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DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR
RIOTEGI PLANNED COMMUNITY

THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS FOR Riotegi Planned Community ("Declaration") is made by Basco Bros., LLC, an Oregon Limited Liability Company ("Declarant").

RECITALS

Declarant is the owner of all the real property and improvements thereon located in Douglas County, Oregon, described as follows (the "Property"):

Lots, inclusive, and Tracts as shown on the plat map of Riotegi Planned Community filed for record on 6/07, 2007, Book 22, Pages 49A-B, in the plat records of Douglas County, Oregon.

Declarant intends to develop Riotegi Planned Community as a Class II planned community. To establish Riotegi Planned Community as a planned community, 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 Lots and Common Area in Riotegi Planned Community.

Declarant has deemed it desirable for the efficient preservation of the values and amenities in Riotegi Planned Community to create a nonprofit corporation, to which will be delegated and assigned the powers and authority to own, maintain, repair, replace and administer the Common Area and Private Road, to administer and enforce the covenants, conditions, and restrictions of this Declaration, and to collect and disburse the assessments and charges hereinafter created.

The Declarant shall convey Tracts A, B and C to the Riotegi Homeowners' Association ("Association"). Except as limited by this Declaration, the Association shall assume the maintenance obligation of Tracts A, B and C for the benefit of the Owners and assess the Owners as further provided in this Declaration.

NOW THEREFORE, Declarant declares that the Property shall be held, transferred, sold, conveyed, and occupied subject to the Oregon Planned Community Act as may be amended from time to time (ORS 94.550-94.783) and subject to the following covenants, conditions, restrictions, easements, charges, and liens, which shall run with the land, which shall be binding on all parties having or acquiring any right, title, or interest in the Property or any part thereof, and which shall inure to the benefit of the Association and of each Owner.

ARTICLE 1
DEFINITIONS

1.1 *Architectural Review Committee* shall mean the Architectural Review Committee described in Article 8, which for brevity may be referred to as the ARC.

1.2 *Articles* shall mean the Articles of Incorporation for the nonprofit corporation, Riotegi Homeowners' Association, as filed with the Oregon Secretary of State.

1.3 *Association* shall mean and refer to Riotegi Homeowners' Association, Inc., its successors and assigns.

1.4 *Board* shall mean the Board of Directors of the Association.

1.5 *Bylaws* shall mean and refer to the Bylaws of the Association, which shall be recorded in the Douglas County, Oregon, deed records.

1.6 *Common Area* shall mean and refer to Tracts A, B and C shown on the recorded Plat of the Property, including any improvements located thereon, which areas and improvements are intended to be devoted to the common use and enjoyment of the members and which land has been conveyed to the Association. The Common Area includes the Irrigation System and the Water Pollution Control Facility owned and maintained by the Association and described below.

1.7 *Declaration* shall mean the covenants, conditions, restrictions, and all other provisions set forth in this Declaration.

1.8 *Declarant* shall mean and refer to Basco Bros., LLC, an Oregon Limited Liability Company, and its successors or assigns.

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

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

1.10a *Irrigation System* shall mean and refer to any portion of the permitted or certificated water rights appurtenant to Riotegi Planned Community and the associated water diversion, fish screen, pump system, pump house, pipelines, delivery system, valves, and meters, if any.

1.11 *Lot* shall mean and refer to each and any of Lots 1 through 11; provided, however, that *Lot* shall not include Tracts A, B or C.

1.12 *Members* shall mean and refer to the Owners of Lots in Riotegi Planned Community

1.13 *Occupant* shall mean and refer to the occupant of a Home, whether such person is an Owner, a lessee, or any other person authorized by the Owner to occupy the Home.

1.14 *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 of a Lot 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.

1.15 *Plat* shall mean and refer to the Plat of Riotegi Planned Community recorded in the Plat Records of Douglas County, Oregon, at Book 22, Pages 49A-B, on June 7, 2007.

1.16 *Private Road* shall mean that portion of the roadways within the Plat of Riotegi Planned Community lying between and including the roadside curbs.

1.17 *Property* shall have the meaning attributed to such term in the Recitals of this Declaration.

1.18 *Reserve Account(s)* shall mean and refer to an account set up by the Board to hold funds for construction, improvements or maintenance of the Common Area.

1.19 *Rules and Regulations* shall mean and refer to the documents containing rules and regulations and policies adopted by the Board or the Architectural Review Committee, as may be from time to time amended.

1.20 *Tracts* shall mean and refer to Tracts A, B and C as shown on the Plat.

1.21 *Water Pollution Control Facility* shall mean and refer to the water pollution control facility that services the Property as approved by the Oregon Department of Environmental Quality. For brevity, the Water Pollution Control Facility may be referred to as the WPCF.

ARTICLE 2

PROPERTY SUBJECT TO THIS DECLARATION

2.1 **Development.** The development of Riotegi Planned Community shall consist of the Property, which shall be held, transferred, sold, conveyed, and occupied subject to this Declaration.

2.2 **No Right to Annex Additional Property or to Withdraw Property.** Declarant reserves no right to annex additional property to or to withdraw property from Riotegi Planned Community.

ARTICLE 3

OWNERSHIP AND EASEMENTS

3.1 **Nonseverability.** The interest of each Owner in the use and benefit of the Common Area and the Private Road 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 and the Private Road. Any conveyance of any Lot shall automatically transfer the right to use the Common Area, Irrigation System and the Private Road 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 such Owner's 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 agrees that no action for judicial partition shall be instituted, prosecuted, or reduced to judgment. Ownership interests in the Common Area, Private Road and Lots are subject to the easements granted and reserved in this Declaration. Each of the easements granted or reserved herein shall be deemed to be established upon the recording of this Declaration and shall thenceforth 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 Riotegi Planned Community

3.2 **Ownership of Lots.** Title to each Lot in Riotegi Planned Community 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 persons and/or entities shall constitute one Owner.

3.3 **Ownership of Common Area.** Title to any Common Area shall be conveyed to the Association not later than the date of the Turnover Meeting as defined below.

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

3.4.1 **Easements on Plat.** The Common Area and Lots are subject to the easements and rights-of-way shown on the Plat. The Association reserves the right to plant and maintain trees and shrubs within all easements shown on the Plat.

3.4.2 **Easements for Common Area and the Private Road.** Every Owner shall have a nonexclusive right and easement of use and enjoyment in and to the Common Area and the Private

Road, which shall be appurtenant to and shall pass with the title to every Lot, subject to all rules established by the Association. Such easement is subject to ORS 94.665, as may be amended from time to time.

3.4.3 Easements Reserved by Declarant. As long as Declarant owns any Lot, Declarant reserves an easement over, under, and across the Common Area and the Private Road in order to carry out construction and sales activities necessary or convenient for the construction or sale of Lots. Declarant, for itself and its successors and assigns, hereby retains a right and easement of ingress and egress to, from, over, in, upon, under, and across the Common Area and the Private Road 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 in such a way as not to interfere unreasonably with the occupancy, use, enjoyment, or access to an Owner's Lot by such Owner or such Owner's family, tenants, employees, guests, or invitees. As long as Declarant owns any Lot, Declarant reserves an easement for the exclusive use of the 41 foot by 75 foot maintenance building located on Tract C.

