the provision of this Article shall apply.

6.2 Architectural Review Committee, Appointment and Removal. The Declarant reserves the right to appoint and remove all members of the ARC and all replacements thereto until one hundred percent (100%) of the Lots have been conveyed by the Declarant to new Owners, and during this period the Declarant may appoint a single person to serve as the ARC. After such period, the Board of Directors shall appoint and remove members of the ARC and then the initial ARC shall consist of no fewer than three (3) members and no more than five (5) members, as the Declarant may appoint from time to time. The terms of office for each member of the ARC shall be for one (1) year unless lengthened by the Board at the time of appointment or unless the Board serves as the ARC in which event the terms of the ARC members shall be the same as their terms as Board members. The Board may appoint any or all of its members for the ARC and there should be no requirement for non-Board members on the ARC. One or more persons may be appointed to the ARC who are not Owners, but who have special expertise regarding the matters which come before the ARC. In the sole discretion of the Board, such non-Owner members of the ARC may be paid and that cost paid by applicants or the Association.

6.3 Majority Action. Except as otherwise provided in this Declaration, a majority of the members of the ARC shall have the power to act on behalf of the ARC, without the necessity of a meeting and without the necessity of consulting the remaining member of the ARC. The ARC may render its decision only by written instrument setting forth the action taken by the members consenting thereto.

6.4 Duties. The ARC shall consider and act upon the proposals and/or plans submitted pursuant to this Article. The ARC, from time to time and at its sole discretion, may adopt architectural rules, regulations and guidelines ("Architectural Standards"). The Architectural Standards shall interpret and implement the provisions of this Declaration for architectural review and guidelines for architectural design, placement of buildings, color schemes, exterior finishes and materials and similar features which may be used in project; provided, however that the Architectural Standards shall not be in derogation of the minimum standards established by this Declaration.

6.5 ARC Decision. The ARC shall use all reasonable efforts to render its approval or denial decision with respect to the construction proposal within thirty (30) working days after it has received all material required by it with respect to the application. All decisions shall be in writing. In the event the ARC fails to render its decision of approval or denial in writing within such thirty (30) working days, plus an additional ten (10) working days after receipt of written notice from the Owner reminding the Association that the Owner has not received such decision, the application shall be deemed approved. Approval by the ARC does not imply government approval which is solely the responsibility of the Owner.

6.6 ARC Discretion. The ARC may, at its sole discretion, withhold consent to any proposed work if the ARC finds the proposed work would be inappropriate for the particular Lot or incompatible with the design standards that the ARC intends for Bauer Highlands. Consideration such as siting, shape, size, color, design, height, solar access, or other effect on the enjoyment of other Lots or the Common Area, and any other factors which the ARC reasonably

believe to be relevant, may be taken into consideration by the ARC in determining whether or not to consent to any proposed work.

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

6.8 Appeal. At any time after Declarant have delegated appointment of the members of the ARC to the Board of Directors pursuant to Section 6.2, any Owner adversely impacted by action of the ARC may appeal such action to the Board of Directors. Appeals shall be made in writing within ten (10) days of the ARC's action and shall contain specific objections or mitigating circumstances justifying the appeal. If the Board is already acting as the ARC, the appeal shall be treated as a request for a rehearing, but in such case the Board must actually meet and receive evidence and argument. A final, conclusive decision shall be made by the Board of Directors within fifteen (15) days after receipt of such notification. The determination of the Board shall be final.

6.9 Effective Period of Consent. The ARC's consent to any proposed work shall automatically be revoked three (3) months after issuance unless construction of the work has been commenced or the Owner has applied for and received an extension of time from the ARC.

6.10 Determination of Compliance. The ARC shall inspect, from time to time, all work performed and determine whether it is in substantial compliance with the approval granted. If the ARC finds that the work was not performed in substantial conformance with the approval granted, or if the ARC finds that the approval required was not obtained, the ARC shall notify the Owner in writing of the noncompliance. The notice shall specify the particulars of any noncompliance and shall require the Owner to take the necessary action to bring the work into compliance with the approved project.

6.11 Noncompliance. If the ARC determines that an Owner has not constructed an improvement consistent with the specifications on which approval is based, and if the Owner fails to diligently commence to remedy such noncompliance in accordance with the provisions of the notice of noncompliance, then at the expiration of the third (3rd) day from the date of such notification, the ARC shall provide a notice of a hearing to consider the Owner's continuing noncompliance. The hearing shall be set not more than thirty (30) days from the date of the notice of noncompliance. At the hearing, if the ARC finds that there is no valid reason for the continuing noncompliance, the ARC shall determine the estimated costs of correcting it. The ARC shall then require the Owner to remedy or remove the same within a period of not more than ten (10) days from the date of the ARC's determination. If the Owner does not comply with the ARC's ruling within such period or within any extension of such period as the ARC, at its discretion, may grant, the Association may (a) remove the noncomplying improvement, (b) remedy the noncompliance, or (c) file suit to compel compliance. The costs of such action shall be assessed against the Owner and his Lot, including all attorneys' fees and other costs expended and incurred to enforce compliance before suit or action is filed and at trial or on any appeal or review of therefrom.

6.12 Liability. Neither the ARC, the Board, their agents, nor any member thereof shall be liable to any Owner, Occupant, or builder for any damage, loss or prejudice suffered or claimed or claimed to be suffered arising from any action by the ARC or a member thereof or failure of the ARC or a member thereof, provided only that the member has acted in good faith in accordance with the actual knowledge possessed by him.

6.13 Estoppel Certificate. Within fifteen (15) working days after written request is delivered to the ARC by an Owner, and upon payment to the ARC of a reasonable fee fixed by the ARC to cover costs, the ARC shall provide such Owner with a certificate executed by the Chairman of the ARC, and acknowledged, certifying with respect to any Lot owned by the Owner, that as of the date thereof either (a) all improvements made or done upon or within such Lot by the Owner comply with this Declaration or any Rules and Regulations either promulgated by the Board or the ARC, or (b) such improvements do not so comply, in which event, the certificate shall also identify the noncomplying improvements and set forth with particularity the nature of such noncompliance. The Owner, his heirs, devisees, successors and assigns shall be entitled to rely on the certificate with respect to the matters set forth. The certificate shall be conclusive as between the Declarant, the ARC, the Association and all Owners, and all such persons deriving an interest through any of them.

ARTICLE 7

BAUER HIGHLANDS HOMEOWNERS ASSOCIATION

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

7.2 Proxy. Each Owner may cast his vote in person, pursuant to a proxy executed by the Owner, or by written ballot, as provided by ORS 65.222. An Owner may not revoke a proxy given pursuant to this section except by actual notice or 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.

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

(a) 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.

(b) Class B. The Class B member shall be Declarant, their successors and assigns. The Class B member shall have three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership upon the earlier of ("Termination Date"):

(i) Upon Sale of Lots. The date that Lots representing seventy-five percent (75%) of Lots subject to this Declaration, plus any recorded annexation of additional Lots, have been conveyed to persons other than the Declarant; or

(ii) Outside Date. The twentieth (20th) anniversary of the date of recordation of this Declaration; or

(iii) Declarant's Earlier Election. At such earlier time as Declarant may elect in writing to terminate Class B membership.

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. Fractional or split votes shall be disregarded, except for purposes of determining a quorum. The total number of votes as of the Termination Date and thereafter shall be equal to the total number of Lots.

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

ARTICLE 8

DECLARANT CONTROL

8.1 Interim Board and Officers. The Declarant hereby reserves administrative control of the Association. The Declarant, in their sole discretion, shall have the right to appoint and remove members of the Interim Board of Directors, which shall manage the affairs of the Association and which shall be vested with all powers and rights of the Board of Directors. The Interim Board shall consist of from one to three members. Notwithstanding the provision of this Section, at the Turnover Meeting (as hereinafter defined) at least one (1) Director shall be elected by Owners other than the Declarant, even if the Declarant otherwise has voting power to elect all of the members of the Board.

(a) 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 ninety (90) days after the Termination Date described in Section 7.3.

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.

8.2 Board of Directors. At and following Turnover, the Board of Directors of the Association shall be comprised of five (5) directors. The directors will be elected by a plurality of the total membership of the Bauer Highlands Homeowners Association. In the event of a vacancy occurring on the Board, the position of such director(s) shall be filled in accordance with the terms and provisions of the Bylaws through appointment by the Board of Directors. Terms of office shall be staggered such that in the first election at the Turnover Meeting, as described in the Bylaws, two Directors shall serve a term of 3 years, two for 2 years and one for 1 year and thereafter, all Directors shall serve three-year terms. Any Director may serve more than one term.

ARTICLE 9

DECLARANT'S SPECIAL RIGHTS

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

9.2 Marketing Rights. Declarant shall have the right to maintain a sales office and one or more models on one or more of the Lots which the Declarant may or may not own, to be staffed by the employees of the Declarant or any licensed real estate sales agents. 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. The Declarant may maintain a reasonable number of "For Sale" signs and other marketing, directional and construction signage at reasonable locations of the Property, including, without limitation, the Common Area.

9.3 Declarant's Easements. The Declarant has reserved easements over the Property as more fully described in Article 3, Sections (c) and (d) hereof.

9.4 Appearance and Design of Bauer Highlands. Declarant shall not be prevented from changing the exterior appearance of the Common Area or maintenance area, including the landscaping or any other matter directly or indirectly connected with the project in any manner deemed desirable by Declarant, provided that the Declarant obtains governmental consents required by law. The construction and material standards of Article 4 notwithstanding, Declarant may change exterior and/or interior designs from initial plans and provisions in this document, without notice. This may include designs, colors, and type of materials, provided Declarant obtains any necessary governmental consent.

9.5 Construction by Declarant. All construction by Declarant is presumed to have been approved or granted waivers by the ARC and to meet any design guidelines of the Association. Declarant has not agreed to build any particular improvements at the Property, and has not limited Declarant's rights to add improvements not described in this Declaration.

ARTICLE 10

FUNDS AND ASSESSMENTS

10.1 Purpose of Assessment. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the Owners and Occupants and for the improvement, operation and maintenance of the Common Area and Maintenance Area, including maintenance and administrative costs and insurance for Association. No insurance for improvements on Lots, other than the Masonry Wall and landscaping, will be provided by Association.

(a) Common Expense Designations. Common Expenses of the nature described in Section 10.1 which are to be, or are, incurred by the Association for the benefit of all of the Owners of Lots within the Property shall be separately budgeted for allocation among all such Owners and shall be designated "General Common Expenses".

10.2 Covenants to Pay. Declarant, on behalf of each and every subsequent Owner of any Lot, covenants and agrees that each Lot will pay the Association the assessments and any additional charges levied pursuant to this Article 10.

(a) Funds Held. The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of Bauer Highlands as provided by this Declaration. Upon the sale or transfer of any Lot, the Owner's interest in the funds shall be deemed automatically transferred to the successor in interest of such Owner, and is not refundable.