3.4.4 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, the Irrigation System and drainage facilities necessary for the development of Riotegi Planned Community. No structure, planting, or other material that may damage or interfere with the installation, operation, or maintenance of utilities, including the Irrigation System, shall be placed or permitted to remain within any easement area. No structure, planting, or other material that may damage, interfere with or change the direction of flow of drainage channels in the easements shall be placed or permitted to remain within any easement area.

3.4.5 Association's Easements. Declarant grants to the Association and its duly authorized agents and representatives such easements over the Lots, the Common Area, the Irrigation System and the Private Road as are necessary to perform the duties and obligations of the Association, as set forth in this Declaration, the Bylaws, and the Articles, as the same may be amended.

3.4.6 Easement to Governmental Entities. Declarant grants a nonexclusive easement over the Common Area and the Private Road to all governmental and quasi-government entities, agencies, utilities, and their agents for the purposes of performing their duties as utility providers or regulatory agencies.

3.4.7 Perimeter Easement Benefitting Association. Declarant grants to the Association and its duly authorized agents and representatives an easement over that perimeter portion of each Lot that is included within the building setbacks set by applicable ordinances for the purposes of installation, maintenance, repair, and replacement of utilities, the Irrigation System, communication lines, and drainage. The Board may grant or convey the easements reserved herein to any governmental body or agency and/or any public or private utility company or provider, on a two-thirds vote of the Board members at a duly called and held Board meeting.

3.5 Declarant's Right to Dedicate Common Area and Grant Easements; Board's Authority After Title Transferred to Association. Declarant reserves the right and power to dedicate and/or convey any portion or all of the Common Area to any governmental body or agency. Declarant further reserves the right and power to grant an easement over the Common Area and the Private Road to any governmental body or agency or any public or private utility company or provider. Declarant further reserves the right and power to install, manage and operate the Irrigation System and to manage the water right permit or certificate, including transferring water rights within

the Property or entering into a temporary lease of water rights for in-stream purposes or to sell water rights. Declarant's rights and power under this Section 3.5 shall expire when the Common Area is conveyed to the Association. Thereafter, the Board shall have the same powers reserved to Declarant and may exercise such power upon a two-thirds or greater vote of the Board members at any duly called and held Board meeting. The provisions of this Section 3.5 shall control over any provisions to the contrary contained in any other Section of the Declaration; provided, however, none of the rights under this Section 3.5 shall deprive the Owners of Lots from using the Private Road for access to their Lots.

ARTICLE 4 LOTS AND HOMES

4.1 Land Use And Building Types. The use of all Lots shall be restricted to one (1) dwelling for a single family for residential purposes, except as hereinafter set out. No building shall be erected, altered, placed, or permitted to remain on any Lot other than one (1) detached single family dwelling and accessory building(s) consisting of the private garage and such other outbuildings as are incidental to the residential use of the lot.

4.2 Dwelling Quality and Size. The floor area of the Home, exclusive of garages and open porches shall not be less than THREE THOUSAND (3,000) SQUARE FEET. None of the following products shall be used on the outside of any Home as an exterior finish: asbestos siding, tar-paper siding, asbestos shakes or shingles, T-1-11, oriented strand board, plywood or other similar sheeting material. All roofs shall be slate, tile or such other material as approved by the ARC. All roofs shall be built with a minimum of a 4/12 pitch. All accessory buildings shall conform generally in architectural design, be constructed of the same exterior materials, and have the same finish as the Home to which it is appurtenant. All driveways shall be hard surfaced as approved by the ARC.

4.3 Dwelling Location. All buildings shall be located upon such lots in conformity with the requirements of the codes and ordinances of Douglas County, Oregon, in effect upon the date of recording this Declaration or as they may be amended.

4.4 Occupancy and Completion Time. No Home shall be occupied permanently or temporarily prior to 100% completion. All buildings shall be completed within eighteen months from the start of construction.

4.5 Residential Use. Lots shall only be used for residential purposes. Except with the Board's consent no trade, craft, business, profession, commercial, or similar activity of any kind shall be conducted on any Lot, and no goods, equipment, vehicles, materials, or supplies used in connection with any trade, service, or business shall be kept or stored on any Lot. Nothing in this Section 4.5 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, and to use any residence as a sales office or model home for purposes of sales in Riotegi Planned Community, and (c) the right of the Owner of a Lot to maintain such Owner's personal business or professional library, keep such Owner's personal business or professional records or accounts, handle such Owner's personal business or professional telephone calls, or confer with business or professional associates, clients, or customers in such Owner's residence. The Board shall not approve commercial activities otherwise prohibited by this Section 4.5 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.

4.6 Landscaping. When any Home shall be constructed on any portion of any Lot, the Owner shall cause the Lot to be seeded and suitably planted with grass and decorative shrubs. Owners shall irrigate their entire yard to keep lawns green and other landscaping fresh. Irrigation shall be undertaken in a manner wherein there is no runoff resulting in interference with any other Lot, the Common Area, the Private Road or any real property outside Riotegi Planned Community.

4.7 Maintenance of Lots and Homes. Each Owner shall maintain such Owner's Lot, developed or undeveloped, and all improvements on such Owner's Lot in a clean and attractive condition, in good repair, and in such fashion as not to create a fire hazard. Such maintenance shall include, without limitation, maintenance of windows, doors, garage doors, walks, patios, chimneys, and other exterior improvements and glass surfaces. Each Owner shall repair damage caused to such Owner's Lot or improvements located thereon by fire, flood, storm, earthquake, riot, vandalism, or other causes within a reasonable period.

4.8 Rental of Homes. An Owner may rent or lease such Owner's Home or a portion thereof, provided that the following conditions are met:

4.8.1 Written Rental Agreements Required. The Owner and the tenant enter into 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) a failure to comply with any provision of the Declaration, Bylaws, and Rules and Regulations shall constitute a default under the rental or lease agreement;

4.8.2 Minimum Rental Period. The period of the rental or lease is not less than 30 days;

4.8.3 Tenant Must be Given Documents. The Owner gives each tenant a copy of the Declaration, Bylaws, and Rules and Regulations.

4.9 Animals. No animals, livestock, or poultry of any kind, other than a reasonable number of household pets that are not kept, bred, or raised for commercial purposes and that are reasonably controlled so as not to be a nuisance, shall be raised, bred, kept, or permitted within any Lot. Owners whose pets cause any inconvenience or unpleasantness to other Owners shall take all steps reasonably necessary to prevent recurrence thereof, including removal, and Owners whose pets damage other Owners' Lots or personal property shall reimburse such other Owners for reasonable costs actually incurred by such other Owners in repairing such damage. An Owner shall ensure that such Owner's dog is leashed when on the Property and outside of such Owner's Lot. An Owner may be required to remove a pet on the receipt of the third notice in writing from the Board of a violation of any rule, regulation, or restriction governing pets within the Property.

4.10 Nuisance. No noxious, harmful, or offensive activities shall be carried out on any Lot, the Common Area or the Private Road. Nor shall anything be done or placed on any Lot, the Common Area or the Private Road that interferes with or jeopardizes the enjoyment of, or that is a source of annoyance to, the Owner or other Occupants.

4.11 Septic System - General. To help ensure proper operation of the WPCF, no Owner shall allow any person to dispose of foreign substances or chemicals in that Owner's toilets or sink drains. Such foreign substances include feminine hygiene products, cigarette butts, dental floss, kitty litter, grease and paper towels. Such chemicals include paints, varnishes, pesticides, septic tank additives, liquid drain cleaners and excessive amounts of cleanser or cleaning products. All Owners shall immediately report to the Association any of the following symptoms with their plumbing system: slowly draining sinks and toilets, gurgling sounds in the plumbing, sewage odors, plumbing backups and wet or mushy ground. No Owner shall allow anyone to drive or park a motor vehicle on any portion of the Owner's septic system. To prevent injury or death from toxic gasses, no

Owner shall enter into their septic tank and all Owners shall exercise extreme care when inspecting or looking into their septic tank

4.12 Individual Septic System Requirements. Upon installation of their respective septic systems, the Owners of a Lot shall install septic tanks as approved by the ARC and in accordance with all governmental rules and regulations and all such tanks shall be of equal or better quality than Willamette Graystone TD1500 tanks. No fiberglass or plastic tanks shall be allowed. Upon installation of their respective septic systems, the Owners of a Lot shall, if required by the ARC or applicable governmental rules and regulations, install required pump packages, which shall be of equal or better quality than Prostep PAS-110 pump packages.

4.13 Vehicles in Disrepair. No Owner shall permit any vehicle that is in a state of disrepair to remain parked on the Common Area or on any street on or adjacent to the Property at any time and may not permit them on a Lot for a period in excess of 48 hours. An Owner may permit a vehicle that is in a state of disrepair to remain parked in the Owner's designated parking space on Tract C. A vehicle shall be deemed in a "state of disrepair" when the Board reasonably determines that its presence offends the occupants of the neighborhood. If an Owner fails to remove such vehicle within five days following the date on which the Association mails or delivers to such Owner a notice directing such removal, the Association may have the vehicle removed from the Property and charge the expense of such removal to the Owner as a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.14 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 or by a licensed real estate agent, not exceeding 24 inches high and 36 inches long, may be temporarily displayed on any Lot. The restrictions contained in this Section shall not prohibit the temporary placement of "political" signs on any Lot by the Owner or Occupant. Provided, however, political signs shall be removed within three days after the election day pertaining to the subject of the sign. Real estate signs shall be removed within three days after the sale closing date.

4.15 Rubbish and Trash. No Lot or part of the Common Area or the Private Road 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 proper disposal and out of public view. Yard rakings, dirt, and other material resulting from landscaping work shall not be dumped onto streets, the Common Area, or any other Lots. If an Owner fails to remove any trash, rubbish, garbage, yard rakings, or any similar materials from any Lot, any streets, or the Common Area where deposited by such Owner or the Occupants of such Owner's Lot after notice has been given by the Board to the Owner, the Association may have such materials removed and charge the expense of such removal to the Owner. Such charge shall constitute a Reimbursement Assessment, which may be collected and enforced as any other assessments imposed pursuant to the Declaration and Bylaws.

4.16 Fences and Hedges. Generally, fences and hedges will be discouraged on the Property. Any proposed fence or hedge will have to be approved by the ARC pursuant to Article 8 of this Declaration.

4.17 Service Facilities. Service facilities (garbage containers, fuel tanks, clotheslines, etc.) shall be screened so that such facilities are not visible at any time from the street or a neighboring property. All telephone, electrical, cable television, and other utility installations shall be placed underground in conformance with applicable law.

4.18 Antennas and Satellite Dishes. Except as otherwise provided by law or this section,

no exterior antennas, satellite dishes, microwave, aerial, tower, or other devices for the transmission or reception of television, radio, or other forms of sound or electromagnetic radiation shall be erected, constructed, or placed on any Lot. Exterior satellite dishes or antennas with a surface diameter of three feet or less and antennas designed to receive television broadcast signals only may be placed on any Lot if they are not visible from the street and are screened from neighboring Lots. The Board may adopt reasonable rules and regulations governing the installation, safety, placement, and screening of such antennas, satellite dishes, and other transmission devices. Such rules shall not unreasonably delay or increase the cost of installation, maintenance, or use or preclude reception of a signal of acceptable quality. (The Board, in its sole discretion, may determine what constitutes a signal of acceptable quality.) Such rules may prohibit installation of exterior satellite dishes or antennas if signals of acceptable quality can be received by placing antennas inside a Home without causing an unreasonable delay or cost increase.

4.19 Basketball Hoops. No Owner may install a basketball hoop in the front portion of any Lot where the area of play is intended to include any portion of the Private Road.

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

4.21 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 (a) restore the damaged improvements or (b) remove all damaged improvements, including foundations, and leave the Lot in a clean and safe condition. Any restoration proceeding under (a) above must be performed so that the improvements are in substantially the same condition in which they existed before the damage. The Owner must commence such work within 60 days after the damage occurs and must complete the work within six months thereafter.

4.22 Association Rules and Regulations. The Board from time to time may adopt, modify, or revoke such Rules and Regulations governing the conduct of persons and the operation and use of Lots and the Common Area as it may deem necessary or appropriate to assure the peaceful and orderly use and enjoyment of the Property and the administration and operation of the Association. A copy of the Rules and Regulations, upon adoption, and a copy of each amendment, modification, or revocation thereof, shall be delivered by the Board promptly to each Owner and shall be binding upon all Owners and occupants of all Lots on 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. Subject to the Board's approval or consent, the Board may adopt rules and regulations pertinent to its functions.

4.23 Ordinances and Regulations. The standards and restrictions set forth in this Article 4 shall be the minimum required. To the extent that local governmental ordinances and regulations are more restrictive or provide for a higher or different standard, such local governmental ordinances and regulations shall prevail.

4.24 Garage Doors. For the benefit of Riotegi Planned Community, all Owners are required to keep garage doors closed unless occupants are actively working in the garage.

4.25 Day Care Centers. Under no circumstances shall any residence on any lot in this subdivision be utilized as a licensed day care facility unless approved in writing by seventy percent

(70%) of the Owners.

4.26 Poles And Overhead Wires. No poles or overhead wires shall be permitted within the subdivision except for those installed by the Declarant or any public utility company. This paragraph shall not apply to power poles or lines already existing at the time of this Declaration, or the rights of the public utility company to maintain or reconstruct same, nor shall this provision prohibit the exercise of rights under pre-existing easements or agreements.