10.3 Basis of Assessments and Commencement of Assessments.

(a) Assessments are to be levied against all Lots, except those owned by the Declarant, whether or not such Lots have been improved with a substantially completed Home. Provided, however, that no Assessment shall be levied against any Lot until such time as it is first conveyed to a purchaser other than Declarant or Declarant assignee. For all Lots conveyed by the Declarant to purchaser/Owner, either by deed or land sales contract, assessments shall begin on the day of the recording of the deed or land sale contract conveying or contracting to convey the Lot of the new Owner.

(b) Notwithstanding Section 10.3(a), to the extent required by law, Reserve Fund Assessments described in Section 10.5 shall begin accruing on each platted Lot from the date the first Lot at the Property becomes subject to assessment under Section 10.3(a); provided, however, that Declarant may defer payment of any accrued Reserve Fund Assessment for a Lot under this Section 10.3(b) until the date such Lot is first conveyed to a purchaser other than Declarant or Declarant assignee. The books and records of the Association shall reflect the amount owing from Declarant for all such Reserve Fund Assessments.

10.4 Annual Assessments. Annual assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. Annual assessments shall be levied on a

fiscal year basis. The fiscal year shall be the calendar year unless another year is adopted by vote of the Board members. Unless otherwise specified by the Board, annual assessments shall be due and payable in monthly installments on the first day of each month during the term of this Declaration.

(a) Budget. Regardless of the number of Members or the amount of assets of the Association, each year the Board shall prepare, approve and make available to each Member a pro forma operating statement (budget) containing; (i) estimated revenue and expenses on an accrual basis; (ii) the amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area and Maintenance Area and for contingencies; (iii) an itemized estimate for the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Common Area and Maintenance Area; and (iv) a general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs and repair, replacement or additions to major components of the Common Area and Maintenance Area. For the first fiscal year, the budget shall be approved by the Board no later than the date on which annual assessments are scheduled to commence. Thereafter, the Board shall annually prepare and approve the budget and distribute a copy thereof to each Member, together with written notice of the amount of the annual assessments to be levied against the Owner's Lot, not less than thirty (30) days and not more than ninety (90) days prior to the beginning of the fiscal year.

(b) Allocation of Assessments. The total amount in the budget shall be charged equally against all platted Lots as annual assessments except as may be provided for in a Declaration of Annexation as described in Article 2. In determining the number of Lots among which to allocate assessments, and in calculating the per-Lot assessment in effect from time to time, the Board may use any method the Board deems reasonable, including without limitation averaging the number of Lots estimated to become subject to assessment during a year, and the Board may at its option recompute the budget or per-Lot assessment from time to time during a fiscal year based upon additional Lots subject to assessment.

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

10.5 Reserve Funds

(a) Reserve Fund for Replacing Common Area and Maintenance Area Improvements. Declarant shall in addition establish a reserve fund in the name of the Association for replacement, in whole or in part, of the Common Area and Maintenance Area and any improvements located in, on, or under the Common Area and Maintenance Area for which the Association is responsible pursuant to this Declaration, that will normally require replacement in more than three (3) and fewer than thirty (30) years, including any exterior painting, if the Common Area and Maintenance Area includes exterior painted surfaces. The reserve account need not include those items that could

reasonably be funded from the maintenance fund. For purposes of funding the reserve fund, the Association shall impose an assessment to be called the "Reserve Fund Assessment" against each Lot, which assessment shall be spread equally over the Lots. However, nothing shall limit the authority of the Association to establish other separate and unrelated reserve funds that are funded by assessments for reserves that are in addition to the Reserve Fund Assessment and that relate to only a particular type or category of Lot, as opposed to Reserve Fund Assessments, which relate only to the Common Area and Maintenance Area. The reserve fund shall be kept separate from other funds and may be used only for maintenance, repair, and replacement of Common Area and Maintenance Area improvements for which reserves have been established as specified in this Section. However, after the turnover meeting, the Board may borrow funds from the reserve account to meet high seasonal demands on the regular operating funds or to meet other temporary expenses. However, such funds borrowed shall only be borrowed from the reserves for the respective needs. By way of example only, if funds are borrowed from the Reserve Fund Assessments, they can only be used to meet current needs for Common Area and Maintenance Area expenses. Such funds borrowed from any Reserve Account to meet temporary expenses under this Section shall be repaid from regular annual or special assessments against the Lots. The Association shall administer the reserve fund and shall adjust at least annually the amount of the periodic payments into it to reflect changes in current replacement costs over time. Any funds established for any of the purposes mentioned in this Section shall be deemed to be a reserve fund notwithstanding that it may not be so designated by the Board of Directors. The amount of the reserve fund shall constitute an asset of the Association and shall not be refunded or distributed to any Owner.

(b) Reserve Study. The Board of Directors shall annually conduct a reserve study, or review and update an existing study, of the Common Area and Maintenance Area components to determine the requirements of the reserve fund described in Section 10.5 (a) above. The reserve study shall include (a) identification of all items for which reserves are required to be established; (b) the estimated remaining useful life of each item as of the date of the reserve study; (c) the estimated cost of maintenance, repair, or replacement of each item at the end of its useful life; and (d) a thirty (30) year plan with regular and adequate contributions, adjusted by estimated inflation and interest earned on the reserve fund, to meet the maintenance, repair, and replacement schedule.

10.6 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) Deficits in Operating Budget. To correct a deficit in the operating budget, by vote of a majority of the Board;

(b) Breach of Documents. To collect amounts due to the Association from an Owner for breach of the Owner's obligations under the Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

(c) Repairs. To make repairs or renovations to the Common Area if sufficient funds are not available from the operating budget or replacement reserve accounts by vote of a majority of the Board; or

(d) Capital Additions. To make capital acquisitions, additions or improvements, by vote of at least fifty-one percent (51%) of all votes allocated to the Lots, except that for this purpose only the Class B Member shall have only one (1) vote per Lot owned, and provided further that any such action shall require the approval of Declarant so long as Declarant owns a Lot.

10.7 Accounts.

(a) Types of Accounts. Assessments collected by the Association may be deposited into at least two (2) separate accounts with a bank, which accounts shall be designated as (i) the Current Operating Account and (ii) the Reserve Account. Those portions of the assessments collected for current maintenance and operation levied under Section 10.4 (b) will be in the Current Operating Account and those portions of the assessments collected as reserves for replacement and deferred maintenance of capital improvements into the Reserve Account. Special Assessments shall be deposited into one of the two accounts, whichever is deemed by the Board to be appropriate. Withdrawal of funds for the Association's Reserve Account shall require the signatures of two (2) Directors.

(b) Reserve Account. The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair or replacement of capital improvements for which reserves have been collected and held. No funds collected for the Reserve Account may be used for ordinary maintenance and operation purposes, unless repaid within six (6) months of withdrawal, or as approved by a majority of Owners.

(c) Current Operating Account. All ordinary maintenance and operating expenses shall be paid from the Current Operating Account.

10.8 Default in Payment of Assessments, Enforcement of Liens.

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

(b) Association Lien. At any time any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof is delinquent, the Association, by and through its Board or any management agent, may file a notice of lien in the deed records of Washington County, Oregon against the Lot in respect to which the

delinquency pertains. Once filed, such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorneys' fees (whether or not suitor action is instituted) and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. The provisions regarding the attachment, notice, recordation and duration of liens established on real property under ORS 94.704 to 94.716, as the same may be amended, shall apply to the Association's lien. The lien shall be foreclosed in accordance with the provisions regarding the foreclosure of liens under ORS Chapter 88. The lien of the Association shall be superior to all other liens and encumbrances except property taxes and assessments, any first mortgage, deed of trust or land sale contract recorded previously to the Association's notice of lien and any mortgage or deed of trust granted to an institutional lender which is recorded previously to the Association's notice of lien.

(c) Interest; Fines; Late Fees; Penalties. The Board in its reasonable discretion may from time to time adopt resolutions to set the rate of interest, and to impose late fees, fines and penalties on delinquent assessments or for violations of the provisions of this Declaration, the Bylaws, any Rules and Regulations, and any rules and regulations adopted by the ARC. The adoption of such impositions shall be communicated to all Owners in writing not less than thirty (30) days before the effective date by a notice mailed to the assessment billing addresses of such Owners. Such impositions shall be considered assessments which are lienable and collectible in the same manner as any other assessments. Provided, however, no fine or penalty for violation of this Declaration, the Bylaws or any Rules and Regulations (other than late fees, fines or interest arising from an Owner's failure to pay regular or special assessments) may be imposed against an Owner or his Lot until such Owner is given an opportunity for a hearing as provided in Section 4.22.

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

(e) Association's Right to Rents/Receiver. In any foreclosure suit by the Association with respect to such lien, the Association shall be entitled to collect reasonable rent from the defaulting Owner for the use of his Lot or shall be entitled to the appointment of a Receiver. Any default by the Owner in any provisions of the Declaration or Bylaws shall be deemed to be a default by the Owner of any mortgage to which the Owner is party or to which the Lot is subject.

ARTICLE 11

GENERAL PROVISIONS

11.1 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 the 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.

11.2 Indemnification of Directors, Officers, Employees and Agents. The Association shall indemnify any Director, officer, employee or agent who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by the Association) by reason of the fact that he 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 attorneys' fees), judgements, fines and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action or proceeding if he acted in good faith and in a manner he 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 conduct was unlawful. The termination of any action, suit or proceeding by judgement, order, settlement, conviction, or with a plea of nolo contendere or its equivalent, shall not of itself create a presumption that a person did not act in good faith and in a manner which he 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 conduct was unlawful. Payment under this clause may be made during the pendency of such claim, action, suit or proceeding as and when incurred, subject only to the right of the Association to reimbursement of such payment from such person, should it be proven at a later time that such person had no right to such payments. All persons who are ultimately held liable for their actions on behalf of the Association as a Director, officer, employee or agent shall have a right of contribution over and against all other Directors, officers, employees or agents and members of the Association who participated with or benefited from the acts which created said liability.

11.3 Insurance.

(a) By the Association. The Association shall obtain, and maintain in effect, from reputable insurance companies authorized to do business in the State of Oregon, public liability and property damage insurance with respect to the Common Areas in such amounts and in such forms as the Board deems advisable to provide adequate protection for bodily injury, including deaths of persons, and property damage, whether caused by the negligence of the Association or otherwise; provided, however, that such policy(ies) shall not be for an amount of less than \$1,000,000.00 per person, per occurrence, and that such policy(ies) shall provide that the coverage thereunder cannot be canceled or substantially modified without at least 10 days' written notice to the Association. Additionally, the Association shall obtain, and maintain in effect, from such companies fire and extended coverage casualty insurance (including coverage for damage resulting from vandalism and malicious mischief) with respect to the Masonry Wall, maintenance area, landscaping, and the Common Area (including any insurable improvements on the

Common Area) in an amount equal to 100% of the replacement cost thereof. The casualty coverage may be obtained on a "blanket" basis. The Association may obtain such other and further policies of insurance as it deems advisable, including, without limitation, errors and omissions or similar insurance covering the activities of the Association and its Directors and the ARC.

11.4 Enforcement; Attorneys' Fees. The Association and the Owners within the Property 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 pertain specifically to such parties or owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter. In the event the Association shall bring any suit or action to enforce this Declaration, or to collect any money due hereunder or to foreclose a lien, the Owner-defendant shall pay to the Association all costs and expenses incurred by the Association in connection with such suit or action, including a foreclosure title report, and the prevailing party in such suit or action shall recover such amount as the court may determine to be reasonable as attorneys' fees at trial and upon any appeal or petition for review thereof.

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

11.6 Duration. The covenants, conditions 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 which do not constitute rescission of the planned development may be adopted as provided in Section 11.6 below. Additionally, any such rescission which affects the Common Area shall require the prior written consent of Washington County.

11.7 Amendment. Except as otherwise provided 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 for all Lots included or intended to be included in the Property pursuant to the General Plan of Development, except that for this purpose only the Class B Member shall have only one (1) vote per Lot owned. No amendment of this Declaration shall effect an amendment of the Bylaws or Articles without compliance with the provisions of such documents, and the Oregon Non-Profit Corporation Act. Notwithstanding the foregoing, Declarant or its designee may from time to time enact and record Supplemental Declarations that encumber specific Lots within the Property that are then owned by Declarant or such designee, provided that the effect of such Supplemental Declaration is to supplement and not to amend this Declaration. Provided further, so long as the Declarant own any Lot, no amendment affecting the general plan and development or any other right of the Declarant herein contained may be effected without the express written consent of the Declarant or their successors and assigns.

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

11.9 HUD/VA Approval. So long as there is a Class B membership, Declarant shall submit a written request for approval of any annexation of additional properties, dedication of Common Areas, or amendment of this Declaration to HUD/VA. If HUD/VA fails to give written notice to Declarant of objections to the request within fifteen (15) days of the date of Declarant's request for approval, such HUD/VA approval shall be deemed to have been granted. A statement in the applicable document that all requisite approvals have been granted shall be sufficient to evidence of record any approvals required under this Section.

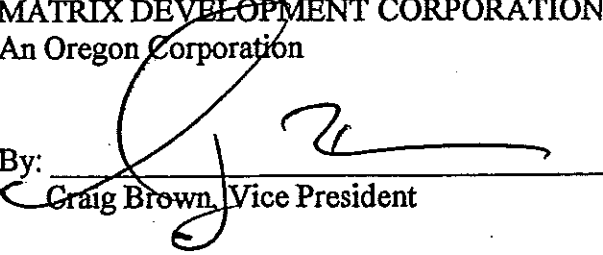
11.10 Unilateral Amendment by Declarant. The Declarant may amend this Declaration in order to comply with the requirements of the Federal Housing Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Mortgage Loan 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. Declarant shall have such additional rights of unilateral amendment as may be provided at law. Prior to the Turnover Meeting, no Declarant amendment shall require notice to or approval by any Class A member.

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

1. Declaration of Covenants, Conditions and Restrictions;
2. Articles of Incorporation;
3. Bylaws;
4. Rules and Regulations.

IN WITNESS WHEREOF, the undersigned being the Declarant herein, has executed this instrument this 21st day of May, 2001.

MATRIX DEVELOPMENT CORPORATION,
An Oregon Corporation

By: 
Craig Brown, Vice President

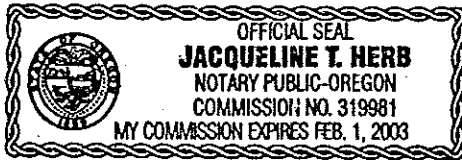
STATE OF OREGON)

) ss.

May 21st, 2001

County of Washington)

This instrument was acknowledged before me on May 21st, 2001, by Craig Brown, Vice President of Matrix Development Corporation.



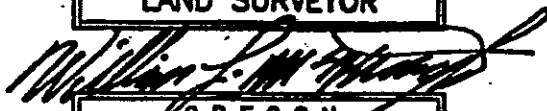
Jacqueline T. Herb
NOTARY PUBLIC FOR OREGON
My Commission Expires: 2-1-03

Exhibit "A"

SURVEYORS CERTIFICATE:

I WILLIAM L. McMONAGLE, HEREBY CERTIFY THAT I HAVE CORRECTLY SURVEYED AND MARKED WITH PROPER MONUMENTS, ALL LOT CORNERS, TRACT CORNERS AND BOUNDARY LINE CHANGES IN DIRECTION OF THE LAND REPRESENTED IN THE ANNEXED SUBDIVISION PLAT, AND AT THE INITIAL POINT I FOUND A 5/8" IRON ROD WITH Y.P.C. "OQUIST P.L.S. 2008", MARKING THE N.E. CORNER OF THE "REMMINGTON No. 2" PLAT, ON THE EAST LINE OF SECTION 21, N 00°49'44" W 655.11 FEET FROM THE S.E. CORNER OF SECTION 21; THENCE ALONG THE NORTH LINE OF "REMMINGTON No. 2" PLAT, N 89°39'11" W 199.68 FEET TO THE N.W. CORNER THEREOF, ALSO BEING THE N.E. CORNER OF "REMMINGTON" PLAT; THENCE ALONG THE NORTH LINE OF THE "REMMINGTON" PLAT, S 89°58'21" W 1094.11 FEET TO THE EASTERLY 20 FOOT RIGHT OF WAY LINE OF N.W. SALTZMAN ROAD; THENCE ALONG AFORESAID LINE N 00°33'00" W 703.94 FEET; THENCE N 89°27'00" E 165.07 FEET; THENCE S 00°33'00" E 11.34 FEET; THENCE N 89°10'16" E 1000.19 FEET; THENCE N 00°49'44" W 58.00 FEET; THENCE N 89°10'16" E 38.00 FEET; THENCE N 00°49'44" W 12.05 FEET; THENCE N 89°10'16" E 87.00 FEET TO THE EAST LINE OF SECTION 21, ALSO BEING THE WEST LINE OF "BONNY SLOPE" A PLAT IN MULTNOMAH COUNTY; THENCE ALONG THE EAST EXTENSION S 00°49'44" E 781.24 FEET TO THE POINT OF BEGINNING.

REGISTERED
PROFESSIONAL
LAND SURVEYOR



OREGON
JULY 14, 1967
WILLIAM L. McMONAGLE
8 0 8

EXPIRES 12-31-2002

HARRIS--McMONAGLE
ASSOCIATES, INC.
ENGINEERS--SURVEYORS
12555 S.W. HALL BLVD.
TIGARD, OR 97223-6287
PHONE: (503) 639-3453
FAX: (503) 639-1232



00216741200201488470020028

I, Jerry Hanson, Director of Assessment and Taxation and Ex-Office County Clerk for Washington County, do hereby certify that the within instrument of writing was received and recorded in the book of records of said county.

Jerry Hanson
Jerry R. Hanson, Director of Assessment and Taxation, Ex-Office County Clerk



AFTER RECORDING RETURN TO:

Ball Janik LLP
101 SW Main Street, Suite 1100
Portland, Oregon 97204
ATTN: Rebecca Biermann Tom

**CONSENT TO
DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS
FOR BAUER HIGHLANDS**

This CONSENT TO DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BAUER HIGHLANDS (this "Consent") is made this 5th day of December, 2002, by Forest Springs Two, LLC, an Oregon limited liability company (the "Company").

Recitals:

A. The Company recorded that certain Plat of Bauer Highlands, recorded April 27, 2001 in the Plat Records of Washington County, Oregon as Document No. 2001038436 (the "Plat of Bauer Highlands").

B. Matrix Development Corporation, an Oregon corporation ("Declarant") recorded that certain Declaration of Covenants, Conditions, and Restrictions for Bauer Highlands, dated as of May 21, 2001, in the Deed Records of Washington County, Oregon, as Document No. 2001047880.1 (such Declaration, as amended from time to time, being referred to as the "CC&Rs"). Declarant also recorded those certain Bylaws of Bauer Highlands Homeowners Association, dated as of May 8, 2002, in the Deed Records of Washington County, Oregon, as Document No. 2002-054369 (the "Bylaws").

C. The Company and Declarant are affiliated entities. Declarant is engaged in the development of the property included in the Plat (the "Property"). The Company desires to acknowledge its consent to the recordation of the CC&Rs and Bylaws by Declarant against the Property.

NOW, THEREFORE, the Company hereby acknowledges its consent to the recordation of the Declaration and Bylaws against the Property, effective as of the respective dates of recordation in the Deed Records of Washington County, Oregon. The Company hereby acknowledges that the Property is subject to the easements, covenants, restrictions and charges pursuant to the terms of the CC&Rs and Bylaws, which run with the land and are binding upon all parties having or acquiring any right, title or interest in the Property, or any part thereof from and after the date of recordation of the CC&Rs and Bylaws, and shall inure to the benefit of each owner thereof.

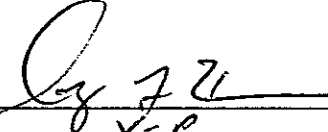
FATCO. NO. 74154-1
at American Title Accommodat...
Recording Assumes No Liability



IN WITNESS WHEREOF, the Company has executed this Consent as of the date first set forth above.

FOREST SPRINGS TWO, LLC, an Oregon limited liability company

By: MATRIX DEVELOPMENT CORPORATION, an Oregon corporation
Its: Managing Member

By: 
Its: V.P.

STATE OF OREGON)
) ss.
County of Washington)

The foregoing instrument was acknowledged before me on this 5th day of December, 2002 by Craig F. Brown, who is Vice President of Matrix Development Corporation, an Oregon corporation, managing member of Forest Springs Two, LLC, an Oregon limited liability company, on behalf of the limited liability company.



Jacqueline T. Herb
Notary Public for Oregon
My Commission Expires: February 1, 2003



00300845200300522420060069

I, Jerry Hanson, Director of Assessment and Taxation and Ex-Officio County Clerk for Washington County, Oregon, do hereby certify that the within instrument of writing was received and recorded in the book of records of said county.

Jerry Hanson

Jerry R. Hanson, Director of Assessment and Taxation, Ex-Officio County Clerk



AFTER RECORDING RETURN TO:

Ball Janik LLP
101 SW Main Street, Suite 1100
Portland, Oregon 97204
ATTN: Rebecca Biermann Tom

**DECLARATION OF ANNEXATION OF REAL PROPERTY
TO
DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS
FOR BAUER HIGHLANDS**

This DECLARATION OF ANNEXATION OF REAL PROPERTY TO DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BAUER HIGHLANDS (this "Declaration") is made this 27 day of March, 2003, by Matrix Development Corporation, an Oregon corporation ("Declarant").

Recitals:

A. Forest Springs Two, LLC, an Oregon limited liability company (the "Company") owns the real property ("Bauer Highlands No. 2") located in the County of Washington, State of Oregon, legally described as the Plat of Bauer Highlands No. 2, which has been duly recorded in the Plat Records of Washington County, Oregon, as Document No. 2003052241 (the "Plat"), concurrently with the recordation of this Declaration, save and except Lot 157 of the foregoing Plat. Declarant owns Lot 157 of the Plat. Lot 157 of the Plat is a replat of Lot 154 of the Plat of Bauer Highlands, recorded April 27, 2001 in the Plat Records of Washington County, Oregon as Document No. 2001038436 (the "Plat of Bauer Highlands").