4.27 Swimming Pools. No swimming pool shall be constructed in any front yard area of a Lot. No swimming pool shall be constructed or placed in the back yard area of a Lot unless it is screened from ordinary view of the adjoining Lots and streets. No above ground pools shall be allowed on any Lot. Irrigation System water shall not be used to fill swimming pools.

4.28 Temporary or Manufactured Structures. No temporary or manufactured structure or outbuilding, including but not limited to tents, trailer houses, mobile homes, manufactured homes or modular homes, shall be occupied as a permanent or temporary residence, barn, outbuilding or otherwise, on the Property. The term "temporary or manufactured structure" as used herein is intended to include all forms of structures constructed for movement on the public highways, including all forms of houses which are now referred to as "manufactured structures," "manufactured dwellings," "modular homes," and similar terms. The term "temporary or manufactured structure" as used herein includes any structure which is constructed off site, either as a unit or as major sections (room-size or larger), and then transported either as a unit or in major sections to the building site to be placed or have the major sections assembled there. These terms apply to all such structures as a type, regardless of the length of time they are actually occupied or used or the use for which such structures are intended.

4.29 Commercial or Large Vehicles. Except as provided in this paragraph, no commercial vehicles, trucks over one ton hauling capacity, campers, travel trailers, motor homes, boats, boat trailers, trailers or other recreational vehicle shall be kept or stored on any lot in such a manner as to be visible from any street, Lot or the Common Area. Further, such vehicles shall not be used for occupancy on any Lot. Owners may allow occasional guests to park and occupy a trailer or recreational vehicle upon the Owner's Lot but not for any period exceeding three days.

4.30 Parking. Except for occasional visitors, no parking on the Private Road is allowed.

ARTICLE 5

COMMON AREA AND PRIVATE ROAD

5.1 Use of Common Area and Private Road. Use of the Common Area and Private Road is subject to the provisions of the Declaration, Bylaws, Articles, and the Rules and Regulations adopted by the Board. There shall be no obstruction of any part of the Common Area and Private Road. Excepting designated storage areas on Tract C, nothing shall be stored or kept in the Common Area or the Private Road without the prior written consent of the Board. No alterations or additions to the Common Area or the Private Road shall be permitted without the prior written consent of the Board. The Common Area owned by the Association consists solely of Tracts A, B and C, and unless the context is otherwise, includes the Water Pollution Control Facility, the Irrigation System, barn, river park, RV parking and related easements.

5.2 Maintenance of Common Area and Private Road. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the Common Area, including, but not limited to, the Water Pollution Control Facility, the Irrigation System, the Private Road and that portion of the Property lying north of Bonifacio Lane. The Association shall keep these portions or

improvements of the Property in good condition and repair, provide for all necessary services, and cause all acts to be done that may be necessary or proper to assure their continued maintenance.

5.3 Alterations to Common Area and Private Road. Only the Association shall construct, reconstruct, or alter any improvement located on the Common Area, the Private Road or that portion of the Property lying north of Bonifacio Lane. A proposal for any construction of or alteration, maintenance, or repair to any such improvement may be made at any Board meeting. The Board may adopt a proposal, subject to the limitations contained in the Bylaws and this Declaration.

5.4 Funding. Expenditures for alterations, maintenance, or repairs to an existing improvement for which a reserve has been collected shall be made from the Reserve Account. As provided in Article 10, 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 the Private Road) 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 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 Board shall receive and expend the entire award in a manner that, in the Board's discretion, is in the best interest of the Association and the Owners. The Association shall represent the interest of all Owners in any negotiations, suit, action, or settlement in connection with such matters.

5.6 Damage or Destruction of Common Area and Private Road. If all or any portion of the Common Area, the Private Road or that portion of the Property lying north of Bonifacio Lane is damaged or destroyed by an Owner or any of Owner's guests, Occupants, tenants, licensees, agents, or members of Owner's family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner hereby authorizes 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. Reasonable costs incurred in connection with effecting such repairs shall become a special assessment on the Lot and against the Owner who caused or is responsible for such damage.

5.7 Power of Association to Sell, Dedicate, or Transfer Common Area. As provided in ORS 94.665, the Association may sell, dedicate, transfer, grant a security interest in, or grant an easement for installation and maintenance of utilities or for similar purposes with respect to any portion of the Common Area. Except for grants of easements for utility-related purposes, no such sale, dedication, transfer, or grant of a security interest shall be effective unless approved by 80% of the votes of both Class A and Class B members and the Douglas County Planning Department. Provided further, if there is only one class of votes, such sale, dedication, transfer, or grant of a security interest (other than a grant of an easement for utility-related purposes) must be approved by 80% of the votes held by Owners other than Declarant.

5.8 Shared Open Space Supplemental Provisions. These supplemental provisions concern Shared Open Space and the requirements of Douglas County Land Use and Development Ordinance ("LUDO") § 4.275(3) relating thereto. Should there be any conflict between the other provisions of this Declaration and these supplemental provisions, these supplemental provisions shall prevail. This Declaration and these supplemental provisions are intended to implement the requirements of the LUDO, including § 4.275(3). To that end, this Declaration and these supplemental provisions shall be interpreted consistently with LUDO §4.275(3). In this Declaration,

the term "Common Area" shall mean Shared Open Space. Shared Open Space is designated on the development plat map, including the location and size of the Shared Open Space. Shared Open Space shall be accessible, either by direct frontage or by access easement, to all Lots shown on the plat map. Douglas County, in its discretion, shall have authority, but not the duty, to enforce these supplemental provisions. To the extent not accomplished in this Declaration, the deed conveying the Common Area/Shared Open Space to the Association shall include provisions that guarantee: (1) the continuation of such land in open space use; (2) the continuity of property maintenance, including the necessary financial arrangements for such maintenance; and (3) that the Association shall not be dissolved nor shall it dispose of any Shared Open Space, by sale or otherwise, except to another legal entity which has been conceived and organized for the purpose of maintaining the Shared Open Space in common. The requirements and restrictions set forth in this paragraph apply to the Shared Open Space, even if the instrument of conveyance fails to adequately address the same. The Shared Open Space may be improved for open space uses beneficial to the development. Shared Open Space shall not be considered a lot of record for the purpose of additional residential development. These supplemental provisions are permanent and not subject to amendment or modification, except upon the prior written approval of the Douglas County Planning Department.

ARTICLE 6 WATER POLLUTION CONTROL FACILITY AND IRRIGATION SYSTEM

6.1 Water Pollution Control Facility. A portion of the Common Area shall be used and managed for a Water Pollution Control Facility (the "WPCF"), which the Association shall operate and maintain in accordance with Oregon Department of Environmental Quality (the "DEQ") Permit No. 102893 (the "Permit") and the WPCF Operation and Maintenance Manual (the "Manual") on file with the Association. Use and maintenance of the WPCF is subject to the provisions of the Declaration, Bylaws, Articles, Rules and Regulations adopted by the Board, Rules and Regulations adopted by the DEQ and the Manual on file with the Association.

6.2 Reservation of Rights. Declarant and the Association reserve the right to make future improvements to the WPCF for all legal purposes and to comply with the Permit.