B. Declarant recorded that certain Declaration of Covenants, Conditions, and Restrictions for Bauer Highlands, dated as of May 21, 2001, in the Deed Records of the County of Washington, State of Oregon, as Document No. 2001047880.1 (such Declaration, as amended from time to time, being referred to as the "CC&Rs"). Lot 157 of the Plat, originally platted as Lot 154 of the Plat of Bauer Highlands, is subject to the CC&Rs.

C. Pursuant to Section 2.2 of the CC&Rs, Declarant desires to annex Bauer Highlands No. 2, including, without limitation, Lot 154 of the Plat of Bauer Highlands, replatted as Lot 157 of the Plat, to the real property that is subject to the CC&Rs, upon the terms and conditions contained in this Declaration. The Company desires to consent to such annexation of its property by Declarant.

NOW, THEREFORE, Declarant hereby declares that Bauer Highlands No. 2 shall be held, sold and conveyed subject to the following easements, covenants, restrictions and charges that, subject to the terms of this Declaration, shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in Bauer Highlands No. 2, or any part thereof, and shall inure to the benefit of each owner thereof.



ARTICLE 1 DEFINITIONS

Except to the extent otherwise defined herein, capitalized terms used in this Declaration shall have the meanings ascribed to such terms in the CC&Rs.

1.1 Annexed Maintenance Area shall mean those areas and Improvements described in Section 2.2 below.

1.2 Annexed Lots shall mean Lots 155 through 184, inclusive, as shown on the Plat.

1.3 Masonry Wall shall mean the Masonry Wall defined in the CC&Rs, together with that certain masonry wall initially constructed by Declarant along the rear property line of Lots 178 through 182, inclusive, of the Plat, along NW Saltzman Road.

ARTICLE 2 ANNEXATION OF PROPERTY

2.1 Annexation. Bauer Highlands No. 2 is hereby annexed to and made a part of the Property, and is owned and shall be owned, held, conveyed, hypothecated, encumbered, used, occupied and improved in perpetuity, subject to the easements, covenants, restrictions and charges contained in the CC&Rs, as modified or supplemented by the terms of this Declaration.

2.2 Annexed Maintenance Area. The Association will permanently maintain and repair as necessary (i) all entry monument signage and other decorative landscaped improvements within the Annexed Maintenance Area; (ii) the Masonry Wall, its foundations and footings and the strip of real property located along NW Saltzman Road, between the Masonry Wall located on Lots 178 through 182, inclusive, of the Plat, and the interior edge of the sidewalk along NW Saltzman Road, and including all improvements thereon and landscaping therein, including, without limitation, the Masonry Wall and its foundations and footings, any signage, all trees, shrubs, grass, sod and irrigation systems therein, but excluding any landscaping on the side of the Masonry Wall facing the interior of any Owner's Lot; and (iii) any other area determined by the Board to be in the interest of the Association to maintain. All of the foregoing areas and items in this Section are referred to collectively as the "Annexed Maintenance Area." The Annexed Maintenance Area shall be included among the Maintenance Area and shall be subject to all of the terms of the CC&Rs regarding the Maintenance Area, as modified or supplemented by the terms of this Declaration.

2.3 Annexed Lots. The Annexed Lots shall be included among the Lots and except to the extent expressly provided otherwise in this Declaration, shall be subject to all of the easements, covenants, restrictions, and charges regarding the Lots set forth in the CC&Rs, as supplemented or modified by this Declaration, and as stated on the Plat.

ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owners of Annexed Lots shall become members of the Association and shall be entitled to voting rights therein as set forth in Sections 7.3 of the CC&Rs and Section 6.1 of this Declaration.



ARTICLE 4 ASSESSMENTS

The Annexed Lots shall be subject to assessment in the manner and on the terms set forth in the CC&Rs, as supplemented by the terms of this Declaration.

ARTICLE 5 PROPERTY RIGHTS AND EASEMENTS

5.1 Owners' Use and Occupancy. Except as otherwise expressly provided in this Declaration, the CC&Rs, or in the Plat, the Owner of an Annexed Lot shall be entitled to the exclusive use and benefit of such Annexed Lot. Declarant, the ARC and any representative of the Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any Annexed Lot for the purpose of determining whether or not the use of and/or Improvements on such Lot are then in compliance with this Declaration and the CC&Rs and for maintenance, repair and restoration of the Annexed Maintenance Area. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Lot. Declarant or the Association may grant or assign easements over or with respect to any Annexed Lot to municipalities or other utilities performing utility services and to communications companies.

5.2 Easement for Unintentional Encroachment. The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon Bauer Highlands No. 2 caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of Bauer Highlands No. 2, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

5.3 Maintenance Easement. An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across, upon, and under the Annexed Maintenance Area, and any other areas of the Bauer Highlands No. 2 necessary or appropriate for purposes of accomplishing the maintenance, repair, and replacement by the Association of Improvements or the other obligations of the Association hereunder.

ARTICLE 6 AMENDMENTS

6.1 Term and Amendments. 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 that the CC&Rs were recorded, after which time they shall be automatically extended for successive periods of ten (10) years each, unless rescinded by the vote of at least ninety (90) percent of the votes outstanding of the Owners and ninety (90) percent is presented to the Board of Directors or other duly appointed and authorized persons, which shall authorize the Board of Directors, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the Deed Records of Washington County, Oregon. Subject to the other Sections of this Article 6, this Declaration may be amended at any time by a signed petition containing the signatures of at least seventy-five (75) percent of the total votes of all Lots included or intended to be included in the Property pursuant to the General Plan of Development, except that for this purpose only the



Class B Member shall have only one (1) vote per Lot owned, being presented to the Board of Directors, or other duly appointed and authorized persons, which shall authorize the Board of Directors, or other duly appointed and authorized persons, to execute and properly record an instrument amending this Declaration. Subject to the provisions of Sections 6.2 and 6.3, notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Annexed Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Deed Records of Washington County, Oregon. Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

6.2 FHA/VA Approval of Amendments. Amendments shall be subject to prior approval of FHA and/or VA in accordance with the procedure as described in Section 11.9 of the CC&Rs, for so long as there is Class B membership in the Association.

6.3 Regulatory Amendments. Notwithstanding the provisions of Section 6.1, until the Turnover Meeting described in the Bylaws, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with the Oregon Planned Community Act.

ARTICLE 7 MISCELLANEOUS PROVISIONS

7.1 Non-Waiver. Failure by the Association or by any Owner of an Annexed Lot to enforce a covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

7.2 Construction; Severability. This Declaration and the CC&Rs shall be liberally construed as one document to effect the annexation of Bauer Highlands No. 2 to the Property. Nevertheless, each provision of this Declaration and the CC&Rs shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision.

7.3 Run with Land. Subject to Sections 6.1 and 7.4, this Declaration and the easements, covenants, restrictions and changes described herein shall run with the land and shall be binding on the parties and any person acquiring any right, title, or interest in Bauer Highlands No. 2.

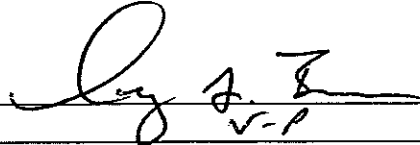


2003-52242

7.4 Termination. This Declaration shall terminate upon the termination of the CC&Rs in accordance with the terms thereof.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

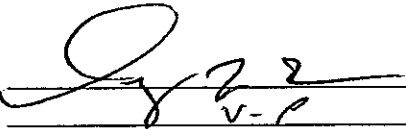
MATRIX DEVELOPMENT CORPORATION, an Oregon corporation

By: 
Its: V-P

The undersigned owner of Bauer Highlands No.2 hereby consents to the foregoing Declaration of Annexation of Real Property to Declaration of Covenants, Conditions, and Restrictions for Bauer Highlands.

FOREST SPRINGS TWO, LLC, an Oregon limited liability company

By: MATRIX DEVELOPMENT CORPORATION, an Oregon corporation
Its: Managing Member

By: 
Its: V-P

STATE OF OREGON)
) ss.
County of Washington)

The foregoing instrument was acknowledged before me on this 21th day of March, 2003 by Craig F. Brown, who is Vice-President of Matrix Development Corporation, an Oregon corporation, on behalf of the corporation.

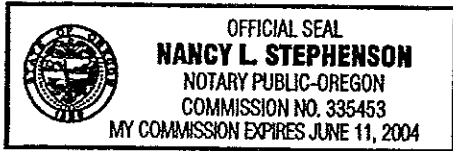


Nancy L. Stephenson
Notary Public for Oregon
My Commission Expires: 06/11/04



STATE OF OREGON)
) ss.
County of Washington)

The foregoing instrument was acknowledged before me on this 27th day of March, 2003 by Craig F. Brown, who is Vice-President of Matrix Development Corporation, an Oregon corporation, managing member of Forest Springs Two, LLC, an Oregon limited liability company, on behalf of the limited liability company.



Nancy L. Stephenson
Notary Public for Oregon
My Commission Expires: 06/11/04



00300845200300522420060069

I, Jerry Hanson, Director of Assessment and Taxation and Ex-Officio County Clerk for Washington County, Oregon, do hereby certify that the within instrument of writing was received and recorded in the book of records of said county.

Jerry Hanson

Jerry R. Hanson, Director of Assessment and Taxation, Ex-Officio County Clerk



AFTER RECORDING RETURN TO:

Ball Janik LLP
101 SW Main Street, Suite 1100
Portland, Oregon 97204
ATTN: Rebecca Biermann Tom

**DECLARATION OF ANNEXATION OF REAL PROPERTY
TO
DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS
FOR BAUER HIGHLANDS**

This DECLARATION OF ANNEXATION OF REAL PROPERTY TO DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BAUER HIGHLANDS (this "Declaration") is made this 27 day of March, 2003, by Matrix Development Corporation, an Oregon corporation ("Declarant").

Recitals:

A. Forest Springs Two, LLC, an Oregon limited liability company (the "Company") owns the real property ("Bauer Highlands No. 2") located in the County of Washington, State of Oregon, legally described as the Plat of Bauer Highlands No. 2, which has been duly recorded in the Plat Records of Washington County, Oregon, as Document No. 2003052241 (the "Plat"), concurrently with the recordation of this Declaration, save and except Lot 157 of the foregoing Plat. Declarant owns Lot 157 of the Plat. Lot 157 of the Plat is a replat of Lot 154 of the Plat of Bauer Highlands, recorded April 27, 2001 in the Plat Records of Washington County, Oregon as Document No. 2001038436 (the "Plat of Bauer Highlands").

B. Declarant recorded that certain Declaration of Covenants, Conditions, and Restrictions for Bauer Highlands, dated as of May 21, 2001, in the Deed Records of the County of Washington, State of Oregon, as Document No. 2001047880.1 (such Declaration, as amended from time to time, being referred to as the "CC&Rs"). Lot 157 of the Plat, originally platted as Lot 154 of the Plat of Bauer Highlands, is subject to the CC&Rs.

C. Pursuant to Section 2.2 of the CC&Rs, Declarant desires to annex Bauer Highlands No. 2, including, without limitation, Lot 154 of the Plat of Bauer Highlands, replatted as Lot 157 of the Plat, to the real property that is subject to the CC&Rs, upon the terms and conditions contained in this Declaration. The Company desires to consent to such annexation of its property by Declarant.

NOW, THEREFORE, Declarant hereby declares that Bauer Highlands No. 2 shall be held, sold and conveyed subject to the following easements, covenants, restrictions and charges that, subject to the terms of this Declaration, shall run with the land and shall be binding upon all parties having or acquiring any right, title or interest in Bauer Highlands No. 2, or any part thereof, and shall inure to the benefit of each owner thereof.



ARTICLE 1 DEFINITIONS

Except to the extent otherwise defined herein, capitalized terms used in this Declaration shall have the meanings ascribed to such terms in the CC&Rs.

1.1 Annexed Maintenance Area shall mean those areas and Improvements described in Section 2.2 below.

1.2 Annexed Lots shall mean Lots 155 through 184, inclusive, as shown on the Plat.

1.3 Masonry Wall shall mean the Masonry Wall defined in the CC&Rs, together with that certain masonry wall initially constructed by Declarant along the rear property line of Lots 178 through 182, inclusive, of the Plat, along NW Saltzman Road.

ARTICLE 2 ANNEXATION OF PROPERTY

2.1 Annexation. Bauer Highlands No. 2 is hereby annexed to and made a part of the Property, and is owned and shall be owned, held, conveyed, hypothecated, encumbered, used, occupied and improved in perpetuity, subject to the easements, covenants, restrictions and charges contained in the CC&Rs, as modified or supplemented by the terms of this Declaration.

2.2 Annexed Maintenance Area. The Association will permanently maintain and repair as necessary (i) all entry monument signage and other decorative landscaped improvements within the Annexed Maintenance Area; (ii) the Masonry Wall, its foundations and footings and the strip of real property located along NW Saltzman Road, between the Masonry Wall located on Lots 178 through 182, inclusive, of the Plat, and the interior edge of the sidewalk along NW Saltzman Road, and including all improvements thereon and landscaping therein, including, without limitation, the Masonry Wall and its foundations and footings, any signage, all trees, shrubs, grass, sod and irrigation systems therein, but excluding any landscaping on the side of the Masonry Wall facing the interior of any Owner's Lot; and (iii) any other area determined by the Board to be in the interest of the Association to maintain. All of the foregoing areas and items in this Section are referred to collectively as the "Annexed Maintenance Area." The Annexed Maintenance Area shall be included among the Maintenance Area and shall be subject to all of the terms of the CC&Rs regarding the Maintenance Area, as modified or supplemented by the terms of this Declaration.

2.3 Annexed Lots. The Annexed Lots shall be included among the Lots and except to the extent expressly provided otherwise in this Declaration, shall be subject to all of the easements, covenants, restrictions, and charges regarding the Lots set forth in the CC&Rs, as supplemented or modified by this Declaration, and as stated on the Plat.

ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owners of Annexed Lots shall become members of the Association and shall be entitled to voting rights therein as set forth in Sections 7.3 of the CC&Rs and Section 6.1 of this Declaration.



ARTICLE 4 ASSESSMENTS

The Annexed Lots shall be subject to assessment in the manner and on the terms set forth in the CC&Rs, as supplemented by the terms of this Declaration.

ARTICLE 5 PROPERTY RIGHTS AND EASEMENTS

5.1 Owners' Use and Occupancy. Except as otherwise expressly provided in this Declaration, the CC&Rs, or in the Plat, the Owner of an Annexed Lot shall be entitled to the exclusive use and benefit of such Annexed Lot. Declarant, the ARC and any representative of the Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any Annexed Lot for the purpose of determining whether or not the use of and/or Improvements on such Lot are then in compliance with this Declaration and the CC&Rs and for maintenance, repair and restoration of the Annexed Maintenance Area. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Lot. Declarant or the Association may grant or assign easements over or with respect to any Annexed Lot to municipalities or other utilities performing utility services and to communications companies.

5.2 Easement for Unintentional Encroachment. The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon Bauer Highlands No. 2 caused by or resulting from, construction, repair, shifting, settlement or movement of any portion of Bauer Highlands No. 2, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

5.3 Maintenance Easement. An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across, upon, and under the Annexed Maintenance Area, and any other areas of the Bauer Highlands No. 2 necessary or appropriate for purposes of accomplishing the maintenance, repair, and replacement by the Association of Improvements or the other obligations of the Association hereunder.

ARTICLE 6 AMENDMENTS

6.1 Term and Amendments. 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 that the CC&Rs were recorded, after which time they shall be automatically extended for successive periods of ten (10) years each, unless rescinded by the vote of at least ninety (90) percent of the votes outstanding of the Owners and ninety (90) percent is presented to the Board of Directors or other duly appointed and authorized persons, which shall authorize the Board of Directors, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the Deed Records of Washington County, Oregon. Subject to the other Sections of this Article 6, this Declaration may be amended at any time by a signed petition containing the signatures of at least seventy-five (75) percent of the total votes of all Lots included or intended to be included in the Property pursuant to the General Plan of Development, except that for this purpose only the



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Class B Member shall have only one (1) vote per Lot owned, being presented to the Board of Directors, or other duly appointed and authorized persons, which shall authorize the Board of Directors, or other duly appointed and authorized persons, to execute and properly record an instrument amending this Declaration. Subject to the provisions of Sections 6.2 and 6.3, notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Annexed Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Deed Records of Washington County, Oregon. Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

6.2 FHA/VA Approval of Amendments. Amendments shall be subject to prior approval of FHA and/or VA in accordance with the procedure as described in Section 11.9 of the CC&Rs, for so long as there is Class B membership in the Association.

6.3 Regulatory Amendments. Notwithstanding the provisions of Section 6.1, until the Turnover Meeting described in the Bylaws, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with the Oregon Planned Community Act.

ARTICLE 7 MISCELLANEOUS PROVISIONS

7.1 Non-Waiver. Failure by the Association or by any Owner of an Annexed Lot to enforce a covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

7.2 Construction; Severability. This Declaration and the CC&Rs shall be liberally construed as one document to effect the annexation of Bauer Highlands No. 2 to the Property. Nevertheless, each provision of this Declaration and the CC&Rs shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision.

7.3 Run with Land. Subject to Sections 6.1 and 7.4, this Declaration and the easements, covenants, restrictions and changes described herein shall run with the land and shall be binding on the parties and any person acquiring any right, title, or interest in Bauer Highlands No. 2.



2003-52242

7.4 Termination. This Declaration shall terminate upon the termination of the CC&Rs in accordance with the terms thereof.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

MATRIX DEVELOPMENT CORPORATION, an Oregon corporation

By: [Signature]
Its: V-P

The undersigned owner of Bauer Highlands No. 2 hereby consents to the foregoing Declaration of Annexation of Real Property to Declaration of Covenants, Conditions, and Restrictions for Bauer Highlands.

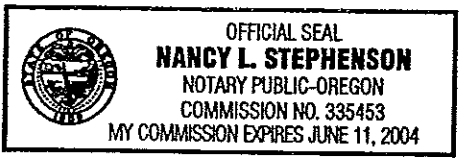
FOREST SPRINGS TWO, LLC, an Oregon limited liability company

By: MATRIX DEVELOPMENT CORPORATION, an Oregon corporation
Its: Managing Member

By: [Signature]
Its: V-P

STATE OF OREGON)
) ss.
County of Washington)

The foregoing instrument was acknowledged before me on this 21th day of March, 2003 by Craig F. Brown, who is Vice-President of Matrix Development Corporation, an Oregon corporation, on behalf of the corporation.



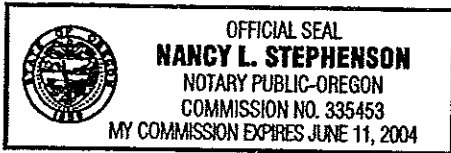
Nancy L. Stephenson
Notary Public for Oregon
My Commission Expires: 06/11/04



2003-52242

STATE OF OREGON)
) ss.
County of Washington)

The foregoing instrument was acknowledged before me on this 27th day of March, 2003 by Craig F. Brown, who is Vice-President of Matrix Development Corporation, an Oregon corporation, managing member of Forest Springs Two, LLC, an Oregon limited liability company, on behalf of the limited liability company.



Nancy L. Stephenson
Notary Public for Oregon
My Commission Expires: 06/11/04



00451837200301680980060067
I, Jerry Hanson, Director of Assessment and Taxation
and Ex-Officio County Clerk for Washington County,
Oregon, do hereby certify that the within instrument of
writing was received and recorded in the book of
records of said county.
Jerry R. Hanson, Director of Assessment and Taxation,
Ex-Officio County Clerk



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AFTER RECORDING RETURN TO:

Ball Janik LLP
101 SW Main Street, Suite 1100
Portland, Oregon 97204
ATTN: Rebecca Biermann Tom

**SECOND DECLARATION OF ANNEXATION OF REAL PROPERTY
TO
DECLARATION OF COVENANTS,
CONDITIONS, AND RESTRICTIONS
FOR BAUER HIGHLANDS**

This SECOND DECLARATION OF ANNEXATION OF REAL PROPERTY TO
DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR BAUER
HIGHLANDS (this "Declaration") is made this 21st day of August, 2003, by Matrix
Development Corporation, an Oregon corporation ("Declarant").

Recitals:

A. Forest Springs Two, LLC, an Oregon limited liability company (the "Company")
owns the real property ("Bauer Highlands No. 3") located in the County of Washington, State of
Oregon, legally described as the Plat of Bauer Highlands No. 3, which has been duly recorded in
the Plat Records of Washington County, Oregon, as Document No. 2003168097 (the
"Plat"), concurrently with the recordation of this Declaration.

B. Declarant recorded that certain Declaration of Covenants, Conditions, and
Restrictions for Bauer Highlands, dated as of May 21, 2001, in the Deed Records of the County
of Washington, State of Oregon, as Document No. 2001047880.1 (such Declaration, as amended
from time to time, being referred to as the "CC&Rs"). Declarant also recorded that certain
Declaration of Annexation of Real Property to Declaration of Covenants, Conditions, and
Restrictions for Bauer Highlands, dated as of March 27, 2003, in the Deed Records of
Washington County, State of Oregon, as Document No. 2003-052242.

C. Pursuant to Section 2.2 of the CC&Rs, Declarant desires to annex Bauer
Highlands No. 3 to the real property that is subject to the CC&Rs, upon the terms and conditions
contained in this Declaration. The Company desires to consent to such annexation of its property
by Declarant.