6.3 No Gift or Dedication. This deed restriction applicable to the Common Area may not be construed as a gift or dedication of the Common Area to the general public, nor as a right of use or access by the general public.

6.4 Amendment of this Deed Restriction. No part of this deed restriction applicable to the Common Area may be terminated, amended, or revoked without the written approval of the Oregon Department of Environmental Quality.

6.5 Invalid in Part. If any provision of this deed restriction applicable to the Common Area is or becomes illegal or unenforceable for any reason, the remaining provisions will remain in full force and effect.

6.6 Maintenance of the WPCF. The Association shall be responsible for maintenance, repair, replacement, and upkeep of the WPCF in accordance with the terms of the Permit and the Manual on file with the Association. At the present time, the Association has contracted with Onsite Wastewater Management of Roseburg, Oregon, to inspect, maintain and repair the WPCF in accordance with the Permit and the Manual. The Owner of each Lot shall maintain, repair and pump that Owner's individual septic tank and system no later than thirty days of receiving notification from Onsite Wastewater Management. Said maintenance, repair or pumping shall be in accordance

with the specifications provided by Onsite Wastewater Management and at the sole expense of the Owner. The Association and its duly authorized agents and representatives may, but are not obligated to, inspect and maintain each Owner's individual septic tank and system, as the Association and its duly authorized agents and representatives deem appropriate in their sole and arbitrary discretion.

6.7 Meter Reading. The Association shall be responsible for monitoring, reading and recording the WPCF flow meter in accordance with the Permit. Any expenses associated with said activities shall be paid from the Common Operating Account described in Article 10.

6.8 Funding. Expenditures for alterations, maintenance, or repairs to the WPCF for which a reserve has been collected shall be made from the WPCF Reserve Account described in Article 10. The Board may levy a special assessment to fund any construction, alteration, repair, or maintenance of the WPCF for which no reserve has been collected or for which the WPCF Reserve Account is insufficient to cover the cost of the proposed improvement.

6.9 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 Board shall receive and expend the entire award in a manner that, in the Board's discretion, is in the best interest of the Association and the Owners. The Association shall represent the interest of all Owners in any negotiations, suit, action, or settlement in connection with such matters.

6.10 Damage or Destruction of WPCF. If all or any portion of the WPCF is damaged or destroyed by an Owner or any of Owner's guests, Occupants, tenants, licensees, agents, or members of Owner's family in a manner that would subject such Owner to liability for such damage under Oregon law, such Owner hereby authorizes 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. Reasonable costs incurred in connection with affecting such repairs shall become a special assessment on the Lot and against the Owner who caused or is responsible for such damage.

6.11 Irrigation System. A portion of the Common Area and Lots shall be used and managed for the Irrigation System, which system the Association shall operate and maintain in accordance with the permitted and certificated water rights as issued by the Oregon Water Resources Department. Use, operation and maintenance of the Irrigation System are subject to the provisions of the Declaration, Bylaws, Articles and any Rules and Regulations adopted by the Board.

6.12 Reservation of Rights. The Declarant and the Association reserve the right to install, operate and make any future improvements to the Irrigation System for any purpose, including as necessary to comply with the terms and conditions contained in any permit or certificate issued by the Water Resources Department.

6.13 No Gift or Dedication. This deed restriction applicable to the Irrigation System may not be construed as a gift or dedication of the Irrigation System to the general public, nor as a right of use or access by the general public.

6.14 Amendment of this Deed Restriction. No part of this deed restriction may be terminated, amended, or revoked without the written approval of the Declarant or the Association.

6.15 Invalid in Part. If any provision of this deed restriction applicable to the Irrigation System is or becomes illegal or unenforceable for any reason, the remaining provisions will remain in full force and effect.

6.16 Maintenance of the Irrigation System. The Association shall be responsible for

the maintenance, repair, replacement, operation, and upkeep of the Irrigation System.

6.17 Owner Access. Upon the request of the Owner of a Lot, the Association shall provide a tap into the Irrigation System whereby the Lot Owner will be able to attach at the Owner's sole cost, a water line to provide irrigation water to Owner's Lot. At the discretion of the Association, the Association may require the Owner to acquire and install, at the Owner's expense, a water flow meter at the tap point.

6.18 Funding. Expenditures for alternations, maintenance, operation or repairs to the Irrigation System, for which a reserve has been collected, shall be made from the Reserve Account described in Article 10. The Board may levy a special assessment to fund any construction, alteration, repair, operation or maintenance of the Irrigation System for which no reserve has been collected or for which the Reserve Account is insufficient to cover the cost of the proposed expenditure.

6.19 Damage or Destruction of Irrigation System. If all or any portion of the Irrigation System is damaged or destroyed by any Owner or any of Owner's guests, occupants, tenants, licensees, agents or members of Owner's family, such Owner hereby authorizes the Association to repair such damage. Likewise, if any portion of the water line that an Owner has tapped off the Irrigation System for the purpose of providing irrigation water to a Lot pursuant to Article 6. herein, is damaged or destroyed by any Owner or any of Owner's guests, occupants, tenants, licensees, agents or members of Owner's family, such Owner hereby authorizes the Association to repair such damage if Owner does not complete the repairs within ten days written notice by Association. The Association shall repair the damage and restore the area in a good and workmanlike manner as originally constituted or as may be modified or altered subsequently by the Association in the discretion of the Board. Reasonable costs incurred in connection with such repairs shall become a special assessment on the Lot and against the Owner.

6.20 Meters. If individual meters are ever required by a governmental agency or by the Association, then the Owner of each Lot agrees to pay for all costs associated with the installation of the meter to the Lot and agrees thereafter to pay any costs for the use of the Irrigation System in proportion to the use as reflected by that percentage that the amount of water use attributable to the Lot bears to the total amount of water used by the combined users of the Irrigation System.

6.21 Potable Water. The Irrigation System water is for irrigation purposes only and is not designed to be fit for human consumption.

6.22 Distribution and Drought Management. In the event there is a drought or other event resulting in their being insufficient water to irrigate all of the Lots, or there is a disagreement among the Owner relative to the distribution or division of the water through or from the Irrigation System, the Association shall make a just distribution or division of water among the Owners.

6.23 Transfer. The permitted and certificated water rights are appurtenant to the Property and shall remain appurtenant to the premises upon which it is used and no change in use or place of use for any purpose or sale of water rights may be made, except by the Association. For the purposes of any transfer of water right, the Association or Declarant shall be considered the sole "owner" of the water right subject to transfer. The Association or Declarant may, upon compliance with the provisions of ORS 540.520 and 540.530, if such compliance is required, change the place of use, the point of diversion or the use thereafter made of the water. It is the intent of the Declarant and Association that any water right appurtenant to that portion of the Property that will be covered by a driveway, home, garage or otherwise non-vegetated area shall be transferred to other areas within the Property or transferred temporarily or permanently to in-stream purposes or sold by the

Association or Declarant. Pursuant to paragraph 3.4.5, the Association has an easement to enter and survey any Lot to carry out the intent of this paragraph.