NOW, THEREFORE, Declarant hereby declares that Bauer Highlands No. 3 shall
be held, sold and conveyed subject to the following easements, covenants, restrictions and
charges that, subject to the terms of this Declaration, shall run with the land and shall be binding
upon all parties having or acquiring any right, title or interest in Bauer Highlands No. 3, or any
part thereof, and shall inure to the benefit of each owner thereof.



ARTICLE 1 DEFINITIONS

Except to the extent otherwise defined herein, capitalized terms used in this Declaration shall have the meanings ascribed to such terms in the CC&Rs.

1.1 Annexed Common Area shall mean Tracts B through H, inclusive, and K of the Plat of Bauer Highlands No. 3, which has been duly described in the Plat Records of Washington County, Oregon, as Document No. 2003/68097, as shown on the Plat.

1.2 Annexed Maintenance Area shall mean those areas and Improvements described in Section 2.2 below.

1.3 Annexed Lots shall mean Lots 185 through 276, inclusive, as shown on the Plat.

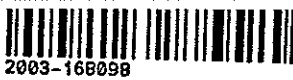
1.4 Annexed Tracts shall mean Tracts I and J.

ARTICLE 2 ANNEXATION OF PROPERTY

2.1 Annexation. Bauer Highlands No. 3 is hereby annexed to and made a part of the Property, and is owned and shall be owned, held, conveyed, hypothecated, encumbered, used, occupied and improved in perpetuity, subject to the easements, covenants, restrictions and charges contained in the CC&Rs, as modified or supplemented by the terms of this Declaration.

2.2 Annexed Maintenance Area. The Association will permanently maintain and repair as necessary (i) all entry monument signage and other decorative landscaped improvements within the Annexed Maintenance Area; (ii) the private streets and street lights in Tracts B, C, D, E, F, and G, the cost of which maintenance shall be charged to the Owners served by such improvements, as specified in Section 4.2 below; (iii) landscaping, pathways and other improvements located in Tract H, provided that the Association shall maintain the native plants therein and leave the open space in its natural state to the extent possible; (iv) landscaping in Tract K, provided Tract K is to be maintained primarily as a water quality facility with native plants and shall be maintained appropriately for such a facility; (v) the pedestrian walkways, retaining walls and stairs in the public pedestrian easement located on Lots 224, 225, 234, 235, 240, 241, 250 and 251 (the "Pedestrian Improvements"), as shown on the Plat the cost of which maintenance shall be charged to the Owners served by such improvements, as specified in Section 4.2 below; and (vi) any other area determined by the Board to be in the interest of the Association to maintain. All of the foregoing areas and items in this Section are referred to collectively as the "Annexed Maintenance Area." The Annexed Maintenance Area shall be included among the Maintenance Area and shall be subject to all of the terms of the CC&Rs regarding the Maintenance Area, as modified or supplemented by the terms of this Declaration.

2.3 Annexed Lots. The Annexed Lots shall be included among the Lots and except to the extent expressly provided otherwise in this Declaration, shall be subject to all of the easements, covenants, restrictions, and charges regarding the Lots set forth in the CC&Rs, as supplemented or modified by this Declaration, and as stated on the Plat.



ARTICLE 3 MEMBERSHIP IN ASSOCIATION

The Owners of Annexed Lots shall become members of the Association and shall be entitled to voting rights therein as set forth in Sections 7.3 of the CC&Rs and Section 6.1 of this Declaration.

ARTICLE 4 ASSESSMENTS

4.1 General. The Annexed Lots shall be subject to assessment in the manner and on the terms set forth in the CC&Rs, as supplemented by the terms of this Declaration.

4.2 Limited Assessments. In addition to other assessments provided for in the CC&Rs, each Annexed Lot benefited by a private road and/or the Pedestrian Improvements, as specified herein, shall be assessed a limited assessment ("Limited Assessment") in an amount determined by dividing (i) the aggregate annual amount established by the Association with respect to the maintenance, repair, insurance and Reserve Fund Assessment requirements applicable to all Tracts constituting private roads, street lights located in such Tracts, and the Pedestrian Improvements by (ii) the sum of the number of Annexed Lots benefited by such Tracts constituting private roads, the street lights located therein, and the Pedestrian Improvements. Tracts B through G and the Pedestrian Improvements shall be deemed to benefit Lots 190 through 253, inclusive. Declarant shall establish an account for assessments relating to the private road Tracts and Pedestrian Improvements, and all assessments collected pursuant to this Section 4.2 shall be deposited into such account. The funds held in such account shall be used exclusively for the maintenance, repair, insurance and Reserve Fund Assessment requirements of the private road Tracts and street lights located therein and Pedestrian Improvements and for no other purpose unless at least seventy-five percent (75%) of the Owners of all Annexed Lots benefited by the private road Tracts, the street lights located therein, and Pedestrian Improvements shall consent in writing thereto.

ARTICLE 5 PROPERTY RIGHTS AND EASEMENTS

5.1 Owners' Use and Occupancy. Except as otherwise expressly provided in this Declaration, the CC&Rs, or in the Plat, the Owner of an Annexed Lot shall be entitled to the exclusive use and benefit of such Annexed Lot. Declarant, the ARC and any representative of the Association authorized by the Association may at any reasonable time, and from time to time at reasonable intervals, enter upon any Annexed Lot for the purpose of determining whether or not the use of and/or Improvements on such Lot are then in compliance with this Declaration and the CC&Rs and for maintenance, repair and restoration of the Annexed Maintenance Area. No such entry shall be deemed to constitute a trespass, conversion, or otherwise create any right of action in the Owner of such Lot. Declarant or the Association may grant or assign easements over or with respect to any Annexed Lot to municipalities or other utilities performing utility services and to communications companies.

5.2 Easement for Unintentional Encroachment. The Declarant hereby reserves an exclusive easement for the unintentional encroachment by any structure upon Bauer Highlands No. 3 caused by or resulting from, construction, repair, shifting, settlement or movement of any



portion of Bauer Highlands No. 3, which exclusive easement shall exist at all times during the continuance of such encroachment as an easement appurtenant to the encroaching property to the extent of such encroachment.

5.3 Maintenance Easement. An easement is hereby granted and reserved in favor of the Association and its successors, assigns, contractors, property managers, agents and employees over, across, upon, and under the Annexed Maintenance Area, and any other areas of the Bauer Highlands No. 3 necessary or appropriate for purposes of accomplishing the maintenance, repair, and replacement by the Association of Improvements or the other obligations of the Association hereunder.

ARTICLE 6 AMENDMENTS

6.1 Term and Amendments. 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 that the CC&Rs were recorded, after which time they shall be automatically extended for successive periods of ten (10) years each, unless rescinded by the vote of at least ninety (90) percent of the votes outstanding of the Owners and ninety (90) percent is presented to the Board of Directors or other duly appointed and authorized persons, which shall authorize the Board of Directors, or other duly appointed and authorized persons, to execute and properly record a notice of termination of this Declaration in the Deed Records of Washington County, Oregon. Subject to the other Sections of this Article 6, this Declaration may be amended at any time by a signed petition containing the signatures of at least seventy-five (75) percent of the total votes of all Lots included or intended to be included in the Property pursuant to the General Plan of Development, except that for this purpose only the Class B Member shall have only one (1) vote per Lot owned, being presented to the Board of Directors, or other duly appointed and authorized persons, which shall authorize the Board of Directors, or other duly appointed and authorized persons, to execute and properly record an instrument amending this Declaration. Subject to the provisions of Sections 6.2 and 6.3, notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal this Declaration at any time before the closing of the sale on the first Annexed Lot, provided said amendment, modification, or repeal is in writing and properly recorded in the Deed Records of Washington County, Oregon. Declarant further reserves the right at any time to amend this Declaration, or any amendment hereto, in order to correct scrivener's errors. In no event shall an amendment pursuant to this Section create, limit, or diminish Declarant's special rights without Declarant's written consent or change the boundaries of any Lot or any use to which any Lot is restricted unless the Owners of the affected Lots consent to the amendment.

6.2 FHA/VA Approval of Amendments. Amendments shall be subject to prior approval of FHA and/or VA in accordance with the procedure as described in Section 11.9 of the CC&Rs, for so long as there is Class B membership in the Association.

6.3 Regulatory Amendments. Notwithstanding the provisions of Section 6.1, until the Turnover Meeting described in the Bylaws, Declarant shall have the right to amend this Declaration or the Bylaws in order to comply with the requirements of any applicable statute, ordinance, regulation or guideline of the Federal Housing Administration, the Veterans



Administration, the Farmers Home Administration of the United States, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, any department, bureau, board, commission or agency of the United States or the State of Oregon, or any corporation wholly owned, directly or indirectly, by the United States or the State of Oregon that insures, guarantees or provides financing for a planned community or lots in a planned community or to comply with the Oregon Planned Community Act.

ARTICLE 7 MISCELLANEOUS PROVISIONS

7.1 Non-Waiver. Failure by the Association or by any Owner of an Annexed Lot to enforce a covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

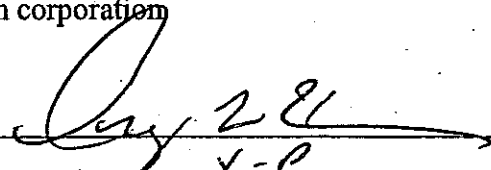
7.2 Construction; Severability. This Declaration and the CC&Rs shall be liberally construed as one document to effect the annexation of Bauer Highlands No. 3 to the Property. Nevertheless, each provision of this Declaration and the CC&Rs shall be deemed independent and severable, and the invalidity or partial invalidity of any provision shall not affect the validity or enforceability of the remaining part of that or any other provision.

7.3 Run with Land. Subject to Sections 6.1 and 7.4, this Declaration and the easements, covenants, restrictions and changes described herein shall run with the land and shall be binding on the parties and any person acquiring any right, title, or interest in Bauer Highlands No. 3.

7.4 Termination. This Declaration shall terminate upon the termination of the CC&Rs in accordance with the terms thereof.

IN WITNESS WHEREOF, Declarant has executed this Declaration as of the date first set forth above.

MATRIX DEVELOPMENT CORPORATION, an Oregon corporation

By: 
 Its: V-P



The undersigned owner of Bauer Highlands No.3 hereby consents to the foregoing Second Declaration of Annexation of Real Property to Declaration of Covenants, Conditions, and Restrictions for Bauer Highlands.

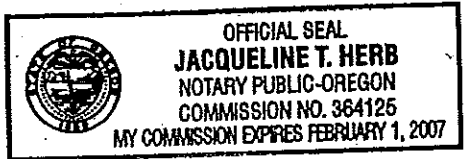
FOREST SPRINGS TWO, LLC, an Oregon limited liability company

By: MATRIX DEVELOPMENT CORPORATION, an Oregon corporation
Its: Managing Member

By: [Signature]
Its: v-p

STATE OF OREGON)
) ss.
County of Washington)

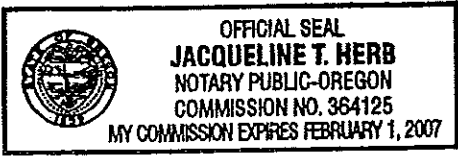
The foregoing instrument was acknowledged before me on this 27th day of August, 2003 by Craig F. Brown, who is the Vice President of Matrix Development Corporation, an Oregon corporation, on behalf of the corporation.



Jacqueline T. Herb
Notary Public for Oregon
My Commission Expires: February 1, 2007

STATE OF OREGON)
) ss.
County of Washington)

The foregoing instrument was acknowledged before me on this 27th day of August, 2003 by Craig F. Brown, who is the Vice President of Matrix Development Corporation, an Oregon corporation, managing member of Forest Springs Two, LLC, an Oregon limited liability company, on behalf of the limited liability company.



Jacqueline T. Herb
Notary Public for Oregon
My Commission Expires: February 1, 2007

After Recording Return To:
Ball Janik LLP
101 SW Main Street, Suite 1100
Portland, Oregon 97204
Attn: Christopher M. Walters

CERTIFIED TO BE A TRUE AND
CORRECT COPY OF THE ORIGINAL.

FIRST AMERICAN TITLE INSURANCE
COMPANY, TITLE Department

By: *Jarah Wilson*

BYLAWS

as fee No:
2002-054369
recorded on

OF

BAUER HIGHLANDS HOMEOWNERS ASSOCIATION

5/8/02

ARTICLE 1

Name; Principal Office

The name of this Association is Bauer Highlands Homeowners Association, hereinafter referred to as the "Association." The principal office of the Association shall be located in Washington County, Oregon or any other place within the Portland, Oregon metropolitan area designated by the Association, but meetings of Members and Directors may be held at such places as may be designated by the Board of Directors.

ARTICLE 2

Definitions

2.1. "Articles" shall mean the Articles of Incorporation for the non-profit corporation, Bauer Highlands Homeowners Association, or such similar name approved by and filed with the Oregon Corporation Commissioner.

2.2. "Association" shall mean and refer to Bauer Highlands Homeowners Association, its successors and assigns.

2.3. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions ("CC&Rs") for Bauer Highlands dated May 21, 2001, recorded as Document No. 2001047880.1 in the deed records of Washington County, Oregon, as it may be amended or supplemented from time to time.

2.4. "Maintenance Program" as used herein includes maintenance, repair, replacement, and upkeep of the Common Area and Maintenance Area, including, without limitation, all landscaping, structures, drainage systems, lighting systems, irrigation systems and pathways; with a goal of maintaining such improvements to the extent reasonably possible in as good as or better condition than the improvement as initially constructed, subject to reasonable wear and tear over its useful life as determined by the Association.

2.5. "Property" shall mean the real property described in Exhibit A, together with such other real property as may be annexed to the Association pursuant to the Declaration.

Capitalized terms not defined herein shall have the meaning set forth in the Declaration.

ARTICLE 3

Meetings of Members

3.1. **Annual Meetings.** The first meeting of the Members held for the purpose of electing Directors shall be the Turnover Meeting. The first annual meeting of the Association shall be held within one (1) year from the date of incorporation of the Association and each subsequent regular annual meeting of the Members shall be held annually on a date within thirty (30) days of the anniversary date of the first annual meeting of the Members. At the annual meeting, the President, and any other officer of the Board or who the President may designate, shall report on the activities and financial condition of the Association.

3.2. **Special Meetings.** Special meetings of the Members may be called at any time by the President of the Association or by the Board of Directors, or upon written request of Members who are entitled to vote one-fourth (1/4) of all votes of the Association. Fractional vote requirements shall be rounded up to the next full vote. Business transacted at a special meeting shall be restricted to the purposes set forth in the notice thereof.

3.3. **Notice of Meetings.** Written notice of each meeting of the Members shall be given by, or at the directions of, the Secretary or person authorized to call the meeting, by mailing a copy of such notice, postage paid, at least ten (10) but no more than fifty (50) days before such meeting, to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association for the purpose of notice. Such notices shall specify the place, day, hour and agenda of the meeting and in the case of a special meeting, the purpose of the meeting. Notice of any such meeting may be waived by any Member at any time. No Member who is present at a meeting may object to the adequacy or timeliness of the notice given.

3.4. **Quorum.** The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-fourth (1/4) of the votes of the Association shall constitute a quorum for any action except as otherwise provided in the Declaration or these Bylaws. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote at said meeting shall have the limited power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. No quorum is required for the Turnover Meeting.

3.5. **Proxies.** At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. All proxies shall be revocable and shall automatically cease after one (1) year from the date of the proxy or upon conveyance by the Owner of his/her Lot.

3.6. **Voting Rights of Members.** Subject to Section 7.3 of the Declaration, each Lot shall be entitled to one (1) vote. Fractional vote requirements shall be rounded up to the next full vote.

3.7. **Voting by Mail.** In any case in which voting by mail is necessary or desirable, the secretary shall give written notice to all Members at least ten (10) days before written ballots are mailed or otherwise delivered. If, at least three (3) days before written ballots are scheduled to be mailed or otherwise delivered, at least ten percent (10%) of the Owners petition the Board requesting secrecy procedures, a written ballot must be accompanied by a secrecy envelope, a return identification envelope to be signed by the Owner and instructions for marking and return the ballot. Written ballots that are returned in secrecy envelopes may not be examined or counted before the deadline for returning ballots has passed. Any vote by mail shall (a) include a written resolution setting forth the proposed action, (b) state that the Members are entitled to vote by mail for or against such resolution, and (c) specify a date not less than twenty five (25) days after the date of such notice by which all votes must be received at the principal office of the Association. Votes received after the date specified shall be of no effect.

ARTICLE 4

Board of Directors Selection and Term of Office

4.1. **Number.** Prior to the Turnover Meeting, Matrix Development Corporation ("Declarant", as that term is defined in the Declaration) may appoint any number of Directors from one (1) to three (3), at its discretion, in accordance with the Declaration. Such Directors need not be Lot Owners. At and following the Turnover Meeting, the affairs of this Association shall be managed by a Board of Directors consisting of five (5) Directors, who shall be Owners. Director positions shall be open to only one Owner per Lot, regardless of the number of Owners of that Lot.

4.2. **Term of Office.** At the Turnover Meeting, the Members shall elect five (5) Directors. Those Directors shall be elected for terms of one (1) for one (1) year, two (2) for two (2) years, and two (2) for three (3) years. Elected Directors will draw for terms at the first meeting. At each subsequent annual meeting, the Members shall elect Directors for three (3) year terms.

4.3. **Removal.** Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association present at a duly called meeting of the Members. No removal of a Director is effective unless the matter of removal was included in the notice of the meeting. In the event of death, resignation or removal of a Director, his or her successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his or her predecessor.

4.4. **Compensation.** No Director shall receive compensation for any service he or she may render to the Association. However, any Director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

ARTICLE 5

Nomination and Election of Directors

At and after the Turnover Meeting, the nomination and election of Directors shall be as follows:

5.1. **Nomination.** Nominations for election to the Board of Directors shall be from among Members either in writing or in person at a duly called meeting of Members.

5.2. **Election.** Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The person receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE 6

Meeting of Directors

6.1. **Initial Meeting.** The initial meeting of the Board shall occur within ninety (90) days after the date the Articles of Incorporation for the Association are filed.

6.2. **Regular Meetings.** The Board shall meet at least annually, within thirty (30) days after each annual meeting of the Members. At each annual meeting, in addition to the actions required by the Declaration, the Treasurer shall present to the Board a report on the financial condition of the Association, including a report of receipts and disbursements for the preceding calendar year, the allocation thereof to each Lot and/or Home, and the estimated receipts and expenses for the coming year.

6.3. **Special Meetings.** Special meetings of the Board of Directors shall be held when called by the President of the Association, or by any two (2) Directors, after notice given in the manner provided in Section 6.4.

6.4. **Notice of Meeting.** The secretary shall give written notice to each Director of each Board meeting at least three (3), but not more than thirty (30), days prior to the date set for such meeting, stating the purpose, time, and place of the meeting. Notice shall be sent to the address of each Director as listed on the books of the Association, or to such other address as any Director may designate by written notice to the secretary given at least ten (10) days prior to the giving of notice of the meeting. Notice of any meeting may be waived by any Director at any time. No Director who is present at a meeting may object to the adequacy or timeliness of the notice given. When a meeting is adjourned for fewer than thirty (30) days, whether or not a quorum is present at the adjourned meeting, no notice of the resumption or reconvening of such adjourned meeting need be given other than by announcement at the meeting at which such adjournment takes place. All meetings of the Board shall be open to all Members, except as otherwise permitted by the Oregon Planned Community Act (the "Act"). Except in the case of an emergency, for matters allowed under the Act to be considered in executive session, the Board must first vote in an open meeting whether to meet in executive session. If the Board votes to meet in executive session, the President shall state the general nature of the action to be considered and when and under what

circumstances the deliberations can be disclosed to Members. For other than emergency meetings, notice of Board meetings shall be mailed to all Members, at the last address for each Member in the records of the Association, not less than ten (10) days before the meeting; posted at a place or places on the Property at least three (3) days prior to the meeting; or provided by a method otherwise reasonably calculated to inform Members of the meeting. Emergency meetings may be held without notice, if the reason for the emergency is stated in the minutes of the meeting. Only emergency meetings of the Board may be conducted by telephonic communication.

6.5. **Quorum.** A majority of the number of Directors shall constitute a quorum for the transaction of business. Unless a greater percentage is required by law, the Articles or the Declaration, each act or decision done or made by majority of the Directors present at a duly held meeting at which quorum is present shall be regarded as the act of the Board.

6.6. **Action Taken Without a Meeting.** The Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE 7

Powers and Duties of the Board of Directors

7.1. **Powers.** The Board of Directors shall have power to:

A. Adopt and publish rules and regulations governing use and maintenance of the Property, Common Area, Maintenance Area and related facilities; maintenance of landscaping and irrigation system, including the fencing and monuments located within easements, and the Common Area and for further implementation of the Maintenance Program; the personal conduct of the Members and their guests on the Common Area and facilities; and to establish fines and penalties for the violation thereof;

B. Suspend the voting rights of a Member and the right of a Member to use the Common Area and facilities during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed sixty (60) days for violation of any published rules and regulations;

C. Exercise for the Association all powers, duties and authority vested in or delegated to this Association (and not reserved to the membership) by these Bylaws, the Articles, the Declaration, the Oregon Planned Community Act and the Oregon Nonprofit Corporations Act;

D. Declare the office of a member of the Board of Directors to be vacant in the event such Director shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

E. Employ personnel necessary for administration of the Association and its affairs, including the performance of maintenance and other duties of the Association, such as a

manager, an independent contractor, or other employees or third parties as the Board deems necessary, and to prescribe their duties.