ARTICLE 7

MEMBERSHIP IN THE ASSOCIATION

7.1 Members. Each Owner shall be a 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 shall automatically transfer membership in the Association. Without any other act or acknowledgment, Occupants and Owners shall be governed and controlled by this Declaration, the Articles, Bylaws, and the Rules and Regulations of the Association and any amendments thereof.

7.2 Proxy. Each Owner may cast such Owner's vote in person, by written ballot, or pursuant to a proxy executed by such Owner. An Owner may not revoke a proxy given pursuant to this Section 7.2 except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy shall not be valid if it is undated or purports to be revocable without notice. A proxy shall terminate one year after its date, unless the proxy specifies a shorter term.

7.3 Voting Rights. The Association shall have two classes of voting members:

7.3.1 Class A. Class A members shall be all Owners of Lots other than Declarant, and each Class A member shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote.

7.3.2 Class B. The Class B member shall be Declarant, its successors, and its assigns. The Class B member shall have three votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the earlier of the following dates (the "Termination Date"):

(a) The date on which 70% of the total number of Lots in Riotegi Planned Community have been sold and conveyed to Owners other than Declarant; or

(b) The date on which Declarant elects in writing to terminate Class B membership.

After the Termination Date, each Owner, including Declarant, shall be entitled to one vote for each Lot owned with respect to all matters on which Owners are entitled to vote, and the total number of votes shall be equal to the total number of Lots subject to this Declaration, initially or through annexation.

When more than one person or entity owns a Lot, the vote for such Lot may be cast as they shall determine, but in no event shall fractional voting be allowed. Fractional or split votes shall be disregarded, except for purposes of determining a quorum.

7.4 Procedure. All meetings of the Association, the Board and Association committees shall be conducted with such rules of order as may from time to time be adopted by the Board. Notwithstanding which rule of order is adopted, the President 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

ARCHITECTURAL REVIEW COMMITTEE

8.1 Committee Makeup. The Architectural Review Committee (ARC) presently is composed of Juan Yraguen, Jaime Yraguen and Nick Yraguen. There shall at all times be three members on said committee. In the event of the resignation or death of any three of the present committee members that member's successor shall be appointed by the other two. In the event of the death or resignation of two of said three present members, the successors shall be appointed by

the remaining member of said three person committee. In the event of the death or resignation of all three members of said present three person committee then the successors to said three person committee shall be elected by the Owners of the Lots in Riotegi Planned Community. Except for the present members of said committee, any future member, while a member, must be a member of the Association. In the event all of the present members of the Architectural Review Committee are replaced and subsequently one of the three new members resigns or dies, that member shall be replaced by appointment by the other then new members and in the event of the death or resignation of all three future members of said future Architectural Review Committee, the successors to said three person committee shall be elected by the Riotegi Homeowners' Association. No member of the Architectural Review Committee shall receive any compensation or make any charge for the member's services.

8.2 Authority. The Architectural Review Committee shall have the authority, but not the obligation, to enforce any covenant, condition or restriction contained in this Declaration. Such authority shall not act to prohibit or otherwise interfere with or alter any individual homeowner's rights to enforce the terms of this Declaration.

8.3 Approval Required Before Construction. No residence, building, fence, hedge, wall, septic tank or other permanent structure shall be erected, altered, or placed on any Lot, until building plans, name of builder, specifications and plot plans showing the location of structure on the Lot have been submitted to and approved, in writing, by the Architectural Review Committee as to quality of workmanship and materials, architectural design, harmony of external design with existing structures, compatibility with surrounding vegetation, location with respect to topography and finished excavation, and location so as not to interfere with reasonable enjoyment of any other Lot. The Architectural Review Committee shall have the authority to approve all builders and to create an "approved builder list" for the purpose of ensuring high quality construction within the Property. In reviewing proposed construction of fences, hedges and walls, the Architectural Review Committee shall consider, in addition to the criteria stated above, whether the proposed fence, hedge or wall is aesthetically pleasing on both sides of the structure. The Architectural Review Committee may charge the Owner a review and approval fee as deemed appropriate by the Architectural Review Committee in its sole and arbitrary discretion but in any event not to exceed \$5,000. The color of any building, fence, wall or other permanent structure shall not be changed unless approved by the Architectural Review Committee.

8.4 Implied Approval. Upon failure by the Architectural Review Committee or its designated representative to approve or disapprove plans and specifications for any structures or change in color of any existing structure within sixty days after the same have been properly presented, approval thereof will be deemed to have been made, providing the proposed construction complies with all the provisions of this Declaration.

8.5 Submission of Plans. When a Lot owner wishes to begin construction, the owner shall provide building specifications to the Architectural Review Committee on a form provided by the committee which will provide the committee with the necessary information for review of the construction. Such information shall include building floor plan and elevations, specifications of certain materials to be used, precautions to be taken during the building process and a complete site plan. The Architectural Review Committee shall have the power to require a string layout and indications of the date of final completion. The string layout shall outline the exterior perimeter of the house and shall locate the entry, driveway, parking and carport or garage. Similar submittal with complete applicable information shall be required for later additions, remodeling and planting or

removing of vegetation. One set of plans and submittal documents must be delivered to at least one member of then existing Architectural Review Committee.

8.6 Waiver. Consent by the Architectural Review Committee to any matter proposed to it within its jurisdiction shall not be deemed to constitute a precedent or waiver impairing its right to approve or withhold approval as to any similar matter thereafter proposed or submitted to it for consent.

8.7 Liability. Neither the Architectural Review Committee nor any member thereof shall be liable to any owner for any damage, loss or prejudice suffered or claimed on account of any action or failure to act of the committee or a member thereof.

ARTICLE 9

DECLARANT'S CONTROL AND SPECIAL RIGHTS

9.1 Interim Board and Officers. Declarant hereby reserves administrative control of the Association. Declarant, in its sole discretion, shall have the right to appoint and remove members of an interim board (the "Interim Board"), which shall manage the affairs of the Association and be invested with all powers and rights of the Board until the Turnover Meeting (as hereinafter defined). The Interim Board shall consist of from one to three members.

9.2 Turnover Meeting. Declarant shall call a meeting for the purposes of turning over administrative control of the Association from Declarant to the Class A members within 60 days of the earlier of the following dates:

9.2.1 Earliest Date. The date on which Lots representing 70% of the total number of votes of all Lots in Riotegi Planned Community have been sold and conveyed to persons other than Declarant;

9.2.2 Optional Turnover. The date on which Declarant has elected in writing to terminate Class B membership.

Declarant shall give notice of the Turnover Meeting to each Owner as provided in the Bylaws. If Declarant does not call the Turnover Meeting required under this Section, then any Owner may do so.

9.3 General. Declarant is undertaking the work of developing Lots and other improvements within Riotegi Planned Community. 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 Area, Private Road and each Lot on the Property, Declarant shall have the special rights set forth in this Article 9.