7.2. **Duties.** It shall be the duty of the Board of Directors to:

A. Cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of Members, or at any special meeting when such statement is requested in writing by Members possessing one-fourth (1/4) of the total votes of the Association;

B. Engage and supervise all officers, agents, and employees of the Association, and independent contractors;

C. As more fully provided in the Declaration, to:

1. Fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

2. Send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

3. Foreclose by lien against any property for which assessments are not paid within ninety (90) days after due date, or bring an action at law against the Owner personally obligated to pay the same.

D. Prepare and adopt an annual budget for the Association. Within thirty (30) days after adopting an annual budget, the Board shall provide a summary of the budget to all Owners. If the Board fails to adopt an annual budget, the last adopted annual budget shall continue in effect;

E. Issue or cause an appropriate office to issue, upon demand by any persons, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

F. Procure and maintain adequate liability and hazard insurance on property owned or maintained by the Association, including the Common Area and Maintenance Area as required by the Declaration and Oregon Planned Community Act. The Board shall review the Association's insurance at least annually;

G. Cause all officers or employees having fiscal responsibilities to be bonded or insured, as it may deem appropriate;

H. Provide for implementation of the Maintenance Program; and

I. Administer a reserve account and such other accounts as are further specified in Article 10 of the Declaration.

J. Perform all obligations of the Association or Board as set forth in the Declaration.

ARTICLE 8

Officers and Their Duties

8.1. **Enumeration of Officers.** The officers of this Association shall be a President, Secretary, Treasurer, and such other officers as the Board may from time to time by resolution create. Officers shall be members of the Board of Directors.

8.2. **Election of Officers.** The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

8.3. **Term.** The officers of the Association shall be elected annually by the Board and shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

8.4. **Special Appointments.** The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may from time to time determine.

8.5. **Resignation and Removal.** Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and the acceptance of such resignation shall not be necessary to make it effective.

8.6. **Vacancies.** A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer being replaced.

8.7. **Multiple Offices.** The offices of the Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 8.4 of this Article.

8.8. **Duties.** The duties of the officers are as follows:

A. **President.** The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments, and shall co-sign all checks and payment vouchers over \$1,000.00, and all promissory notes.

B. **Secretary.** The Secretary shall record and keep the minutes of all meetings and proceedings of the Board and of the Members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association,

together with their addresses, and shall perform such other duties as required by the Board. These duties may be delegated by Board approval to a qualified management agent.

C. **Treasurer.** The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by resolution of the Board of Directors; sign all checks, payment vouchers, and promissory notes of the Association; keep proper books of account; cause all tax returns and other governmental reports to be timely prepared and filed; and shall prepare an annual budget and a statement of income and expenditures to be presented to the Membership at its regular annual meeting and deliver a copy of each to the Members. These duties may be delegated by Board approval to a qualified management agent.

ARTICLE 9

Transfer of Control

9.1. **Transitional Advisory Committee.** Within sixty (60) days after the conveyance to Owners other than Declarant of Lots representing 50% or more of the Lots in the first or only phase of Bauer Highlands to Owners other than Declarant, Declarant shall call a special meeting of the Members to select a Transitional Advisory Committee. Declarant shall give notice in accordance with Section 3.3 to each Member of the special meeting. At such meeting, the Members in attendance, other than Declarant, by vote of a majority of those present, shall select two (2) or more members of a Transitional Advisory Committee composed of three (3) or more members. One member of the committee shall be selected by Declarant. The Members of the Transitional Advisory Committee shall serve until the Turnover Meeting. The sole function of the Transitional Advisory Committee shall be to facilitate the transition from control of the administration of the Association by Declarant to control by the Owners. Until the Turnover Meeting, the ultimate control of the Association shall lie with the Board appointed by Declarant pursuant to Section 4.1 and the Declaration. The Transitional Advisory Committee shall have reasonable access to all information and documents that Declarant is required to turn over to the Association under ORS 94.616(3). If the meeting required pursuant to this Section 9.1 is not called by Declarant within the time specified, the meeting may be called and notice given by any Owner. Notwithstanding the foregoing, if the Owners do not select members of the Transitional Advisory Committee as provided above, Declarant shall have no further obligation to form the Transitional Advisory Committee. There shall be no requirement that a Transitional Advisory Committee be formed and no Transitional Advisory Committee shall be appointed, once the Turnover Meeting has been held.

9.2. **Turnover Meeting.** On a date that is not later than ninety (90) days following the Termination Date, Declarant shall call the Turnover Meeting. Declarant shall give notice of such meeting as provided in Section 3.3 to each Owner. The notice shall state the purpose of the meeting, which shall be the relinquishment by Declarant of control of the administration of the Association, and the time and place at which the meeting is to be held. If Declarant does not call the Turnover Meeting required by this Article 9 within the required period, any Owner may call such a meeting and give notice as required by this Article 9. At the Turnover Meeting: (a) Declarant shall relinquish control of the administration of the Association and the Owners shall assume the control thereof, (b) the Directors of the Association then serving shall resign and the Owners shall elect a Board of Directors in accordance with these Bylaws, and (c) Declarant shall

deliver to the Association the books, records, and other materials belonging to the Association that are in Declarant's control.

ARTICLE 10

Books and Records

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member. Within ninety (90) days after the end of each fiscal year, the Board shall distribute to each Owner and, upon written request, any Mortgagee of a Lot, a copy of the annual financial statement consisting of a balance sheet and income and expense statement for the preceding fiscal year. The Articles, Declaration, Bylaws, rules and regulations, amendments and supplements to the foregoing documents, the most recent financial statement and the current operating budget of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE 11

Assessments

11.1. Obligation to Pay Assessments.

The method of payment for the expenses of the Maintenance Program, insurance, and other expenses of the Association shall be through assessments of the Members. As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments which are secured by a lien upon the Lot against which the assessment is made. Annual assessments shall be established when the Board approves the budget for that fiscal year. Unless otherwise specified by the Board, annual assessments shall be due and payable in monthly installments on the first day of the month. If any assessments are not paid within thirty (30) days after the due date, the assessment shall bear interest from the due date at the rate of twelve (12) percent per annum, and the Association may bring an action at law against the Owner. Interest, costs and reasonable attorney fees for any such action and any appeal thereof shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his or her Lot.

11.2. Right to Request Assessment Information.

The Association shall provide, within ten (10) business days of receipt of a written request from an Owner, a written statement that provides (i) the amount of assessments due from the Owner and unpaid at the time the request was received, such as regular and special assessments, fines, accrued interest, late payment charges and other charges, (ii) the percentage rate at which interest accrues on unpaid assessments and (iii) the percentage rate or fixed charge for late payments. The Association need not provide the amount of assessments due as provided in (i) if the Association has commenced litigation by filing a complaint against the Owners and the litigation is pending when the statement would otherwise be due.

ARTICLE 12

Amendments

12.1. **Amendment.** These Bylaws may be amended at regular or special meeting of the Members, by a majority vote of the total votes in the Association. At least thirty (30) days prior to a meeting being called for this purpose, a copy of the proposed amendment will be mailed to all Members. Except as provided in 12.2 below, an amendment is not effective unless it is certified by the President and Secretary of the Association as having been adopted in accordance with these Bylaws and ORS 94.625 and 94.630, and recorded in the office of the deed records of Washington County, Oregon.

12.2. **Unilateral Amendment by Declarant.** Notwithstanding any provisions hereof to the contrary, the Declarant may, at its sole discretion and without consent being required of anyone, modify, amend or repeal these Bylaws at any time before the closing of the sale of the first Lot to an Owner other than Declarant. The Declarant may amend these Bylaws 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. Declarant shall have such additional rights of unilateral amendment as may be allowed by law. Prior to the Turnover Meeting, to the extent permitted by applicable law, no Declarant amendment shall require notice to or approval by any Class A Member.

12.3. **HUD/VA Approval.** The Department of Housing and Urban Development (HUD) and the Veterans' Administration (VA) shall have the right to veto amendments to these Bylaws so long as there exists Class B Membership in the Association. If neither HUD nor VA notifies Declarant, or the Board of Directors, of objections to any amendment or intent to repeal these Bylaws within fifteen (15) days of the date of Declarant's or the Board of Directors' request for approval, such approval shall be deemed to have been granted.

ARTICLE 13

Fiscal Year

The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December every year, except that the first fiscal year shall begin on the date of establishment of the Association as set forth in the Declaration.

ARTICLE 14

Miscellaneous

14.1. **Waiver of Notice.** Whenever any notice is required to be given under the provisions of the nonprofit corporation laws of the State of Oregon, as it exists or may be

amended in the future, or under the provisions of the Articles of Incorporation or these Bylaws, a waiver thereof in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

14.2. **Meeting Not Required.** Any action which applicable law, the Declaration or these Bylaws require or permit the Members or the Board to take at a meeting may be taken without a meeting if a consent in writing setting forth the action so taken is signed by all of the Members or Directors entitled to vote on the matter. The consent, which shall have the same effect as a unanimous vote of the Members or the Board, as the case may be, shall be filed in the records of minutes of the Association.

14.3. **No Loans to Directors or Officers.** No loan shall be made by the Association to its Directors or Officers. The Directors of the Association who vote for or assent to the making of a loan to a Director or Officer of the Association, and any Officer or Officers participating in the making of such loan, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

14.4. **Dispute Resolution.** Before initiating litigation or an administrative hearing in which the Association and an Owner have an adversarial relationship, the party that intends to initiate litigation or an administrative hearing shall offer to resolve the problem through a dispute resolution program pursuant to ORS 94.630(4).

14.5. **Partial Invalidity.** The invalidation of any one of the provisions of these Bylaws by judgment or court order shall in now affect any other provisions, which shall remain in full force and effect.

14.6. **Conflicts.** In the case of any conflict between the Declaration, the Articles, or these Bylaws, the Declaration and then the Articles shall control over these Bylaws.

14.7. **Interpretation.** As used herein, the singular shall include the plural and the plural the singular. The masculine and neuter shall each include the masculine, feminine and neuter, as the context requires. All captions used herein are intended solely for convenience of reference and shall in no way limit any of the provisions of this document.

IN WITNESS WHEREOF, the undersigned has hereunto set its hands this 3rd day of

May, 2002.

Declarant:

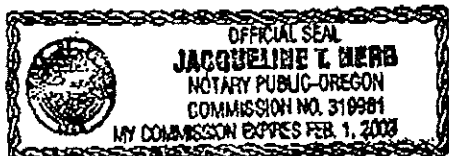
MATRIX DEVELOPMENT CORPORATION, an
Oregon corporation

By: 

Its: _____

STATE OF OREGON)
) ss.
County of Washington)

This instrument was acknowledged before me on May 3, 2002, by David Oringdulph, President of Matrix Development Corporation.



Jacqueline T. Herb
NOTARY PUBLIC FOR OREGON
My Commission Expires: February 1, 2003

EXHIBIT A
PROPERTY LEGAL DESCRIPTION

Lots 1 through 154, inclusive, and Tracts A and B of the Plat of Bauer Highlands, recorded April 27, 2001 in Plat Book 130, Pages 16 through 20 of Washington County, Oregon, and recorded in the deed records of Washington County, Oregon as Document No. 2001038436.