9.4 Marketing Rights. Declarant shall have the right to maintain a sales office and model on one or more of the Lots that Declarant owns. 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. Declarant may maintain a reasonable number of "For Sale" signs at reasonable locations on the Property, including, without limitation, on the Common Area and Private Road.

9.5 Declarant Easements. Declarant reserves easements over the Property as more fully described in Sections 3.4 and 3.5 hereof.

9.6 Additional Improvements. Declarant does not agree to build any improvements not described in this Declaration.

ARTICLE 10
FUNDS AND ASSESSMENTS

10.1 Purpose of Assessments; Expenses. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, aesthetics, and welfare of the Owners and Occupants of Riotegi Planned Community, for the improvement, operation, and maintenance of the Common Area and Private Road, for the administration and operation of the Association and for property and liability insurance.

10.2 Covenants to Pay. Declarant and each Owner covenant and agree to pay the Association the assessments and any additional charges levied pursuant to this Declaration or the Bylaws. All assessments for operating expenses, repairs and replacement, and reserves shall be allocated among the Lots and their Owners as set forth in this Article 10.

10.2.1 Funds Held in Trust. The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely as set forth in Section 10.1. On the sale or transfer of any Lot, the Owner's interest in such funds shall be deemed automatically transferred to the successor in interest to such Owner.

10.2.2 Offsets. No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

10.2.3 Right to Profits. Association profits, if any, shall be the property of the Association and shall be contributed to the Current Operating Account.

10.3 Basis of Assessment; Commencement of Assessments. Declarant shall pay all common expenses of the Association until the Lots are assessed for common expenses. The amount and date of commencement of the initial annual assessment to Owners other than Declarant shall be determined by Declarant. In the sole and unfettered discretion of Declarant, Declarant may defer payment of reserves for a Lot until the Lot is conveyed to a third party. However, Declarant may not defer payment of accrued reserves beyond the date of the Turnover Meeting.

10.4 Annual Assessments. Annual assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. The initial annual assessment shall be determined by Declarant and shall be prorated on a monthly basis at the time of the closing of the first sale from Declarant. For proration purposes, any portion of a month shall count as a full month. Annual assessments shall be payable on a periodic basis, not more frequently than monthly, as determined by the Board. The fiscal year shall be the calendar year unless another year is adopted by vote of the Association members.

10.4.1 Budgeting. Each year the Board shall prepare, approve, and make available to each Member an operating statement (budget) containing:

- (a) an itemized estimate of revenues and expenses on an accrual basis;
- (b) itemized summary of the amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area, Private Road and other contingencies;
- (c) an itemized estimate for the remaining life of, and the methods of funding to defray repair, replacement, or additions to major components of such improvements as provided in this Article 10;
- (d) the annual assessment for each of the following categories:
 1. Ordinary maintenance and operating expenses, including property taxes, attributable to Tract A of the Common Area;

2. Ordinary maintenance and operating expenses, including utility expenses and property taxes, attributable to Tract B of the Common Area, which includes the Water Pollution Control Facility;
3. Ordinary maintenance and operating expenses, including property taxes, attributable to Tract C of the Common Area, which includes the barn, RV parking area and maintenance building
4. Ordinary maintenance and operating expenses attributable to the Private Road;
5. Ordinary maintenance and operating expenses attributable to the Irrigation System;
6. All other common expenses not solely attributable to Tract A, B and C including, but not limited to, all property and liability insurance premiums;
7. Reserves to defray the costs of repair, replacement, or additions to the Private Road;
8. Reserves to defray the costs of repair, replacement, or additions to Tract A of the Common Area;
9. Reserves to defray the costs of repair, replacement, or additions to Tract B of the Common Area, which includes the Water Pollution Control Facility;
10. Reserves to defray the costs of repair, replacement, or additions to Tract C of the Common Area, which includes the barn, RV parking area and maintenance building; and,
11. Reserves to defray the costs of repair, replacement, or additions to the Irrigation System.

(e) a general statement setting forth the procedures used by the Board in the calculation and establishment of the above annual statements.

Notwithstanding that budgeting shall be done on an accrual basis, the Association's books shall be kept on a cash basis and the Association shall be a cash basis taxpayer, unless applicable governmental regulations require otherwise. 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 or summary thereof to each Member, together with written notice of the amount of the annual assessments to be levied against the Owner's Lot, within 30 days after adoption of such budget.

10.4.2 Allocation of Assessments. The annual assessments in each year's budget shall be charged against all eleven (11) of the Lots equally.

10.4.3 Nonwaiver 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 Special Assessments. The Board and/or the Owners shall have the power to levy special assessments against an Owner or all Owners in the following manner for the following purposes:

10.5.1 Correct Deficit. To correct a deficit in the operating budget, by vote of a majority of the Board;

10.5.2 Special Obligations of an Owner. To collect amounts due to the Association from an Owner for breach of the Owner's obligations under this Declaration, the Bylaws, or the Rules and Regulations, by vote of a majority of the Board;

10.5.3 Repairs. To collect additional amounts necessary to make repairs or renovations to the Common Area and Private Road if sufficient funds are not available from the operating budget or replacement reserve accounts, by vote of a majority of the Board; or

10.5.4 Capital Improvements. To make capital acquisitions, additions or improvements, by vote of at least 70% of all votes allocated to the Lots.

10.5.5 Reimbursement Assessments. The Association shall levy a reimbursement assessment against any Owner and such Owner's Lot if a failure to comply with this Declaration, Bylaws or any Rules and Regulations has (a) necessitated an expenditure of monies by the Association to effect compliance or (b) resulted in the imposition of a fine or penalty against such Owner or such Owner's Lot (a "Reimbursement Assessment"). A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association except on at least 10 days' written notice to the Owner being assessed. If, within said 10-day period, the Owner makes a written request to the Board for a hearing, a hearing shall be held. On request for a hearing, the Board shall conduct it not less than 10 nor more than 30 days after the request by the Owner, and shall make its decision within not more than 30 days after the hearing is held. If a notice has been previously given, and the hearing has already been held or waived (in writing or by the Owner's failure to appear) for the violation resulting in the Reimbursement Assessment, no additional notice and hearing is required before levying the Reimbursement Assessment.

10.6 Accounts.

10.6.1 Types of Accounts. Assessments collected by the Association shall be deposited into at least two separate accounts with a bank, which accounts shall be clearly designated as (a) the Common Operating Account and (b) the Reserve Account. The Board shall deposit those portions of the assessments collected into the following accounts:

ASSESSMENT	ACCOUNT
Ordinary maintenance and operating expenses attributable to the Common Area and Private Road or operation of the Association	Common Operating Account
Reserves to defray the costs of repair, replacement, or additions to the Common Area and Private Road	Reserve Account

Withdrawal of funds from any of the two accounts described above shall be for those purposes described above corresponding with each account.

10.6.2 Calculation of Reserve Assessment; Reserve Study. The Board of Directors of the Association shall annually conduct a reserve study, or review and update an existing study, of the Common Area and Private Road to determine the reserve account requirements.

10.6.3 Investment of Reserve Account. Nothing in this Section 10.6 prohibits the prudent investment of Reserve Account funds, subject to any constraints imposed by the Board, the Bylaws, or the Rules and Regulations.

10.6.4 Refunds of Assessments. Assessments paid into the Reserve Account are the property of the Association and are not refundable to sellers or Owners of Lots. Sellers or Owners of Lots may treat their outstanding share of the Reserve Account's balance as a separate item in the sales contract providing for the conveyance of their Lot.

10.6.5 Common Operating Account. All costs other than those to be paid from the Reserve Accounts may be paid from the Common Operating Account.

10.7 Default in Payment of Assessments, Enforcement of Liens.

10.7.1 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 (i.e., one other than through foreclosure or a deed in lieu of foreclosure), the grantees shall be jointly and severally liable with the grantors for all Association assessments imposed through the recording date of the instrument effecting the conveyance. A suit for a money judgment may be initiated by the Association to recover such assessments without either waiving or foreclosing the Association's lien.

10.7.2 Association Lien. The Association shall have a lien against each Lot for any assessment (of any type provided for by this Declaration or the Bylaws) or installment thereof that is delinquent. Such lien shall accumulate all future assessments or installments, interest, late fees, penalties, fines, attorney fees (whether or not suit or action is instituted), actual administrative costs, and other appropriate costs properly chargeable to an Owner by the Association, until such amounts are fully paid. Recording of the Declaration constitutes record notice and perfection of the lien. Said lien may be foreclosed at any time pursuant to the Planned Community Act. The Association shall record a notice of a claim of lien for assessments and other charges in the deed records of Douglas County, Oregon, before any suit to foreclose may be filed. 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 before the Association's notice of lien, and any mortgage or deed of trust granted to an institutional lender that is recorded before the Association's notice of lien.

10.7.3 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 and the Rules and Regulations adopted by the Board. Penalties may include, but are not limited to, termination of utilities including water and use of the WPCF or individual septic tanks. The adoption of such impositions shall be communicated to all Owners in writing not less than 30 days before the effective date by a notice mailed to the assessment billing address of such Owners. Such impositions shall be considered assessments that are lienable and collectible in the same manner as any other assessments; provided, however, that fines or penalties for violation of this Declaration, the Bylaws, or any rule and regulation, other than late fees, fines, or interest arising from an Owner's failure to pay regular, special, or reimbursement assessments may not be imposed against an Owner or such Owner's Lot until such Owner is given an opportunity for a hearing as elsewhere provided herein.

10.7.4 Acceleration of Assessments. If an Owner is delinquent in payment of any assessment or installment on any assessment, the Association, on not less than 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.

10.7.5 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 such Owner's Lot or shall be entitled to the appointment of a receiver.

**ARTICLE 11
GENERAL PROVISIONS**

11.1 Records. The Board shall preserve and maintain minutes of the meetings of the Association, the Board and any committees. The Board also shall 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 on the account, and the balance due on the assessments. The minutes of the Association, the Board and Board committees, and the Association's financial records shall be maintained in the State of Oregon and 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 such person is or was a Director, officer, employee, or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee, or agent of another corporation, partnership, joint venture, trust, or other enterprise, against expenses (including attorney fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by said person in connection with such suit, action, or proceeding if such person acted in good faith and in a manner that such person 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 that such person's conduct was unlawful. The termination of any action, suit, or proceeding by judgment, 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 that such person 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 that such person's 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 that created said liability.

11.3 Enforcement; Attorney Fees. The Association and the Owners and any mortgagee holding an interest on a Lot shall have the right to enforce all of the covenants, conditions, restrictions, reservations, easements, liens, and charges now or hereinafter imposed by any of the provisions of this Declaration as may appertain specifically to such parties or Owners by any proceeding at law or in equity. Failure by either the Association or by any Owner or mortgagee to enforce any covenant, condition, or restriction herein contained shall in no event be deemed a waiver of their right to do so thereafter. In the event suit or action is commenced to enforce the terms and provisions of this Declaration (including without limitations, for the collection of assessments), the prevailing party shall be entitled to its actual administrative costs incurred because of a matter or event that is the subject of the suit or action, attorney fees and costs in such suit or action to be fixed by the trial court, and in the event of an appeal, the cost of the appeal, together with reasonable

attorney fees, to be set by the appellate court. In addition thereto, the Association shall be entitled to its reasonable attorney fees and costs incurred in any enforcement activity or to collect delinquent assessments, together with the Association's actual administrative costs, whether or not suit or action is filed.

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

11.5 Duration. The covenants, conditions, and restrictions of this Declaration shall run with and bind the land for a term of 35 years from the date of this Declaration being recorded, after which time they shall be automatically extended for successive periods of 10 years, unless rescinded by a vote of at least 80% of the Owners and 80% of the first mortgagees; provided, however, that amendments that do not constitute rescission of the planned community may be adopted as provided in Section 11.6 and that if any of the provisions of this Declaration would violate the rule against perpetuities or any other limitation on the duration of the provisions herein contained imposed by law, then such provision shall be deemed to remain in effect only for the maximum period permitted by law or, in the event the rule against perpetuities applies, until 21 years after the death of the last survivor of the now living descendants of Juan Yraguen.

11.6 Amendment. Except as otherwise provided in Section 11.5 or ORS 94.590, and the restrictions set forth elsewhere herein, this Declaration may be amended at any time by an instrument approved by not less than 70% of the total votes of each class of members that are eligible to vote. Any amendment must be executed, recorded, and certified as provided by law; provided, however, that no amendment of this Declaration shall effect an amendment of the Bylaws or Articles without compliance with the provisions of such documents, and the Oregon Nonprofit Corporation Act and that no amendment affecting the general plan of development or any other right of Declarant herein contained may be effected without the express written consent of Declarant or its successors and assigns, including, without limitation, amendment of this Section 11.6.

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

11.8 Unilateral Amendment by Declarant. In addition to all other special rights of Declarant provided in this Declaration, 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. Before the Turnover Meeting, no such amendment shall require notice to or approval by any Class A member.

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

1. Declaration;
2. Articles;

3. Bylaws;
4. Rules and Regulations.

IN WITNESS WHEREOF, Declarant has executed this instrument this 6th day of MARCH, 2007.

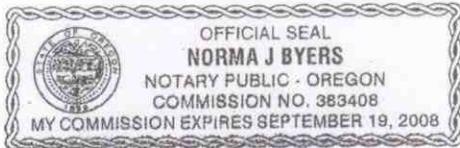
Basco Bros., LLC

By: Juan J. Yraguen
Juan J. Yraguen, Manager/Member

STATE OF OREGON)
) ss.
County of Douglas)

This instrument was acknowledged before me on March 6, 2007, by Juan J. Yraguen, Manager and Member of Basco Bros., LLC, an Oregon Limited Liability Company, on behalf of said company.

Norma J. Byers
Notary Public for Oregon
My commission expires: 9-19-08



DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR RIOTEGI
PLANNED COMMUNITY - PAGE 23

END OF DOCUMENT

